



Você, sem fronteiras.

# TIM Participações

## Sustainability Report 2010



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## 1. Message from the President

The brand repositioning and the recovery of innovation as characteristics, which started in 2009, paved the way for sustainable development in 2010...



Divulgação

If I had to define 2010 for TIM Participações S.A. (TIM), I would choose two words: resilience and consolidation. The brand repositioning and the recovery of innovation as characteristics, which started in 2009, paved the way for sustainable development in 2010 and allowed the consolidation of our Company's turnaround: we are currently the second largest company in the mobile segment, in terms of value generation. We launched differentiated plans, with inclusive profiles, not only for voice, but also for data, in order to benefit an increasing number of consumers. And these movements were conducted in accordance with environmental issues, by minimizing possible impacts generated by this growth.

"Clients speaking more, for less" summarizes the social inclusion characteristic of our community concept, launched with the Infinity and Liberty plans. These plans, which represent more than 80% of the carrier's customer base, leveraged an increase of 30% in the

average number of call minutes per user, reaching 129 in 2010. People without borders make companies without borders: TIM became market leader in the long distance call segment, with a 48% market share; a result that indicates a change in consumer behavior, in addition to contributing to the reduction of transportation needs, causing a drop in CO2 emissions (the main gas present in the greenhouse effect responsible for global warming).

Thus, with its community concept, TIM increased its scale, benefitting its consumers, the environment, and its business, which grew and strengthened, reaching significant results in 2010: it was the carrier that achieved the highest growth in number of clients, with 9.9 million additional lines and an incremental market share of 34%. The increase of this customer base improved TIM's profitability, with growth of 6.1% for its total net revenue and 29% for its EBITDA margin.

In addition to this growth, TIM reinforced its commitment to customer service quality. The agreements that TIM executed with Fundação Procon São Paulo (Consumer Protection Agency) and with Departamento de Proteção e Defesa do Consumidor (Department for Consumer Protection and Defense – DPDC), for the reduction in the number of complaints received by these agencies are proof of this effort.

These initiatives, in our view, are also part of a management style that focuses on sustainable development and whose topics, starting in 2010, are included in the meetings of the Internal Control and Corporate Governance Committee, one of the committees of the Company's Board of Directors. The recognition for this effort resulted in TIM's inclusion, for the third consecutive year, in BM&FBOVESPA's Corporate Sustainability Index (ISE), and Carbon Efficient Index (ICO2), launched in 2010 by the Exchange. In order to understand and provide transparency on the emissions that impact upon the environment, TIM enhanced its 2010 inventory, an area of work that will be the basis for the definition of the Company's climate change policy.

Our Social and Environmental Responsibility Policies – which guide TIM's actions – are based on the UN Global Compact principles, to which the Company has been a signatory since 2008. We use our sustainability report to inform the Company's Communication on Progress (COP)

for the actions related to the Global Compact principles, along with Global Reporting Initiative (GRI) indicators.

Minimizing the possible environmental impacts arising from our activities is also one of our commitments. The Company analyzes and follows up on the effects of the waste caused by the turnover in the replacement of cell phones and EMR emissions from Base Transceiver Stations (BTSS) to the environment. The launch of an offering model based on a separate TIMChip (SIM card), which postpones the replacement of cell phones, is an example. In addition, we invested in shared networks and sites in order to reduce the environmental impact on access systems.

TIM is also involved with the community: the project TIM Música nas Escolas (TIM Music at Schools), created in 2003, provided for the creation of four additional Brazilian music orchestras; its first album was launched in 2010, thus completing its lifecycle in December, 2011. The program has already benefitted over 20,000 students in public schools in 13 Brazilian cities. By the end of its cycle, the project will have created six Brazilian music orchestras.

The challenges of sustainable management continue and, in 2011, TIM will work to further enhance its sustainability, offering value to our clients and to the community in which we operate.

**Luca Luciani**

## 2. About the Report

For the third consecutive year, TIM has published its sustainability report with the application level B+ of the Global Reporting Initiative (GRI).



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### Global Reporting Initiative Guidelines

TIM has published its sustainability report in compliance with the guidelines from the Global Reporting Initiative (GRI), version G3, for the third consecutive year.

### Period covered

This report covers the period from January to December, 2010. The previous report covers the year of 2009.

### Indicators

TIM reports 68 indicators, of which 47 are essential and 21 are additional. As a result from its quest for continuous improvement in sustainability management, 17 indicators were added to this report. The data published here was collected quarterly, by the various areas of the Company, involving 19 different data centers. The objective is to increasingly expand the understanding of and compliance with these topics in the various departments of the Company.

### GRI application level

This report achieves a self-declared B+ application level by GRI, which establishes the reporting of all profile items, information on management style, and a minimum of 20 performance indicators, including at least one of the following areas: economy, environment, human rights, labor practices, society, and accountability for the product.

### 2.1 Scope

**To compose the materiality matrix, 43 interviews were conducted among company directors and representatives of stakeholders.**

The contents of this report refer to the activities of TIM Participações S.A. and its subsidiaries, TIM Celular S.A., and Intelig Telecomunicações LTDA, with limitations of scope. Part of the indicators on the environment, product responsibility and society does not include information on Intelig.

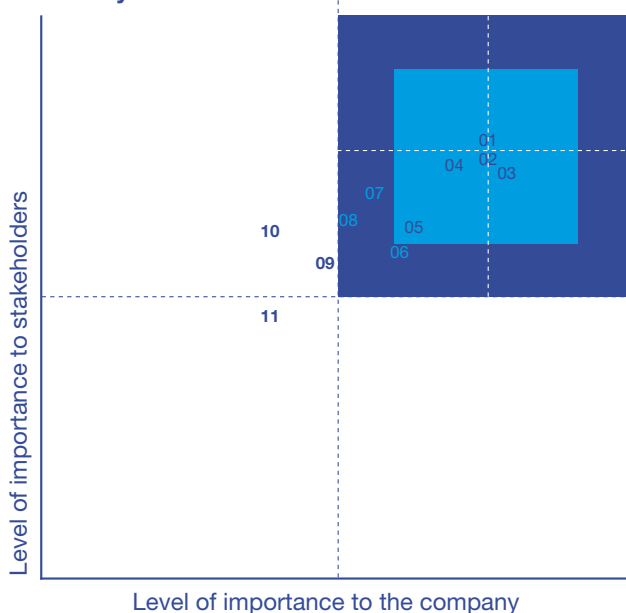
The incorporation of Intelig in December 2009, created the need for recalculation of the information published in the 2009 Sustainability Report for the purpose of comparability with the results of 2010. Indicators with this reformulation can be identified through the footnotes of the tables.

The adoption of GRI guidelines – which are international references for the reporting of social, economic, and environmental dimensions – reinforces the Company's commitment to transparency towards its stakeholders. TIM's main areas of interest are divided into the following categories: clients, suppliers, competitors, civil society organizations, community, internal stakeholders, shareholders, and environmental regulatory agencies.

In addition to the Sustainability Report, TIM publishes its Annual Report. In order to facilitate the reading and the integration of information between the two documents, some points of the Sustainability Report refer, with clear indications, to data published in the Annual Report.

This report's materiality matrix is the same as that used in the 2009 reporting process. Prepared by the consulting company BSD, the materiality followed GRI G3 guidelines and principles. 22 open interviews were conducted with directors, managers, and employees – representing 19 areas of the Company – and 21 interviews were conducted with representatives of external stakeholders: clients, suppliers, competitors, civil society organizations, community and environmental regulatory agencies. 11 main topics were identified, as shown in the chart below. More details of the matrix preparation process are available in the 2009 Sustainability Report.

## Materiality Matrix



### Main Subjects

- |                           |                                 |
|---------------------------|---------------------------------|
| 01 – Economic Performance | 07 – Suppliers and Distributors |
| 02 – Customer Relations   | 08 – Public Regulation – Anatel |
| 03 – Human Rights         | 09 – Products                   |
| 04 – Corporate Governance | 10 – Community Relations        |
| 05 – Human Resources      | 11 – Health and Safety          |
| 06 – Environment          |                                 |

## External Assurance

The information contained in the 2010 Sustainability Report was verified by the independent auditing company PwC, according to a statement published in link, considering the GRI G3 guidelines determined for the analysis.

## Contact

For further information on sustainability, access the website [www.timbrasil.com.br](http://www.timbrasil.com.br) contact the sustainability management by e-mail through [sustentabilidade@timbrasil.com.br](mailto:sustentabilidade@timbrasil.com.br) or +55 21 4009-4096.



## 2.2 Assurance report

### Independent Auditors' Limited Assurance Report on the Sustainability Report for 2010 of TIM Participações S.A.

To the Board of Directors TIM Participações S.A.

#### Introduction

We have been engaged to perform a limited assurance engagement on the Sustainability Report for 2010 of TIM Participações S.A. prepared under the responsibility of the Company's management. This responsibility includes designing, implementing and maintaining internal control over the proper preparation and presentation of the Sustainability Report. Our responsibility is to provide a limited assurance report on the information disclosed in the Sustainability Report of TIM Participações S.A. for the year ended December 31, 2010.

#### Procedures Applied

Our limited assurance engagement was performed in accordance with the Brazilian Standard NBC TO 3000, "Assurance Engagements Other than Audit and Review", issued by the Federal Accounting Council (CFC). This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance that no matter has come to our attention that leads us to believe that the Sustainability Report for 2010 of **TIM Participações S.A.** is not in accordance with the criteria described below (Scope and limitations), in all material respects.

In a limited assurance engagement, the evidence-gathering procedures are more limited than those performed in a reasonable assurance engagement; therefore, less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgment, including the assessment of the risks of material non-compliance of the Sustainability Report with the criteria described below (Scope and limitations). Within the scope of our work we performed, amongst others, the following procedures: (i) planning the work, tak-

ing into consideration the materiality and the volume of information presented in the Sustainability Report; (ii) obtaining an understanding of the internal controls; (iii) examining, on a test basis, evidence supporting quantitative and qualitative data in the Sustainability Report; (iv) interviewing the managers responsible for the information; and (v) comparing information of a financial nature with that in the accounting records. These procedures were deemed sufficient to allow a limited level of assurance and, consequently, do not include all those required for issuing a broader assurance report, as set forth in said standard.

#### Scope and Limitations

The objective of our engagement was to verify whether the data included in the Sustainability Report for 2010 of **TIM Participações S.A.**, with respect to the obtaining, measurement and calculation of quantitative information, is presented in accordance with the criteria and guidelines for sustainability reports from the Global Reporting Initiative (GRI-G3). Opinions, historical information, descriptive information and information resulting from subjective evaluations are not included in the scope of the work performed.

#### Conclusion

Based on our limited assurance engagement, we are not aware of any significant modification that should be made to the information included in the Sustainability Report for 2010 of TIM Participações S.A. for the year ended December 31, 2010, for this information to be fairly presented, in all material respects, in accordance with the criteria described above (Scope and limitations).

São Paulo, April 19, 2011.

#### PricewaterhouseCoopers

Auditores Independentes  
CRC 2SP000160/O-5 "F" RJ

Sérgio Eduardo Zamora  
Contador CRC-1SP168728/O-4 "S" RJ

### 3. Organizational profile

With the incorporation of Intelig, TIM increased its number of internal stakeholders to 10,559 in 2010, with 10,138 direct employees.



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The first wireless carrier with a national presence, TIM Participações S.A. is a subsidiary holding of Telecom Italia Group, one of the leaders in the European telecommunications industry. TIM makes substantial investments in networks and IT and maintains synergies with its controlling group via the sharing of experiences and the adoption of best practice policies, always providing innovative experiences to all its clients.

Headquartered in Rio de Janeiro, TIM operates in Brazil through its subsidiaries: TIM Celular S.A. and Intelig Telecomunicações LTDA. In December 2009, the Intelig merger process was completed, allowing TIM to increase its internal stakeholders to 10,559 in 2010, of whom 10,138 were its own employees.

In 2010, TIM invested in the expansion of its coverage via GSM (Global System for Mobile Communications) technology and 2G capability, as well as in the expansion of 3G coverage. Through GSM technology, the Company has a national coverage of approximately 94% of the urban population and is present in 3,203 cities. Furthermore, in relation to 2009, TIM closed the year with more than twice the number of 3G cell towers (a growth of approximately 120%) and covering more than 54% of the urban population.

Throughout the country, TIM also has extensive data coverage: 100% GPRS (General Packet Radio Service), of which 79% have EDGE. Another service offered by the company is international roaming plans, with more than 450 networks available, in approximately 200 countries, in six continents.



### 3.1 Portfolio

**The Infinity and Liberty plans represent over 80% of TIM's customer base, which grew by 24% in 2010.**

With an extensive portfolio, TIM offers fixed/mobile telephony and Internet services (mobile or landline access). In 2010, the number of subscribers increased by 24%, reaching approximately 51 million lines. The Infinity and Liberty plans represent more than 80% of the client base. The pre-paid Infinity plan amounted to 39 million lines and the post-paid Liberty/Infinity segment registered more than 3.5 million clients.

In terms of plans for individuals, in 2010, the Company expanded the Infinity and Liberty families, launching Infinity and Liberty Web offers. It also launched the pay-per-call concept, intended for calls placed to landlines, through the Infinity Mais offer.

For the business segment, TIM offers various services to small, medium, and large companies for flexible and efficient optimization of communication. It offers various tools that provide innovative solutions, according to the needs of each company, using modern technological resources with maximum security. Moreover, the Company is in line with new trends and aims at meeting the needs of the various profiles of consumer and business clients. More information about the products can be found on the company's 2010 Annual Report.

### 3.2 Mission, Vision and Values

**Innovation, transparency and professional excellence are among the principal values of the company, whose mission is to always be close to the customer.**

#### Mission

To be close to clients, offering innovative possibilities for connectivity, focusing on their various expectations and needs, and contributing as an agent of social development through sustainable management.

#### Vision

To be the first choice amongst clients, providing innovative and high quality services, becoming a benchmark of profitability of the Brazilian telecom market.

#### Values

- > Proactiveness
- > Transparency
- > Speed
- > Professional Excellence
- > Innovation
- > Entrepreneurship
- > Customer focus
- > Team spirit

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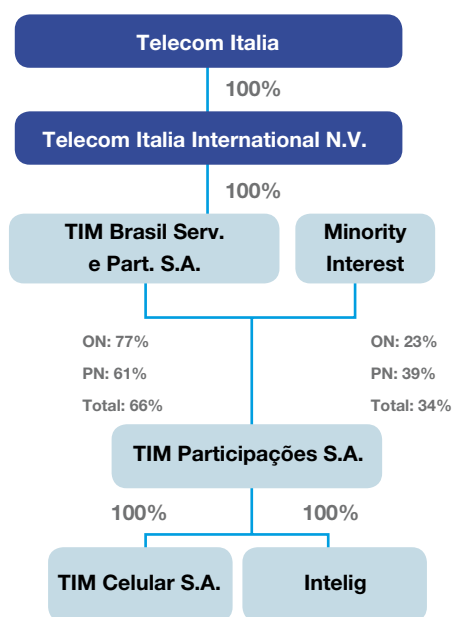
#### Pre-Paid

# 39mi

The pre-paid infinity plan amounted to 39 million lines and the post-paid Liberty/Infinity segment registered more than 3.5 million clients.

### 3.3 Shareholder structure

TIM Participações is a holding company controlled by TIM Brasil Serviços e Participações S.A., a subsidiary of the Telecom Italia Group, one of the leaders in the telecommunications industry in Europe



TIM has been a member of BM&FBOVESPA's Corporate Sustainability Index (ISE in the Brazilian acronym) since 2008. TIM is a public company whose shares are traded in the São Paulo Stock Exchange and ADRs are traded in the New York Stock Exchange.

Shareholder Structure	Common Shares	%	Preferred Shares	%	Total	%
TIM Brasil serviços e participações S/A	650,537,118	77.14	990,098,815	60.65	1,640,635,933	66.27
Others	192,744,359	22.86	642,354,768	39.35	835,099,127	33.73
Total	843,281,477	100.00	1,632,453,583	100.00	2,475,735,060	100.00

Shareholder structure updated on December 30th, 2009, after the incorporation of Intelig.

More information can be found in TIM's Annual Report and Consolidated Financial Statements.

### 3.4 Awards received in 2010

TIM received 14 awards, among which the renowned World Finance Telecoms Awards 2010.

- > World Finance Telecoms Awards 2010 (World Finance magazine) – Best wireless carrier in Latin America.
- > 10th Brazilian Teleservice Association (ABT) Award – Best Practices in Customer Service, winner in the Internet and Mobility category with the Content Portal Project; also chosen Case of the Year, 2<sup>nd</sup> place in the category Quality Management.
- > Top of Mind 2010 Award (State of Santa Catarina).
- > Londrina Top Brands 2010 Award (State of Paraná).
- > Top of Mind 2010 Award (State of Paraná).
- > IMPAR Award (State of Paraná).
- > Nossa Gente (Our People) 2010 Award (State of Amapá).
- > ORM ACP Award (State of Pará).
- > Top of Marketing Award – Associação dos Dirigentes de Vendas e Marketing do Brasil (Association of Brazilian Sales and Marketing Directors), (State of Pará).
- > Top of Mind Award – Correio de Uberlândia (State of Minas Gerais).
- > Highlight in Top Consumer Award – Excellence in Consumption Relations and Respect for the Environment, granted by Instituto Nacional de Educação do Consumidor e do Cidadão (National Institute for Consumer and Citizen's Education – Inec) and by the magazine Consumidor Teste/State of Rio Grande do Sul.
- > CW300 Award – Largest in Telecom and Cellular Voice Services.
- > Diário Comércio, Indústria e Serviços Newspaper (DCI) Award – Most Admired Company in 2010 – Winner in the Mobile Telephone category.
- > Orgulho de Pernambuco (Pernambuco Pride ) Award (Diário de Pernambuco).

## 4. 2010 Highlights

In 2010 TIM was able to meet most of the goals established in 2009, some with better-than-expected results.

As part of the strategy of continuous improvement of its sustainability management, TIM committed to a set of goals in its 2009 Sustainability Report. Progress to-

wards these goal is presented below. More information on each of these goals will also be presented throughout this report.

### Goals

Topic	Indicator	Unit Of Measure	December 2009	Goal 2010	December 2010	Status
Volunteerism	One day off for the employee that voluntarily takes part in the Programa Cidadão sem Fronteiras (Citizens without Borders Program)	% (Company's own staff)	-	1	1.6	Reached
Training hours	Training (total hours: in the classroom + online + on the job)	Number of hours (Company's own staff, interns, and contractors)	456,606	715,000	897,954	Reached
Training coverage	Training - coverage (number of people taking part in at least one training course)	% (Company's own staff)	98	97	82	Not reached
Sustainability Training	Training - Sustainability (number of people taking part in at least one training course on sustainability)	% (Company's own staff, interns, and contractors)	-	20	35	Reached
Environment/ Batteries	Collection of old cell phones, batteries, and remaining accessories for recycling	Metric tons	19	12	14.65	Reached
Environment/ Waste	Percentage of waste recycled over total waste generated in the offices	%	49	51	60	Reached
Environment/ Energy	Reduction in the consumption of electricity in the offices	kWh	-	1,000,000	759,752	Not reached
Environment/ Water	Reduction in the consumption of water in the offices	m³	-	2,400	22,094	Reached
Suppliers	Number of suppliers assessed on sustainability issues	Aggregate total as of 2009	26	70	74	Reached

According to the table on the previous page, the goals were reached, with the exception of the indicators for training coverage and for reduction in consumption of electricity in the offices. In the first case, the goal was not reached because, due to lack of integration with TIM's database, the training courses offered by Intelig were not totaled.

In the second case, the goal was not completely reached due to technical limitations found in older administrative buildings. In these locations, the air conditioning systems still consume high levels of energy 76% of the goal was reached.

In addition to the goals, in 2010, we highlight our participation, for the third consecutive year, in the BM&FBOVESPA's Corporate Sustainability Index (ISE) portfolio, and in the BM&FBOVESPA and BNDDES's Carbon Efficient Index (ICO2) portfolio. In 2010, TIM also became one of the first mobile carriers in Brazil to receive the environmental certification ISO 14001. This certification was attributed to the Monitoring Management, Performance Information, and Network Quality activities of the Rio de Janeiro (RJ) and Santo André (SP) operating units.

#### Clients and services

TIM has always aimed at being close to its clients, offering innovative possibilities for connectivity, meeting their various expectations and needs. In 2010, the Company continued to add to its portfolio new offerings in its Liberty and Infinity plans to address the growing demand for data services. The launch of Infinity Web also deserves to be highlighted, since it allowed users to navigate on the Internet using their cell phones for only R\$ 0,50 per day. This offer provided digital inclusion to multiple social strata. In addition to plans and services, TIM offered new unlocked cell phones to the market and allowed cell phones in use by its clients to be unlocked, free of charge, among other offers.

Also in 2010, the Company became the market leader in terms of network quality, beating its competition, according to the parameters established by Anatel. The lowest dropped call rates were also reached, with an average of 0.6% in the last quarter of the year. These results highlight our commitment to the quality of services provided.

#### Suppliers

TIM always conducts procurement processes to select products and services that offer high quality and safety and that respect the environment, while also being suited to the best market conditions. In 2009, the Company started a dialog on sustainability with its main suppliers, which were expanded from 26 to 74.

#### Environmental regulatory agencies

In 2010, TIM started taking part on the Empresas pelo Clima platform (Companies for the Climate). Organized by FGV's Centro de Estudos de Sustentabilidade (Center for Sustainability Studies), the group prepares companies for a low-carbon economy.

#### Internal stakeholders

TIM closed the year with 10,559 internal stakeholders, including 10,138 employees, 218 apprentices, 177 interns, and 26 administrative contractors. One of the priorities of the Company is to attract and develop valuable professionals. Therefore, it created the program Talentos sem Fronteiras (Talents without Borders), which selected 84 young talents in 2010. This initiative searches for the best young individuals in the job market so that, in the future, they assume important positions in the Company.

#### Socio-environmental projects

The project TIM Música nas Escolas (Music in Schools) is one of the social programs developed by TIM. This initiative has already benefitted over 20,000 students of public schools in 13 Brazilian cities. In 2010, the project was developed in six of these cities. The Company also takes parts in Programa TIM ArtEducação (TIM ArtEducation Action Program) which, in 2010, engaged over 5,000 youths in 12 cities located in Minas Gerais. Another important project is the partnership between TIM and the NGO WWF, which sponsors the largest awareness movement against Global Warming, in the country: "Earth Hour".

#### Society and government

In 2010, TIM took part in discussions with the Comitê Gestor do Programa de Inclusão Digital (Managing Committee of the Social Inclusion Program – CGPID), with the aim of contributing to the development of Plano Nacional de Banda Larga (National Broadband Plan – PNBL). This plan is a set of goals and measures, created for promoting infrastructure in the telecommunications industry in the country.

Another highlight was the training courses for the Company on the Sarbanes-Oxley Act (SOX), which is an anticorruption procedure. In 2010, 998 training hours were provided. During the course on ethics, all TIM's internal stakeholders were informed about the Global Compact principles, especially Principle 10, which related to corruption.

The Company is also against all forms of discrimination, harassment, and child and forced labor issues in its operations and businesses. These issues are covered in its Social Responsibility Policy.

#### Commitments for 2011

For 2011, TIM reaffirms its commitment to some of the goals established in its last Sustainability Report.

Topic	Indicator	Unit Of Measure	Goal December 2010	Actual December 2010	Commitment 2011
Volunteerism	One day off for any employee that voluntarily takes part in the Programa "Cidadão sem Fronteiras" (Citizen without Borders Program)	% (Company's own staff)	1	1.6	1
Training	Total hours in the classroom + online + on the job)	Number of hours (Company's own staff, interns, and contractors)	715,000	897,954	715,000
Sustainability Training	Number of people taking part in at least one training course on sustainability	% (Company's own staff, interns, and contractors)	20	35	20
Environment/ Batteries	Collection of old cell phones, batteries, and remaining accessories for recycling	Metric tons	12	14.65	12
Environment/ Waste	Percentage of waste recycled over total waste generated in the offices	%	51	60	55
Environment/ Energy	Reduction in the consumption of electricity in the offices	kWh	1,000,000	759,752*	300,000
Suppliers	Number of suppliers assessed for sustainability issues	Aggregate total, as of 2009	70	74	140

\*The goal for reducing electricity consumption levels in the offices was not fully reached due to technical limitations found in older administrative buildings, which still have air conditioning systems that consume high levels of energy.

Note: The goals related to training coverage and water consumption in 2010 will no longer be part of the commitments for 2011.

### Challenges

IM has the great challenge of developing eco-efficiency projects that aim at expanding the client base without generating an identical increase in energy consumption.

The energy eco-efficiency indicator is another important item that allows TIM to monitor its energy consumption. This indicator correlates the volume of services transmitted (bits) and the energy consumed (joules) in the provision of services by the Company. The Company observed a growth for this indicator throughout 2010, representing gains in eco-efficiency, with positive quarterly variations of approximately 30%, especially due to the new technologies employed, which enabled this result even in a year of increased traffic of data and voice.

Another important energy efficiency action performed by the Company is the tests conducted by the Power Saving project throughout 2010. In 2011 the project enters into an expansion phase. The new network functionality avoids energy waste through a more rational use of resources.

TIM intends to continue pursuing profitable growth, without losing sight of its main challenge: the incorporation of new technologies to its products and services. The Company will also continue to keep up with the speed of the market, without losing sight of its long-term vision, implied in the effort of all individuals towards more sustainable growth. With the stakeholders' participation, we will combine technology, competencies, and creative potential to successfully solve both sides of this equation.



## 5. Sustainability

In 2010, for the third consecutive year, TIM was included in the Sustainability Index (ISE) of BM&FBovespa



The Telecom Italia Group initiated in 1997 its approach to the issue of sustainability as part of its management strategy and to be part of the most important sustainability indices in the global market.

In Brazil, TIM also strives to follow this path, aiming to develop the same type of culture within the organization. For the Company, the sustainability challenge resides in balancing the current and future needs of the three pillars of the sustainable development: economic, environmental, and social.

In 2010, TIM took another important step towards management through sustainable development: the Internal Control and Corporate Governance Committee, which reports directly to the Board of Directors, became responsible for the discussion of sustainability-related topics.

Another highlight was TIM's inclusion, for the third consecutive year, in the BM&FBovespa's Corporate Sustainability Index (ISE), and in the Carbon Efficient Index (ICO2), launched in 2010 by BM&FBOVESPA and BNDDES.

Throughout this report, TIM's actions towards sustainable development will be shared.



## 6. Corporate governance

Ethics, transparency, good faith, loyalty and truthfulness are TIM's basic guiding principles for its businesses.



TIM's governance structure is based on the best international management practices. The Company conducts its businesses with ethics, transparency, good faith, loyalty, and truthfulness. It is a publicly traded company managed by a Board of Directors and an Executive Board, and is supervised by a Supervisory Committee, which also plays the role of an Audit Committee.

The principles that guide TIM's businesses are:

- > freedom of decision;
- > access to information;
- > fair treatment, and
- > transparency.

### Board of Directors

TIM is managed by a Board of Directors, a collegiate deliberation body that manages the highest levels of the Company. It is composed of nine members elected to two-year terms and eligible for reelection, and of five independent members. The Brazilian legislation, the Company's Bylaws, and the Internal Regulation of the Board of Directors establish the duties and responsibilities of the members of the board. All decisions are registered in minutes.

Board meetings are normally held on a quarterly basis; however, they can be extraordinarily summoned by its Chairman, its officers, or the Chief Executive Officer. The Chairman of the Board can invite to the meetings any member of the Executive Board, other executives of the Company, or third parties that may provide inputs on subjects to be discussed by the Board. The guests do not have the right to vote.

The Board of Directors has two committees with advisory roles, which are composed of members of the Board: the Remuneration Committee and the Internal Control and Corporate Governance Committee.

The list of the current effective members of the Board of Directors and their respective positions, and the five independent members, can be found at [www.tim.com.br/ri](http://www.tim.com.br/ri)

None of the members of the Board of Directors or the Executive Board owned, or were the named beneficiaries, of 1% or more of the Company's common or preferred shares at the end of 2010.

Shareholders and employees can make recommendations to the highest governance body either through the website [www.tim.com.br/ri](http://www.tim.com.br/ri) or through the complaint channel on the company's website [www.tim.com.br](http://www.tim.com.br).

### **Supervisory Committee**

The Supervisory Committee operates on a permanent basis, inspecting the acts of the Company's management and informing shareholders. The Audit Committee, represented by the Supervisory Committee, has been in operation since 2004. It is composed of renowned independent professionals who are not in any way associated with the Company.

Of the five members of the Supervisory Committee, one is mandatorily elected by preferred shareholders, one can be elected by minority shareholders, provided that they make up the quorum required by law, and the others are elected by the controlling shareholder. In order to see the current members of the Supervisory Committee, access the website [www.tim.com.br/ri](http://www.tim.com.br/ri).

The Supervisory Committee is responsible for:

- > independently monitoring the actions of the Executive Board and verifying their compliance with legal duties and bylaws;
- > providing opinions on annual reports, business plans, and managerial budgets;
- > reviewing and offering opinion on the Company's financial statements.

Complaints registered by any person, either anonymously or otherwise, concerning accounting, internal accounting controls or audit affairs can be sent to the Supervisory Committee/Audit Committee. According to section 7 of Telecom Italia Group/TIM's Code of Ethics, the eventual informants are protected from any retaliation. In addition, the Supervisory Committee/Audit Committee's Annual Report for the General Shareholder Meeting records these occurrences and their treatment, maintaining secrecy over the names of the informants, except for the cases otherwise provided in law.

Complaints and reports can be sent by mail or by e-mail to [comitedeauditoria@timbrasil.com.br](mailto:comitedeauditoria@timbrasil.com.br).

### **Address:**

Comitê de Auditoria/Auditoria Interna  
Av. das Américas, 3434, Bloco 1, 7.º andar  
Barra da Tijuca  
22640-102 – Rio de Janeiro – RJ – Brasil

### **Remuneration of the administrators**

The remuneration of the members of the Board of Directors and Executive Board is registered in the Minutes of the Company's General and Extraordinary General Meetings, conducted on April 27th, 2010, available on [www.tim.com.br/ri](http://www.tim.com.br/ri). Remuneration for members of the Board is not related to TIM's economic, social and environmental performance.

### **Right to vote**

During the shareholders' meetings, each common shareholder has the right to vote. However, preferred shareholders can address or take part in the shareholder's meeting without the right to vote. Preferred shareholders elect, by majority, one of the members of the Supervisory Committee and his/her alternate member. Each shareholder has the right of first refusal for the subscription of shares in any capital increase, proportional to their equity interests.

### **Dividend Policy**

According to the TIM Participações's Bylaws, 25% of the adjusted net income is distributed between shareholders, either as dividends or interest on own capital every fiscal year, ending on December 31st, pending the availability of resources for distribution.

The Company is also obliged to pay a non-cumulative preferred dividend over its preferred shares, in an amount equivalent to 6% of the share capital divided by the total number of common and preferred shares or 3% of the shareholders' equity, whichever is greater. It is mandatory to maintain a legal reserve, to which 5% of the net income is added at the end of each fiscal year, until it amounts to 20% of the capital.

### **Sarbanes-Oxley Act**

TIM reinforces its commitment to the highest corporate governance levels by complying with the provisions required under Section 404 of the Sarbanes-Oxley Act, once again receiving this certification in 2009.

### **6.1 Principles and policies**

**TIM's relationship with suppliers, clients, consumers and the community is governed by the Code of Conduct.**

Since 2003, TIM Participações has adopted a Policy for Disclosure, Use of Information, and Trading of Securities, according to the provisions of the Comissão de Valores Mobiliários (Brazil's Securities and Exchange Commission – CVM). As a result, the company established a code of conduct that must be followed by all employees with access to privileged information, in addition to the imposition of restrictions on the trading of Company's shares during certain periods.

For TIM, sustainability is a highly relevant issue. As described in the previous chapter on Sustainability, we aim to balance three dimensions: economic, environmental, and social dimensions. To do so, we have implemented a set of policies aligned with our mission and values, which is available at [www.timpartri.com.br/tim](http://www.timpartri.com.br/tim)

- > TIM Brasil's Social Responsibility Policy
- > Environmental Policy
- > Supplier Relationship Policy for TIM's procurement process
- > Marketing Communication Policy

### **Code of Ethics**

Our code of ethics provides advice and guidelines for the conduct of employees in all hierarchy levels, according to Telecom Italia Group's principles and in compliance with the laws of the Country. In addition, it defines the Company's main objectives, which are the generation of value to its shareholders, using resources efficiently, improving the excellence of its products and services, innovating, and being attentive to its customers.

The code of ethics requires that employees do not take part on illegal behaviors or misconduct, ensuring full transparency to the market, investors and the community in general in relation to the company's activities, except for strategic information.

The Code of Ethics is available on the intranet to all employees and is constantly disclosed by means of various activities.

### **Code of Conduct**

In its Code of Business Conduct, TIM establishes criteria for the relationship with suppliers, clients, consumers, and community, avoiding situations or behavior that can potentially damage the Company's interests and aiming at a fair and equitable relationship with the market and the business environment.

### **Global Compact**

Created by the United Nations (UN) in 2000, the Global Compact brings together representatives of private initiatives from around the world, who have committed to complying with ten basic principles in the fields of human rights, labor relations, environment, and the fight against corruption.

As signatories to this initiative since 2008, TIM Brasil and Telecom Italia Group aim to incorporate these principles into their strategies, culture, and daily operations, as well as into our relationships with employees, partners, suppliers, clients, and society.

The Company uses its Sustainability Report for disclosing Communication on Progress (COP) for actions related to the principles of the Global Compact, along with the GRI Index indicators.

### Fight against corruption

TIM does not tolerate corruption or illicit acts, such as frauds, bribes, extortion, and conflicts of interest. Therefore, the anticorruption guidelines are described in several internal documents about the conduct of employees and suppliers as a whole, with specific provisions on the topic. Among these documents, we highlight: the Code of Ethics, Code of Business Conduct, Guidelines for the Procurement of Materials, Goods, and Services, Policy on Business Trips and Reimbursement of Expenses, Management of Gifts and Inducements, and Policy on the Distribution of Invitations to Events Promoted by TIM.

Moreover, TIM complies with Italian Law 231/2001 on corruption in relations with public officials, which sets forth severe sanctions for crimes committed in the interest or for the personal gain of directors/employees in the relations with public officials. Therefore, the company adopts the 231 Organizational Model by Telecom Italia Group, whether to prevent the personal liability of the individual committing the crimes set forth in the Decree from reaching the legal entity, or as an instrument required for the regulation of internal processes. All in compliance with the principles of transparency, good standing, and loyalty that guide the Companies of the Group.

In Brazil, for all procurement processes, TIM complies with the laws in effect, the principles of the Code of Ethics, the 231MO Model, the internal normative documents related to this policy, and the ten principles of the Global Compact. The document covers specific conventions related to anticorruption practices, presents specifications for conduct in the handling of legal and arbitration procedures, and aims at avoiding the exposure of the Company to risks of this nature.

As previously described, the Supervisory Committee/Audit Committee is responsible for receiving complaints from all individuals in relation to accounting, internal accounting controls or audit affairs, as well as equally anonymous and confidential reports from employees of the Company or its affiliates on questionable accounting or audit issues. Complaints can be sent by e-mail, through the Complaints Channel or mail. The names of the persons filing the complaints or reports are confidential. In its annual report for the General Meeting, the Supervisory Committee/Audit Committee publishes information on the complaints and reports received throughout the year and the results of their investigations.

### 6.2 Our stakeholders

**The continuous improvement of its relationship with stakeholders in business is one of the commitments assumed by TIM.**

TIM believes that its business conduct must take into account the expectations of all those with whom it interacts, namely the Company's stakeholders. These stakeholders are divided into eight categories:

- > Clients
- > Suppliers
- > Competitors
- > Non-governmental organizations
- > Environment (environmental regulatory agencies)
- > Community
- > Internal stakeholders
- > Shareholders

TIM considers the needs of all stakeholders not only because it believes it is fair to do so from an ethical standpoint, but also because it is convinced that it is the only way to maintain its business over time.

Among the commitments assumed by TIM is the continuous improvement of its relationship with its stakeholders and its environmental performance. Therefore, the Company has become a signatory of the UN Global Compact and works, as stated in our Code of Ethics, to enforce the principles set forth in this commitment, both internally and externally.

### 6.2.1 External stakeholders

**TIM believes that the conduction of its business should consider the expectations of all those with whom it interacts.**

#### Clients

As a subsidiary of the Telecom Italia Group, TIM bases its excellence in products and services offered on the attention devoted to customers and on the desire to meet their needs. The objective is to ensure a response that is immediate, qualified, and directed at the demands of our clients, supporting its conduct with honesty, courtesy, and collaboration.

The Client Relationship Center (CRC) is the main communication channel between the Company and the consumer, receiving requests, doubts, and complaints, and registering new prepaid subscribers.

To assess customer satisfaction in relation to the services provided, TIM conducts two surveys – one monthly, to evaluate client satisfaction in relation to CRC, and another semiannually, to check client's general satisfaction with the Company. We consider that this mechanism allows us to identify opportunities for improvement.

Another tool used by TIM is the online monitoring of social networks, such as blogs, websites, and social networks. Thus, we try to identify issues that are relevant to the stakeholders, which cannot be found in formal channels.

The consumer can also use the channel TIMTIM por TIMTIM, via Twitter, to obtain commercial and institutional information. The address is: [www.twitter.com/timtimpor TIMTIM](http://www.twitter.com/timtimpor TIMTIM).

#### Suppliers

TIM conducts procurement processes in order to select products and services that offer high quality and safety and that respect the environment, while also being suited to the best market conditions. Among the criteria used by TIM are the compliance with requirements such as deadlines, cost, and quality, and the guidelines set forth in the Code of Ethics and Code of Business Conduct. Whenever possible, TIM prioritizes Brazilian suppliers.

In its agreements with suppliers, TIM sets forth provisions related to ethical aspects, respect for human and labor rights, environmental protection, the fight against corruption, and compliance with labor laws. Concerning sustainability, in 2009, TIM started a process for assessing its main suppliers, aiming at identifying opportunities for improvement. In 2010, 74 suppliers had been assessed.

The main channel for communication between TIM and its suppliers is the website [www.timcommerce.com.br](http://www.timcommerce.com.br).

#### Competitors

TIM maintains a cooperative relationship with its competitors via various trade associations and work groups on technical matters. One such example is its presence in Sindicato Nacional das Empresas de Telefonia e de Serviço Móvel Celular e Pessoal (National Union for Telephone and Cellular/Personal Mobile Service Companies – Sinditelebrasil), an entity that has replaced Associação Nacional das Operadoras Celulares (National Association of Mobile Carriers – Acel).

The Company has also prepared an informative manual on Defense of Competition, to make its employees aware of the importance of compliance with the laws in Brazil that deal with competition, as well as to prevent infringements. The document reflects TIM's commitment to the development of the industry and the promotion of progress in the Brazilian economy as a whole, working to ensure the well being of consumers, with social responsibility and respect for the law.



### Environmental regulatory agencies

TIM's Environmental Policy, prepared in 2009, was inspired by the guidelines provided by the Global Reporting Initiative (GRI) and the UN's Global Compact. The principles that guide our policy are:

- > Continuous Improvement and Prevention of Pollution
- > Waste Management
- > Electromagnetic Emissions
- > Legal Compliance
- > Consumption of natural resources
- > Technological Innovations
- > Communication

One of the greatest challenges found in the telecommunications industry is the management of waste generated by the disposal of cell phones and accessories. Aware of this dilemma, TIM tries, by means of its waste management policy, to minimize the production of waste and promote its selective collection and recycling. Further details are provided in the Environmental Performance.

Furthermore, TIM maintains contact with the main environmental regulatory agencies, such as state and municipal departments for the Environment, Construction Works, and Urban Development, among others, as well as with Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis (Brazilian Institute for the Environment and Renewable Natural Resources – Ibama).

### Community and civil society organizations

For TIM, the best way to contribute to the economic well being and growth of the communities in which it operates is to offer efficient services and advanced technology. Thus, investment in research and innovation is essential. The Company also operates in a socially responsible manner, maintaining transparent relations with its stakeholders. Furthermore, TIM fosters and supports social, cultural, and educational initiatives that aim at improving people's quality of life.

TIM establishes channels for informal and permanent contact with the community. This communication is frequently initiated via regional offices or by the Press Relations & Sustainability Department, through the Sustainability Management. TIM's main forms of action are:

- > Donations – intermittent support to specific good causes;
- > Investments in the community – social action projects with long-term involvement;
- > Initiatives in the community – activities related to supporting the results of the Company, conducted in the communities.

TIM can either develop projects in partnership with institutions or support them throughout their development, always considering their characteristics and alignment with Company strategy. Requests for support to social projects can be sent for analysis via e-mail to [projeto-social@timbrasil.com.br](mailto:projeto-social@timbrasil.com.br). More information can be found on section Social Projects in Communities.

### 6.2.2 Internal stakeholders

**The Company maintains an open relationship with its internal stakeholders and shareholders.**

#### Internal Stakeholders

In relation to internal stakeholders, TIM seeks two-way communication, aimed at spreading the Company's values and informing its employees about new products and services, while, at the same time, motivating them to express their ideas and share their experiences.

The corporate intranet, which combines institutional contents and systems that are essential to the daily activity of employees, is always being enhanced to become more collaborative and interactive. The main offices also have TIM News, an innovative communication channel by which the main national and regional information related to the business, people, and organization is broadcast to television sets located in areas of large circulation. Employees suggest stories and take part in interviews, which encourages integration within the Company and enriches the contents of the news channel.

New employees experience, as soon as they join TIM, an integrating environment during the activities developed in the adaptation week. The Company promotes internal recruitment, prioritizing the reallocation of talents before selecting professionals from the wider market.

TIM also maintains a constant dialog about work relations with the unions that represent the workers. With the same commitment, the company periodically conducts organizational climate surveys. By understanding the concerns of its employees, the company can motivate them and improve the work environment.

### Shareholders

TIM communicates with the market and investors in accordance with its values of honesty, transparency, and equality in access to information. The contents of the communication are regulated, according to the applicable regulations, by proper internal procedures. The segment in the Company in charge of this communication is the Investor Relations (RI) area.

All information that is relevant to these stakeholders, such as the disclosure of results, communication of relevant facts, estimates, and analysis are published on the website ([www.tim.com.br/ri](http://www.tim.com.br/ri)), which is constantly updated. Another channel for relations with shareholders is Twitter ([www.twitter.com/tim\\_ri](http://www.twitter.com/tim_ri)).

### 6.3 Legal compliance

**In 2010, 82 administrative suits filed by consumers were settled.**

In 2010, TIM registered an increase in the value of fines and compensations paid under the direction of Agência Nacional de Telecomunicações (National Telecommunications Agency – Anatel) arising from proceedings and procedures related to clients and consumers in comparison with 2009. This amount, which was R\$2,277,000 in 2009, reached R\$12,177,000 in 2010. The reason for this increase was a higher concentration, in 2010, of the conclusion of various proceedings from previous years, which were rendered final and unappealable.

Administrative proceedings	Client/Consumer		Competitor	
	2009	2010	2009	2010
Proceedings filed throughout the year (new proceedings)	118	97	4	4
Proceedings concluded throughout the year	33	82	4	5
Proceedings filed against our Company and ruled valid (unfavorable to the Company - final ruling)	6	16	0	1
Proceedings filed against our Company and ruled partially valid (favorable to the other party, without abatement of action)	0	0	1	1
Proceedings filed against our Company and ruled invalid (favorable to the Company, without abatement of action)	27	66	1	1
Proceedings dismissed without trial of merit of the client/consumer claim	0	0	3	2

*These include Procedimentos de Averiguação de Denúncia (Complaint Investigation Procedures - PAVDs) and Procedimentos Administrativos de Descumprimento de Obrigações (Administrative Procedures for Non-Compliance with Obligations - PADOs)*

Legal proceedings	2009	2010
Proceedings filed throughout the year (new proceedings)	46,590 civil 28 criminal	48,165 civil 14 criminal
Proceedings concluded throughout the year	49,744 civil 18 criminal	46,362 civil 32 criminal
Proceedings ruled valid (unfavorable to the Company – final ruling)	9,705 civil 1 criminal	10,001 civil 4 criminal
Proceedings ruled partially valid (final ruling)	9,432 civil	10,976 civil
Proceedings ruled invalid (favorable to the Company without abatement of action)	10,804 civil 16 criminal	11,323 civil 27 criminal
Proceedings decided through litigation settlement	19,803 civil 1 criminal	14,062 civil 1 criminal

Environmental proceedings	2010
Administrative proceedings (Active)	129
Administrative proceedings (New)	12
Legal proceedings (Active)	50
Legal proceedings (New)	2

#### 6.4 Public policies

**TIM took part in discussions for the creation of the National Broadband Program (PNBL – Programa Nacional de Banda Larga), which intends to expand, by 2014, the availability of broadband Internet access.**

In 2010, TIM took part in discussions promoted by Comitê Gestor do Programa de Inclusão Digital (Managing Committee of the Social Inclusion Program – CGPID), aiming at contributing to the development of Programa Nacional de Banda Larga (National Broadband Program – PNBL). PNBL is a set of goals and measures created to expand, by 2014, the offer of broadband Internet access and to promote the growth of the capacity of the telecommunications infrastructure in the country.

This initiative was developed through the representation of Sindicato Nacional das Empresas de Telefonia e de Serviço Móvel Celular e Pessoal – Sinditelebrasil and Associação Brasileira das Prestadoras de Serviço de Telecomunicações Competitivas (Brazilian Association of Competitive Telecommunications Carriers – Telcomp).

Sinditelebrasil has succeeded Associação Nacional das Operadoras Celulares (National Association of Wireless Carriers), which institutionally represents the carriers authorized by Agência Nacional de Telecomunicações – Anatel to provide Personal Mobile Services (SMP) in Brazil. TIM had been a member of Acel since 1998 and is currently a member of Sinditelebrasil.

In turn, Telcomp has the mission of promoting a fair and neutral competitive environment in the provision of telecommunications services, contributing constructive and ethically to the regulation of the industry, as well as encouraging social responsibility and corporate citizenship.

## 7. Economic performance

Investments totaled R\$ 1.7 billion in 2010, only to expand network coverage and capacity.



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TIM believes that the creation of value becomes sustainable over time, as the Company is able to effectively integrate the expectations of the context in which it operates, along with the scope of its economic goals.

In 2010, the investments made by TIM totaled R\$1.7 billion for the expansion of coverage and capacity, to keep up with growth in voice and data traffic. Most investments was allocated for the expansion of 2G coverage and capacity, as well as for the expansion of 3G coverage. The Company has national coverage of approximately 94% of the urban population. TIM closed 2010 with more than double the 3G cell towers it had in 2009, representing growth of approximately 120%.

With an increase in 2010 of 24% of its subscriber base, TIM reached 51 million clients, accompanied by an increase of 11% in its EBITDA margin and 9% in its Free Operating Cash Flow for the same period. In terms of market share, TIM regained second place in the prepaid segment and achieved second place in Revenue and EBITDA.

In order to strengthen the data offer, TIM launched Infinity Web in the second semester of 2010, which, in four months, reached the milestone of 1 million users a day. The new Infinity and Liberty plans represent more than 80% of the customer base. The prepaid Infinity plan totaled 39 million lines and the post-paid Liberty/Infinity segment registered 3.5 million clients.

### 7.1 Significant achievements

**The voice segment was responsible for improving TIM's outcomes in the first quarter of 2010.**

In 2010, TIM reached 100% of the network quality goals established by Agência Nacional de Telecomunicações (Anatel) in 11 of the 12 months of the year (in February, the indicator was 99.5%).

Voice services represent the main area of activity, being responsible for the improvement in results of the Company for the first three quarters of the year. However, after the third quarter, TIM went beyond this initiative, complementing the data plans with the launch of Infinity Web, Liberty Web, and smartphones.

TIM was chosen the best mobile carrier in Latin America in the World Finance Telecoms Awards 2010, an award granted annually by the magazine World Finance and that identifies best practices in the telecommunications industry, such as innovation in services provided to clients. This strategy resulted from innovation in the voice segment, creating plans that charge per call instead of minutes, offering the user the possibility of talking more, for less.

More information on the financial results is available in the Annual Report.

### 7.2 Value chain

**TIM is committed to disseminating the principles adopted in its Code of Ethics throughout its entire value chain.**

The direct economic impacts, as seen in detail below, allow the creation of job openings, as well as revenue and taxes derived from products and services bought and sold by TIM, generating resources for its logistic chain in both directions. Furthermore, due to the nature of the services it provides, the Company supports the economic growth of the country, contributing to the improvement of the efficiency and productivity of companies and individuals.

In terms of indirect economic impacts arising from its business, TIM is committed to spreading the principles of its Code of Ethics to its value chain as a whole. The Company is constantly reviewing its policies, in order to include aspects to assess and promote sustainability practices to its suppliers.

In this section, we present the direct economic impacts generated in relation to the economic performance and to the Company's presence in the market, as well as the indirect impacts to stakeholders, analyzed from a sustainability standpoint.

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#### Goals

# 100%

100% of network quality goals established by Anatel were achieved in 11 of the months of 2010.

### 7.2.1 Direct economic impacts

Resources create jobs and contribute to the country's economic growth.

#### Added Value Statements

Value creation	2009 (R\$ Thousands)	2010 (R\$ Thousands)
(A) Gross revenue	16,652,476	18,622,780
(B) Goods and services acquired from contractors	(7,709,176)	(8,059,261)
Cost of services provided and goods sold	(4,609,369)	(4,982,366)
Materials, energy, contractors, and others	(3,099,807)	(3,076,895)
(C) Gross added value (A – B)	8,943,300	10,563,519
(D) Retentions (depreciation and amortization)	(2,913,966)	(2,993,461)
(E) Net added value (C – D)	6,029,334	7,570,058
(F) Transfers		
Results of equity income	833,828	698,519
Results of equity investments		
Financial revenue		
(G) Added value for distribution (E + F)	6,863,162	8,268,577

#### Added value distribution

	2009 (R\$ Thousands)	2010 (R\$ Thousands)
Personnel and charges	460,366	503,543
Salaries	316,920	318,093
Social Security charges	17,345	35,850
Private Pension Plan	4,725	7,542
Benefits	109,192	108,396
Profit Sharing	12,181	33,662
Government	4,756,745	4,297,729
Taxes, fees and contributions, net of subsidies (exemptions)	4,756,745	4,297,729
Investors	1,304,678	1,255,590
Interest and Leases	1,304,678	1,255,590
Shareholders	204,149	496,611
Interest on shareholders' equity and dividends	204,149	496,611
Withheld	137,224	1,715,104
Profit/Loss for the fiscal year	137,224	1,715,104

Note: Results for 2009 include Intelig data for the month of December, both in the generation and distribution of value, due to the conclusion of 100% of the Intelig merger process in December, 2009.

#### Financial benefits received from the government

Category	2009 (R\$ Thousands)	2010 (R\$ Thousands)
Rebates from taxes and fees	88,851	36,663



### Climate changes

In 2010, TIM took an important step in its sustainability management, transferring the role of discussing such issues to its Board of Directors, via its Internal Control and Corporate Governance Committee. The Company also has a Press Relations and Sustainability Department, which, among other actions, aims at disseminating sustainability throughout the various areas of the company.

Another important initiative was TIM's inclusion in the Empresas pelo Clima (Companies for the Climate) platform, a group that aims at preparing companies for a low-carbon economy, organized by Centro de Estudos de Sustentabilidade da Fundação Getúlio Vargas (Fundação Getúlio Vargas's Sustainability Studies Center – FGVCes). To start the assessment of risks and opportunities in relation to climate changes, TIM chose to offer transparency on the company's emissions and prepare action plans aiming at their reduction.

TIM assesses the CO<sub>2</sub> emitted by its operations, based on the Greenhouse Gas Protocol (GHG Protocol) methodology. The emission factors provided by the United Nations Environment Programme (Unep) and Ministério de Ciência e Tecnologia (Ministry of Science and Technology) were also used.

The assessment of risks and opportunities is conducted annually and approved by the senior management of the company. It is available to the public in the *website* of the Carbon Disclosure Project (CDP): [www.cdproject.net](http://www.cdproject.net).

### Risks

As regulatory risks, TIM identified sectorial plans established based on the Política Nacional sobre Mudanças Climáticas (National Policy on Climate Changes), which can also include the Telecommunications industry.

TIM understands that its presence in all Brazilian states may be affected should the predictions of climatic events materialize, interfering with its business activities and causing possible physical risks:

- > Greater power consumption to maintain network equipment at the desired temperature.

- > Higher energy costs and rationing of its supply due to the fact that a large part of the energy generated in Brazil comes from hydroelectric plants.
- > Shortage of renewable energy sources.
- > Influence of humidity and salinity on the life cycle of equipment.
- > Negative impact on mobile telephone signals, in case of higher precipitation rates.
- > Adverse financial impact as a result of the increase in the cost of insurance coverage for natural disasters.
- > Impact on employees' health and well-being.
- > Loss of income for consumers.
- > Disruptions or deterioration of the provision of telecommunications services as a result of possible impact of environmental disasters on network infrastructure.

In addition, as a result of climate change, TIM may be exposed to a change in the behavior of consumers and society in general, who may increasingly choose to associate with environmentally responsible companies that adopt transparent practices. Therefore, investors from all over the world are considering these issues when making investment decisions.

Another risk scenario is the fact that climate change, by causing possible environmental disasters, may cause consumers to lose income, thus reducing their service purchasing power. At present, TIM is not able to calculate the possible financial implications of this scenario.

### Opportunities

The creation of sectorial plans for mitigation and adaptation to climate change can generate the need to reduce, for example, domestic and international trips for employees. Hence, companies may choose alternatives, such as a higher use of videoconference or home offices.

Energy supply in the country – based mainly on hydroelectric plants – is a segment that can be affected by climate changes. Therefore, the demand for telecommunications and broadband services will increase, creating opportunities for TIM, given that its business allows the reduction of emissions in other industries via information technology and communications.

This opportunity was highlighted by the Smart 2020 report, published in June, 2008, by The Climate Group and Global e-Sustainability Initiative (GeSI).

However, at the moment, the telecommunications industry does not have any regulatory requirements related to climate changes.

Even so, in order to prepare for future regulatory requirements, TIM continually improves its greenhouse gas inventory and its eco-efficiency calculation, which considers the bits transmitted in its network (voice and data) over the total energy consumed in the performance of such services. More information can be found section Energy.

#### **Attitudes that preserve**

TIM aims to contribute to the reduction of the environmental impact of its activities. In its product portfolio, for example, the Company offers cell phone models with low environmental impact. The option of these models allows and contributes to changes in habits, which favor the rationalization of daily activities and energy saving, helping to reduce greenhouse gas emissions.

TIM PDV is a product that relates to climate change opportunities. It is a top-up mode for prepaid cell phones, which is performed online, directly at the points of sale. Therefore, it reduces the consumption of natural resources, eliminating the greenhouse gas emissions arising from delivering top-up cards at the points of sale.

TIM Chip Avulso is another service provided by the Company, which allows customers to purchase a separate SIM card and does not require the purchase of new phones. Thus, the unnecessary turnover of cell phones is avoided, reducing electronic waste generated by the disposal of phones, batteries, and accessories.

TIM's strategy focuses on the convergence of services and mobile network products, involving mobile and fixed telephone services and mobile broadband. The

Company assumes that the telecommunications services may be used to reduce the emissions arising from the movement of people, in addition to being the base for the optimization of production processes and logistic workflows in various industries, significantly reducing emissions.

#### **Private Pension Plan**

##### **Complementary Pension Plan TIM/Intelig – Itaú Previdência Aberta**

TIM offers its employees a defined contribution pension plan managed by Banco Itaú, in which the employee contributes the same amount as the Company and with the possibility of making retroactive payments for the length of time the employee has worked for the Company.

This amount is calculated based on the salary the person receives. Up to R\$2,620.00, TIM contributes 1% of the employee's salary, while the employee is exempt from contribution.

If the employee receives a higher salary, the amount of the contribution made by TIM up to a cap of R\$2,620.00 is 1% and, for the remaining amount, the Company's percentage contribution is 6.6%, and so is the employee's. In this plan, all employees are eligible and can join at any time, provided it is within the period of time agreed upon between TIM and Itaú.

##### **Complementary Pension Plan Intelig – HSBC Previdência Fechada**

This closed defined contribution pension plan is managed by HSBC. After the Intelig merger with the TIM group, it was defined that this plan would be closed to new admissions. A proceeding has been filed with Previc for the modification of the regulation of this pension plan. If any employees are transferred from Intelig to TIM, the contributions to this plan are suspended and a new pension plan managed by Itaú is offered; therefore, the employee is responsible for choosing self-sponsorship, deferred proportional benefit or the transfer of its savings to another plan. New employees hired by Intelig are offered the plan managed by Itaú. Employees that worked for TIM and were transferred to Intelig maintained the plan managed by Itaú, with no modifications.

The only employees with an active status in the Intelig – HSBC plan are those that work for Intelig and were not transferred to TIM.

## Sistel and TIMPREV

In regard to the pension plans managed by closed benefit plan entities, TIM currently sponsors the following plans:

Plan	Type <sup>(1)</sup>	Entity/ Manager	Sponsor
PBS-A	BD	Sistel	TIM Celular and TIM Nordeste, jointly and severally with the other telecommunications companies arising from the privatization of the Telebras System
Pama/PCE <sup>(2)</sup>	BD	Sistel	TIM Participações and TIM Nordeste, jointly and severally with the other telecommunications companies arising from the privatization of the Telebras System
PBS – Tele Celular Sul	BD	HSBC	TIM Participações e TIM Celular
TRCA – Atypical Contractual Relationship Instrument	BD	TIM	TIM Participações
Management Agreement	BD	HSBC	TIM Celular
Part of the policy of the health insurance plan of the employees related to former members of Pamec	BD	TIM	TIM Celular
TIMPREV SUL	CD	HSBC	TIM Celular
PBS – Tele Nordeste Celular <sup>(3)</sup>	BD	HSBC	TIM Nordeste
TIMPREV NORDESTE <sup>(3)</sup>	CD	HSBC	TIM Nordeste

<sup>(1)</sup> BD = Defined Benefit Plan;  
CD = Defined Contribution Plan.

<sup>(2)</sup> Pama/PCE is a health insurance plan offered to retired employees.

<sup>(3)</sup> Plans PBS-Tele Nordeste Celular and TIMPREV NORDESTE will be presented separately for the last time, due to the merger between TIM Nordeste and TIM Celular.

There are closed defined contribution pension plans managed by HSBC (TIMPREV SUL and TIMPREV NORDESTE), in which only those employees who were members of the defined benefit plan managed by Sistel were offered migration, while this plan is not offered to any other employees. Therefore, only former employees of the Telebras system participate in this plan.

The employee and employer contribution percentages are the same and are defined as follows:

- > Employees receiving salaries equal to or less than 12.5 URT (TIM Unit of reference) contribute 0.71%;
- > Employees receiving salaries that range between 12.5 and 218.3 URT contribute 4.73% and deduct 0.5025 URT from this amount.

The value of the URT in 2009 was R\$216.23.

HSBC also manages four defined benefits plans (PBS – Tele Celular Sul, Management Agreement, and PBS – Tele Nordeste Celular) covering TIM's employees and beneficiaries who chose not to join the Company's defined contribution plan. These plans are offered to a closed number of participants, and the participation of new individuals is forbidden.

In these defined benefit plans, the contributions of the members and the sponsors are determined annually by HSBC, according to the requirements of the plan. In December, 2010, all these plans had collateral assets that exceeded the actuarial commitments and the costing anticipated for the 2011 fiscal year is zero. In 2010, the two remaining members of the PBT-TIM defined benefit plan were migrated to the TIMPREV SUL defined contribution plan.

Finally, there is the PBS-A benefits plan managed by Sistel (closed private pension entity), which originated at the time when the Telebras system was privatized, and only has participants who already received benefits; therefore, this is a closed number of members.

The peculiar feature of this plan is the fact that it is sponsored not only by TIM Group companies, but also by all telephone companies created under the privatization process. The PBS-A is currently in surplus, and no costing requirements are expected on the part of the Company or participants.

#### **Atypical Contractual Relationship Instrument**

In succession to the partial spin-off process of Telecomunicações do Paraná S.A. (TELEPAR) the Company is the sponsor of complementary retirement plans created in 1970 under a Collective Bargaining Agreement and ratified by the Atypical Contractual Relationship Instrument entered into between the Company and the unions representing the then-existing professional categories.

The agreement covers 86 employees hired prior to December 31, 1982, granting them a complementary pension. This right is only granted if these employees retire after completing the minimum term for retirement (30 years for men and 25 for women).

On account of the spin-off of Telebras in June, 1998, the Company chose to terminate this complementary retirement plan. As a result of the termination of this plan, the company allowed the members of the plan to receive a cash payment for the accumulated benefits, or transfer their accumulated benefit obligations to the PBT – Sistel plan. The majority of employees that were members of the plan opted for cash payment or for joining the PBT-Sistel plan.

The remaining balance will be used to cover the benefits of those employees who have not took their option (four employees on December 31, 2010 and 2009).

TIM is responsible for paying the pensions defined by the Company's retirement plan; however, there are separate funds deposited monthly for funds managed by HSBC. If these funds do not have sufficient resources to cover the payment of pensions, TIM is responsible for topping up the contributions. The annual contribution envisaged for the defined contributions plans in 2011 (the only ones with non-zero costing requirement) is R\$136,000. In the case of the PBS-A plan, managed by Sistel, TIM's responsibilities follow the same principle, whereby the responsibility is assumed jointly and severally by the various sponsor companies.

#### **Remuneration**

TIM's salary floor was fixed in a Collective Bargaining Agreement (ACT in the Brazilian acronym), executed with the employees' class union. Thus, the minimum salaries are adopted as determined in the ACT, rather than the regional office salary floor. The table below compares the local minimum salaries (or national minimum salaries for locations where no regional minimum salary exists) with the lowest salaries paid by the Company regardless of the salary agreed upon in the ACT.

	2009			
	Local minimum salary (R\$)	Lowest salary paid (R\$)	Employees receiving the lowest salary	% below or above the local minimum salary
Office São Paulo (SP)	530.00	555.44	8.9%	4.8%
Office Rio de Janeiro (RJ)	531.55	539.00	8.0%	1.4%
Office Espírito Santo (ES)	465.00	648.00	9.7%	39.3%
Office South (PR)	620.46	500.32	0.2%	19.4%
Office South (SC)	465.00	648.00	16.9%	39.4%
Office South (RS)	511.29	648.00	9.5%	26.7%
Office Mid-West (DF, GO, TO, MT, MS, RO and AC)	465.00	648.00	4.4%	39.35%
Office East (MG, BA and SE)	465.00	523.64	0.2%	12.7%
Office Northeast (PE, AL, PB, RN, CE and PI)	465.00	465.00	9.2%	0%
Office North (PA, AM, MA, AP and RR)	465.00	613.00	16.1%	31.8%

	2010			
	Local minimum salary (R\$)	Lowest salary paid (R\$)	Employees receiving the lowest salary	% below or above the local minimum salary
Office São Paulo (SP)	570.00	578.60	24.5%	1.5%
Office Rio de Janeiro (RJ)	603.31	539.00	9.4%	-10.7%
Office Espírito Santo (ES)	510.00	648.00	16%	27.1%
Office South (PR)	668.50	522.00	20.8%	-21.9%
Office South (SC)	616.00	648.00	27.7%	5.2%
Office South (RS)	523.07	648.00	19.5%	23.9%
Office Mid-West (DF, GO, TO, MT, MS, RO and AC)	510.00	648.00	6.9%	27.1%
Office East (MG, BA and SE)	510.00	545.48	0.2%	7.0%
Office Northeast (PE, AL, PB, RN, CE and PI)	510.00	510.00	30.2%	0%
Office North (PA, AM, MA, AP and RR)	510.00	613.00	17.8%	20.2%

National minimum monthly salary at the end of the year: R\$465.00 (2009) and R\$510.00 (2010).

	2009	2010
Ratio between the highest and the lowest monthly salary paid by the Company to its employees	73.8*	61.87

\*Amount calculated using the average salaries of directors and CEO vs. the lowest salary paid by the Company.

### Local suppliers

Aiming to spread the same values adopted by the Company throughout its supply chain, TIM started a process for assessing its suppliers in relation to sustainability issues.

Until 2009, the group was restricted to the main suppliers of the Company and 26 suppliers were assessed. In 2010, the sustainability assessment involved 74 suppliers, therefore reaching the cumulative goal established in the last sustainability report.

The results of this assessment are not considered in the processes for qualification and supplier selection. They serve only to strengthen mutual commitments made in the Policy of Relationship with Suppliers, in the procurement process and to identify opportunities for joint advancement.

This policy sets forth guidelines for procurement and includes socio-environmental responsibility requirements for goods and services acquired, in addition to the continuous improvement of the relationship between the Company and its suppliers.

### Sustainability Criteria

In 2010, TIM also modified its Procedure for Procurement of Materials, Goods, and Services. Currently, in the event of equal technical terms and conditions, sustainability criteria must be used as a tie breaker between suppliers. This assessment is conducted using a questionnaire, which aims to identify practices adopted by the supplier, such as environmental policy and certifications, fight against slave and child labor, right to union association, compliance with regulations, etc.

In addition, included in TIM's Procedure for Registration with Suppliers and Lessors is the need to conduct a previous query to the sites Brazilian Pact for Integrity and Against Corruption and Brazilian Pact to Eradicate Slave Labor. This measure aims to keep the Company from maintaining any type of relationship with partners that do not comply with the guidelines indicated by the Company in the ethical provision of its commercial agreements.

TIM does not adopt procurement policies or practices and procedures that prioritize local suppliers, since it operates locally. However, whenever possible, the Company tries to develop relationships with suppliers headquartered in Brazil.

In 2010, purchases from Brazilian suppliers represented 98% of the total purchases made by the Company.

### Total purchases by the company (R\$ thousands)

	2009	2010
From local suppliers	5,610,975	5,254,977
From other suppliers	2,404,704	129,090

All contracts and purchase orders have a clause that guarantees observance and compliance with TIM's Code of Ethics and the Global Compact principles, including respect for human rights and labor, principles of environmental protection and anti-corruption principles. The Company is not aware of any cases of noncompliance or violation of rights of indigenous peoples.

### 7.2.2 Indirect economic impacts

**TIM is committed to disseminating the principles adopted in its Code of Ethics throughout its entire value chain.**

As with all organizations, the activities conducted by TIM create indirect economic impacts in the sustainable development context. These impacts are additional to the direct impacts of the financial activity and flow of funds between the Company and its stakeholders, affecting the well-being and long-term development communities or other stakeholders.

It is not the Company's practice to conduct specific surveys to identify the needs or priorities of the communities where it operates prior to making indirect investments. These situations are analyzed based on normal contact with stakeholders in the various areas of the Company.

See below some initiatives implemented by TIM that demonstrate these indirect economic impacts.

### TIM PDV – Recarga Online

With TIM PDV, there was a reduction in the share of top-up sales through physical cards since its implementation in August 2008, thus reducing the use of raw materials and natural resources while also reducing waste. The paper receipt is replaced by a text message sent to the client with the details of the transaction.



The solution does not require physical logistics for delivery, since the retailer receives the amounts to be marketed via the system, reducing CO<sub>2</sub> emissions arising from the transportation of cards. The tool, also called Recarga Verde, reduces the risks of theft to the retailer and allows all top-up amounts to be available, that is, provides more convenience to clients.

#### **TIM Fixo Pré**

Launched in March, 2010, TIM Fixo Pré is TIM's prepaid landline service, which offers the opportunity of expanding people's access to fixed telephone services without mandatory monthly expenses.

In addition to not requiring a subscription, there is no minimum monthly top-up: the line receives and makes calls with the same fees as landline, offering the client the reduced cost of a landline and the control over the amount to be paid (which is a characteristic of prepaid plans).

TIM Fixo Pré can be used by its clients for various bank and credit card registers and other situations that require a landline.

#### **Infinity Web**

Brazil has over 64 million Internet users, who use the web very intensively, despite broadband access not being widespread. This demonstrates a high use potential, indicating repressed demand. If the final prices for Internet subscription were reduced, the penetration of the service could increase significantly.

The Infinity Web plan, launched in September, 2010, intends to expand Internet access to clients from various social strata. The service is offered for R\$0.50 for 24 hours. This cost allows the client to be connected to the Internet, without restrictions of time or location, for one day without requiring subscription to the service or any type of participation in any offers.

TIM believes that, with Infinity Web, one of the greatest barriers to the expansion of Internet access is eliminated, because one does not need a computer to be connected to the web. Any person with a compatible cell phone can use the service.

## 8. Environmental performance

In 2010, TIM became one of the major carriers in Brazil to obtain the ISO 14001 environmental certification.



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TIM strengthens its commitment to sustainable development by promoting – according to its Environmental Policy – the continuous improvement of environmental performance, complying with the legislations in effect, regulatory agencies, and Telecom Italia Group guidelines.

In order to define its strategies, TIM also takes into account the environmental aspects considered essential by stakeholders, as described in the section About the Report. The most relevant environmental indicators highlighted in our materiality matrix are the collection and recycling of cell phones, batteries, and SIM cards (high materiality) and the impact arising from the installation of cell towers on the environment and community.

Another relevant environmental issue raised by stakeholders was greater attention to conscientious consumption, which involves educating internal stakeholders in this respect.

### Public commitments

TIM's commitment to more sustainable management is proven through the various voluntary commitments assumed by the Company. In addition to being a signatory of the Global Compact, the Company complies with the Carbon Disclosure Project and is a member of the platform Empresas pelo Clima. Furthermore, it is a member of BM&FBOVESPA's Corporate Sustainability Index (ISE) portfolio for the third consecutive year. At the end of 2010, TIM also became a member of the Efficient Carbon Index (ICO2) portfolio, launched by BM&FBOVESPA and BNDES.

In 2010, TIM became one of the first carriers in Brazil to obtain ISO 14001 environmental certification. This certification was attributed to the activities of Monitoring Management, Performance Information, and Network Quality in the operating units located in Rio de Janeiro (RJ) and Santo André (SP).

The company also maintains a structured program of awareness and education on sustainable development for internal stakeholders. In 2010, TIM offered online sustainability training to 35% of its internal stakeholders.

### 8.1 Environmental goals

**The environmental goals concerning solid waste, water, batteries and devices, and suppliers were reached in 2010.**

For 2010, TIM met and/or exceeded most of the environmental goals established in its last sustainability report. The commitments assumed and achieved refer to: waste, water, handsets and batteries, and suppliers. However, the goal of reducing the consumption of electricity in the offices was not met. Despite its efforts, the Company reached 76% of this goal. The reduction was not fully met, mainly due to technical limitations found in older administrative buildings, which still have air conditioning systems that consume high levels of energy.

### Performance in relation to environmental goals

	Environment		2010 Goal	2010 Result
Waste	Percentage of waste recycled over total waste generated in the offices	%	51	60
Electricity	Reduction in the consumption of electricity in the offices	kWh	1,000,000	759,752
Water	Reduction in the consumption of water in the offices	m³	2,400	22,094
Batteries	Collection of old cell phones, batteries, and remaining accessories for recycling	Metric ton	12	14.65
	Suppliers			
Suppliers	Number of suppliers assessed for sustainability issues	Number aggregate total as of 2009	70	74

## 8.2 Materials

In 2010, the total consumption of paper was reduced by 39.16%, compared to 2009. The most significant decrease (64.07%) occurred in the purchase of bags.

The development of actions that aim to reduce the waste of materials and ensure the sustainable use of natural resources is one of the principles of TIM's Environmental Policy. One of the major consumables of the Company is paper, which is used for issuing bills, in office work, in paper bags, and leaflets in points of sale.

The total consumption of paper in 2010 was reduced by 39.16% from 2009. The most significant reduction (64.07%) was found in the purchase of bags, due to the volume stored as inventory in stores. Paper used for marketing leaflets and billing, sectors that correspond to 89.40% of paper consumption in the Company as a whole, was reduced by 36.05% during the year. In the offices, the consumption of paper was reduced by 34.16%.

### Materials Used by Weight or Volume

Consumption of paper in kg	2009	2010	Variation
Paper for internal use	92,078	60,622	-34.16%
Bags	290,563	104,408	-64.07%
Marketing	1,194,424	611,453	-48.81%
Billing	981,688	780,209	-20.52%
<b>Total</b>	<b>2,558,753</b>	<b>1,556,692</b>	<b>-39.16%</b>

### Materials from recycling

In 2010, TIM continued to replace recycled paper with FSC certified paper (Forest Stewardship Council) in its billing activities. Therefore, the percentage of recycled materials used has been decreasing yearly, while the consumption of FSC paper continues to grow.

The remaining consumption of white paper is due to the activities of the legal and fiscal areas, varying according to the demand on these departments.

2009				
Consumption of paper in kg	Total	Recycled	FSC	White
Paper for internal use	92,078	90,768	-	1,310
Bags	290,563	290,563	-	-
Marketing	1,194,424	1,175,824	18,600	-
Billing	981,688	608,732	372,956	-
<b>Total</b>	<b>2,558,753</b>	<b>2,165,887</b>	<b>391,556</b>	<b>1,310</b>
Percentage	100.00%	85%	15%	0%
2010				
	Total	Recycled	FSC	White
Paper for internal use	60,622	59,869	-	753
Bags	104,408	104,408	-	-
Marketing	611,453	106,701	504,752	-
Billing	780,209	12,900	767,309	-
<b>Total</b>	<b>1,556,692</b>	<b>283,878</b>	<b>1,272,061</b>	<b>753</b>
Percentage	100.00%	18.23%	81.72%	0.05%
Variation 2009/2010				
	Total	Recycled	FSC	White
Paper for internal use	-34.17%	-34.05%	-	-42.52%
Bags	-64.07%	-64.07%	-	-
Marketing	-48.81%	-90.94%	2,614.65%	-
Billing	-22.52%	-97.88%	105.76%	-
<b>Total</b>	<b>-39.16%</b>	<b>-86.91%</b>	<b>224.94%</b>	<b>-42.51%</b>

### 8.3 Energy

**The company's energy consumption in 2010 decreased by 5% compared to 2009. Of this total, 95% were related to the consumption of purchased electricity.**

Essential to the development of human activities, energy is a strategic resource in the climate change scenario. For TIM, the search for energy efficiency has been a priority. In 2010, the consumption of energy by the Company was in line with the previous year, presenting a 5% variation in relation to 2009. Of this total, 95% corresponded to the consumption of acquired electricity, which, in the case of Brazil, is a mixed source, where renewable energy (hydroelectric power) is predominant.

The main variations in the consumption of energy occurred due to the reduction in the use of diesel for the generators of the Company's cell towers and in the use of gasoline in the Company's fleet.

TIM has generators in its Base Transceiver Stations (BSTs) in order to ensure the continuation of services in case of power outages. In 2010, there were fewer cases of power outages by the power utilities, which resulted in a reduction of 57% in the consumption of diesel by the network generators.

#### Consumption of direct and indirect energy

		2009	2010
<b>Total direct energy</b>	GJ	84,745	49,714
Gasoline	GJ	66,421	41,054
Diesel – Vehicles	GJ	1,323	1,277
Diesel – Generators	GJ	17,000	7,383
<b>Total indirect energy</b>	GJ	1,049,619	1,030,696
Electricity	GJ	1,049,619	1,030,696
<b>Total energy used</b>	GJ	1,134,364	1,080,410

During 2010, there was a reduction in the number of vehicles in the administrative fleet and reduced use of the executive fleet, given that the criteria for eligibility for the use of Company cars included a smaller number of employees. Thus, the consumption of gasoline decreased by 38%. TIM adopts the following measures aimed at reaching its energy consumption goals for the offices:

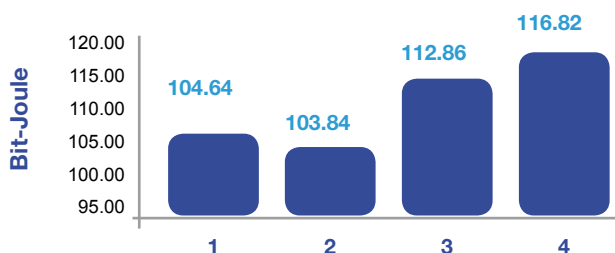
- > Computers are turned off after working hours;
- > Monitoring of air conditioning system;
- > Search for energy efficiency by means of new alternatives for the lighting system;
- > Partial illumination of rooms used at night and on weekends.

#### Energy efficiency

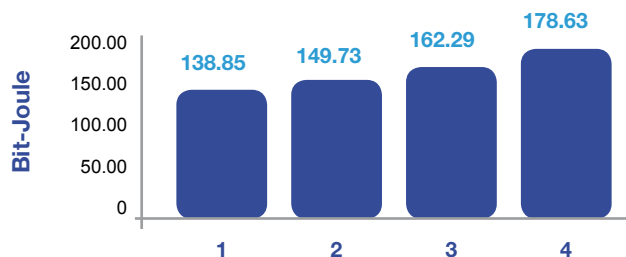
In addition to measures for the reduction in energy consumption, TIM structured a working group, created in May, 2010, for the development of an energy efficiency program. Among the actions of this program is the reassessment of all energy demand agreements with local utilities in order to readjust the actual demand for energy and obtain reductions in cost. The next step will be to assess the replacement of old inefficient equipment by other more efficient air conditioning and reprographic equipment.

The energy eco-efficiency indicator is another important factor that allows TIM to monitor the consumption of energy. This indicator correlates the quantity of services transmitted (bits) and the energy consumed (joules) during the provision of services. We observed an increase in this indicator throughout 2010, which represents a gain in eco-efficiency, with positive quarterly variation of approximately 30%, mainly due to new technologies being employed.

#### TIM BRAZIL AGGREGATE ECO-EFFICIENCY 2009



## TIM BRAZIL AGGREGATE ECO-EFFICIENCY 2010



### Power Saving

The tests for the Power Saving project, which continued throughout 2010, were another important energy efficiency action developed by the Company. The new network functionality avoids energy waste via a more rational use of resources. If there is no demand, equipment is set on standby, being turned on again when necessary, thus allowing an intelligent energy consumption by the Network area. The results are being assessed by the Company, aiming at expanding the project to 1/3 of the network during the course of 2011, with the required care related to service quality maintenance.

In addition to Power Saving and the calculation of eco-efficiency, the company took administrative actions to reduce the use of energy, also aiming to lower spending on this resource. Some major changes adopted in 2010 contributed to the reduction of energy demand: the shutdown of the old Data Processing Centers, the shutdown of the TDMA network and the adoption of new management control of energy bills in RBS. The various measures to improve conservation and energy efficiency adopted by the company promoted the reduction of energy costs.

### TDMA Shutdown

Another effort aiming at energy efficiency was the migration of the client base that used TDMA technology to the GSM technology. This transfer allowed the shutdown of the TDMA equipment, with a consequent reduction in energy consumption of the network area.

In addition to being more efficient, GSM and 3G equipment supports a higher capacity per unit. These technologies are also characterized by being more efficient,

both in terms of management capacity, and power consumption and demand for air conditioning. The immediate result of this action was the improvement of TIM's environmental efficiency of energy, reducing the energy consumed in the sites.

### Eco-friendly handsets

TIM offers to its clients alternative products that have reduced energy consumption or use alternative energies, including the following devices:

- > **Blue Earth:** introduced to the Company's portfolio in 2010, this device is produced with plastic recycled from PET bottles and has a solar battery. It also offers services such as Eco profile, which automatically adjusts the device to save more energy and has calendar reminders for important dates related to ecology.
- > **Motorola Spice:** new Android smartphone uses 25% recycled plastic.
- > **Motorola W233 Eco:** device with batteries that offer a longer life cycle, thus using less energy.
- > **Samsung Solar E1107:** the first device that allows the user to charge the battery with solar energy and that can maintain an uninterrupted voice conversation from 5 to 10 minutes, after being charged for one hour.

### Recarga verde (Green Top Up)

As previously mentioned, the use of the online top-up system, TIM PDV, used in the cell phone itself, contributes to a reduction in the consumption of raw materials, natural resources, and the disposal of cards.

Furthermore, online top up allows a reduction in the emission of CO<sub>2</sub> arising from the transportation of cards, offers less risks of theft, more product availability and customer satisfaction, and brings cutting-edge technology to the market. More information in chapter Indirect Economic Impacts.

## 8.4 Water

**The target for water reduction in the offices was exceeded as a result of improvements in the water installations and awareness programs for the internal stakeholders.**

Despite the low impact that TIM's activities have on water consumption, the Company seeks to reduce its water use, as a result of the Company's concern for the sustainable use of natural resources. The origin of the water collected by the Company is basically the urban supply network.

### Total water collected

		2009	2010
Collected*	m <sup>3</sup>	1,376	272
Supply systems	m <sup>3</sup>	192,538	170,066
<b>Total</b>	<b>m<sup>3</sup></b>	<b>193,914</b>	<b>170,338</b>
Increase in the volume of water collected compared to the previous year	%	2%	-80%

\*Volume used in TIM's RJ Regional Office, located in São Cristóvão (RJ) (rainwater).

In 2010, the volume of water collected by the rainwater harvesting system installed in the Rio de Janeiro office decreased by 80% in relation to the previous year, representing a percentage of 0.16% of the total volume of water consumed by the Company. The reason for this reduction was lower rainfall volume during the year.

Administrative activities are the main consumers of water at TIM. Renovation work carried out in 2010 also contributed to reducing the consumption of water by the Company. Devices and equipment that help to reduce the use of water were installed, such as faucet timers, automatic flush valves for toilets, and other water saving devices.

Water awareness programs for internal stakeholders were intensified in 2010 with posters in the bathrooms and kitchen areas of administrative units. Inspections are constantly conducted in bathrooms and kitchen areas to avoid water waste and leaks. All these measures contributed to reaching the goal for the reduction of water consumption in the offices, which intended to achieve a reduction of 2,400 m<sup>3</sup> by December 2010. This goal was exceeded, reaching savings of 22,094 m<sup>3</sup>.

## Wastewater

TIM does not dispose of wastewater that causes highly negative environmental impacts and no bodies of water are significantly affected by collection or discharge of the water used by the Company. Thus, all wastewater disposal performed by TIM is conducted through public sewage systems, with a final destination defined by the companies in charge of this service.



## 8.5 Climate change

**TIM participates in the Carbon Disclosure Project (CDP), which aims to determine the emission of greenhouse gases by companies.**

TIM considers Climate Change a strategic topic for its business and works in order to monitor its impacts and position itself in relation to climate challenges. To do so, it maintains mechanisms and procedures for assessing its emissions and for the internal dissemination of the topic.

As part of this process, TIM takes part in the Carbon Disclosure Project (CDP). The goal is learn about the greenhouse gas emissions of the organizations and provide transparency on these emissions to the market. Launched by investors and financial institutions interested in a better understanding of how corporations manage and quantify the various issues associated with Climate Change, the initiative also questions management strategies and practices used to minimize emissions.

Thus, TIM has the opportunity to demonstrate how the various direct and indirect activities are monitored, including the combustion of fuel by TIM's own vehicle fleet and by vehicles used by sales consultants, the consumption of the energy and emissions arising from air travel by employees on business and management measures focused on the reduction of emissions.

TIM also takes part in the program Empresas pelo Clima (EPC), a voluntary initiative launched in 2009 and coordinated by the Center for Sustainability Studies of the Getúlio Vargas Foundation (FGVCes), which brings together industry leaders concerned with climate issues worldwide and their effects. The purpose of this platform is to develop a Brazilian protocol for preparing carbon inventories, taking into account the Brazilian energy system and the composition of fossil fuels. It also aims at helping participating companies in the work involving their inventories and at fighting for improvements in legislation, in order to encourage a more conscientious approach by organizations in the face of climate change.



Looking ahead, this platform seeks to help companies achieve their greenhouse gas reduction goals and the action plans for achieving this objective.

To understand the profile of its emissions, since 2008, TIM has been preparing its CO<sub>2</sub> inventory based on the GHG Protocol methodology, on the guidelines provided by the United Nations Environment Programme (Unep), on the emission factors provided by Ministério de Ciência e Tecnologia (Ministry of Science and Technology – MCT), and on the Intergovernmental Panel on Climate Change (IPCC). Until 2009, the inventory was prepared by TIM's staff.

In 2010, seeking greater accuracy and completeness of the calculation of direct and indirect emissions of greenhouse gases, TIM received the assistance of ICF International, a US-based consulting company with over 20 years experience in climate change.

The emission inventory is an excellent management tool in which the sources of emissions of the Company are identified, enabling the identification of opportunities for the reduction of emissions, in addition to the adoption of policies for fighting climate change.

Actions to raise awareness amongst internal stakeholders on reducing energy consumption and selective waste collection were regularly applied throughout the year.

#### 8.5.1. Carbon Inventory

**Among the direct emissions of CO<sub>2</sub> monitored by TIM in 2010, the burning of fuel by its fleet of vehicles and those vehicles controlled by the company is included.**

In 2010, the Company included in its carbon inventory the fugitive emissions arising from the gases used in air conditioning equipment. During the period, we monitored the emissions from the following activities:

##### > Direct Emissions (Scope 1 – GHG Protocol):

- Burning of fuel by TIM's own fleet and by vehicles controlled by the Company (sales consultants);
- Burning of diesel used for the generation of energy;
- Fugitive Emissions arising from the gases used in air conditioning equipment.

##### > Indirect Emissions (Scope 2 – GHG Protocol):

- Consumption of energy purchased.

##### > Other Indirect Emissions (Scope 3 – GHG Protocol):

- Burning of fuel from air travel by employees;
- Burning of fuel from daily commuting by employees;
- Burning of fuel from the outsourced fleet in charge of distributing the products marketed by the Company at the points of sale.

## CO<sub>2</sub> emissions

(in metric ton CO <sub>2</sub> )	2009	Factors	2010	Factors
<b>Scope 1</b>	<b>4,172</b>		<b>3,260</b>	
Company's own fleet	3,823	Unep	2,487	IPCC
Generators	349	Unep	548	IPCC
Fugitive emissions	-		225	GHG Protocol
<b>Scope 2</b>	<b>7,172</b>		<b>14,680</b>	
Consumption of electricity	7,172	MCT	14,680	MCT
<b>Scopes 1 and 2</b>	<b>11,344</b>		<b>17,940</b>	
<b>Scope 3</b>	<b>15,947</b>		<b>18,244</b>	
Air travel	2,479	GHG Protocol	2,355	Defra
Commuting	12,849	GHG Protocol	14,520	IPCC (car and bus) MCT (train and subway)
Outsourced fleet	619	Unep	1,369	IPCC

### Scope 1

In 2010, TIM included the CO<sub>2</sub> emissions arising from fugitive gases used in air conditioning equipment.

### Scope 2

Emissions arising from electricity consumption increased significantly in 2010 (104%), due to the increase in the emission factor provided by the Ministry of Science and Technology, which considers the Brazilian energy matrix and its supply in view of the Sistema Interligado Nacional (National Power Grid – SIN) (emission factors: 2010 – 0.0512 tCO<sub>2</sub>/MWh; 2009 – 0.0246 tCO<sub>2</sub>/MWh). Therefore, the reduction of 1.8% in the Company's energy consumption in 2010 did not result in any reduction in the emissions arising from this activity.

### Scope 3

Scope 3 is the most significant, representing 51% of the Company's emissions.

Emissions arising from air travel by employees remained stable in 2010 in relation to 2009.

In addition to air travel, we have included in this scope the CO<sub>2</sub> emissions arising from the daily commuting of employees to and from the office and from the outsourced fleet used for distributing the products we market at points of sale.

### Employee commuting:

A survey was conducted involving around 5% of internal stakeholders in order to calculate the emissions arising from these commutes. The survey considered those employees who use cars as their main means of transportation to and from work, using gasoline as their primary fuel. TIM also considered the composition of the gasoline produced in Brazil and its mandatory percentage of anhydrous ethanol. For 2010, the average adopted was 23.8% calculated based on the rate of 20% for 90 days provided by the Mapa Normative Instruction No. 7 of January 11th, 2010, and the rate of 25% of the National Petroleum Agency for the subsequent nine months.

### Outsourced fleet

The increase in emissions of 125% is due to the fact that TIM expanded its estimate in 2010, considering 100% of the volume transported by the outsourced fleet, while in 2009 the emissions reported for the outsourced fleet amounted to 25% of the transportation of these products. In 2010, the total consumption of fuel during the transportation of products (devices, SIM cards, and cards) was estimated based on the measurements of the previous year plus the variation on the volume transported between 2009 and 2010. This consumption was then extrapolated to the products transported by other companies.

Emissions of ozone-depleting substances	R-22	0.159	Metric ton
	R-141 b	0.016	
	R-22	0.01	Metric ton of CFC-11 equivalent
	R-141 b	0.002	

### 8.6 Waste

**A total of 14.61 metric tons of electronic waste was collected in 2010; of this total, 3.3 metric tons were exported to Belgium and Japan.**

Waste management is one of the principles of TIM's Environmental Policy. The Company seeks to minimize the production of waste in its activities and to stimulate its selective collection, recovery, and recycling. Furthermore, it operates to prevent post-consumption damage, developing programs to collect and dispose of potentially damaging products in an environmentally sound manner.

Aware that the electronic waste generated by the disposal of mobile devices and their accessories poses a challenge to the telecommunications industry, TIM maintains procedures for the proper management of this environmental aspect, monitoring, quantifying, and controlling the waste produced, hazardous or otherwise. Among the programs developed by the Company for this end, we highlight:

- > Programa Recarregue o Planeta and Programa Papa-Pilhas: both aimed at the collection of batteries, discarded devices, and other accessories, ensuring their proper disposal.
- > Programa de Coleta Seletiva: aimed at internal stakeholders; the Company conducts internal campaigns to raise awareness in relation to selective collection and makes waste bins available in order to allow the proper sorting and collection of waste.

In 2010, these programs collected 14.61 metric tons of electronic waste, of which 3.3 were exported to Belgium and Japan, where it is disassembled and transformed into raw materials for other production processes or used to generate energy for the breakdown process.

### Generation and disposal of waste

In 2010, TIM's total generation of waste increased by 33%. This increase is basically due to the replacement of batteries in TIM's network, which is conducted periodically and varies according to the life cycle of these batteries. Moreover, there was an increase in the waste resulting from some construction works conducted in the sites, areas that concentrate Base Transceiver Stations (BTSs), and network monitoring centers. The information in the tables below does not include the waste collected via Papa-Pilhas and Recarregue o Planeta.

#### Waste Generated

Total Waste Generated		2009	2010
Hazardous	Metric ton	88.36	238.16
Non-Hazardous	Metric ton	738.17	864.20
<b>Total</b>	<b>Metric ton</b>	<b>826.53</b>	<b>1.102.36</b>
<b>Total Waste Generated in the Offices</b>			
Hazardous	Metric ton	5.57	3.15
Non-Hazardous	Metric ton	541.34	584.38
<b>Total</b>	<b>Metric ton</b>	<b>546.91</b>	<b>587.53</b>
<b>Total Waste Generated in the Network</b>			
Hazardous	Metric ton	82.79	235.01
Non-Hazardous	Metric ton	196.83	279.82
<b>Total</b>	<b>Metric ton</b>	<b>279.62</b>	<b>514.83</b>

### Types of waste and final disposal

#### Hazardous waste

The hazardous waste generated by the offices is basically composed of fluorescent light bulbs/tubes. A reduction in the volume discarded, in this case, is justified by the need to accumulate a given volume of waste before collection. The disposal of these fluorescent light bulbs/tubes is conducted by qualified companies that perform vacuum crushing, separation of solid and gaseous waste and disposal to an environmentally sound destination.

The increase in the volume of hazardous waste is due to the replacement of batteries in TIM's network, which is conducted periodically and varies according to the life cycle of these batteries.

### Non-hazardous waste

The non-hazardous waste of the network results from debris generated during the construction works conducted in the sites (areas in which the Base Transceiver Stations (BTSs) are concentrated and network monitoring centers). During this period, with the end of some interventions conducted in the BTSs, there was a great volume of waste generated by these construction works.

All hazardous waste generated by the network is returned to the manufacturers. The volume of non-hazardous waste generated in the sites is sent to sanitary landfills via public urban waste collection.

Selective collection is performed. In the main offices, organic waste is sent for public collection under the responsibility of the municipal authorities. Reusable and recyclable waste is sent to cooperatives registered in each region.

### Goal for waste generated

TIM has exceeded the goal established for waste management for another consecutive year. In 2010, it was able to increase the percentage of waste recycled against the total generated in the offices from 49% to 51%. Thus, the Company reached 60% in recycled waste due to the improvements in the selective collection processes and stronger commitment from TIM's employees.

Furthermore, the goal for the collection of discarded cell phones, batteries, and accessories of 12 metric tons was also exceeded, reaching 14.61 metric tons.

Destination of materials collected via the cell phone, batteries, and accessories collection program, in metric tons:

	2009	2010
Recycling	1.30	4,8
Export	0.60	3,3

*Note: The remaining material is currently with a transportation company, which will transport it to an appropriate destination when a significant volume of waste is reached.*

### Recovery of products and accessories

In 2010, TIM started monitoring the percentage of products and accessories that were sold and later recovered due to the discarded device and battery collection program.

For this calculation, the Company used the volume of items sold (in units) and the volume of material collected in the collection programs mentioned above (in metric tons). In order to obtain a good proportion between these two volumes, we used the average weight for each item, which was received from the Company in charge of the collection for the Papa Pilhas program.

		2009	2010
Handsets	Number	7.556.397	7.962.206
GSM (handsets + kits)	Number	7.556.453	7.962.206
Accessories	Number	1.786	830
SIM Cards	Number	24.407.544	34.387.530
Boards/Modems	Number	292.362	287.960
Notebooks	Number	2.523	375
Estimated weight of items sold:	kg	1.021.993.12	1.041.542.28
Products collected by the Company	kg	19.000.00	14.609.80
PERCENTAGE OF PRODUCTS RECOVERED	%	1.86	1.40

### Spillages

In the period covered by this report, no significant spillages occurred.

### 8.7 Environmental impact of products and services

**Radiation and deployment of Base Transceiver Station (BTS) have no significant environmental impacts monitored by internal controls.**

The activities related to telecommunications also present impacts and risks. The implementation and the operation of Base Transceiver Stations (BTSSs) represent two non-significant environmental impacts: radiation and implementation themselves. These impacts are monitored through internal controls.

The license also ensures that the radiation emitted through the BTSSs is within the limits allowed by the World Health Organization (WHO). Furthermore, it is a network guideline for all sites to be implemented in locations allowed by the local relevant agency, authorized by urban and environmental licenses, when applicable.

TIM has a Base Transceiver Station and a data transmission cell tower in a Permanent Protection Area (APP) in Pico de Jabre, Paraíba, and two other stations which are in listed areas: one of them by the municipality, in Cristo Redentor, Sergipe, and the other by The Historic and Artistic National Heritage Institute (Iphan – Instituto do Patrimônio Histórico Nacional), in Lençóis, Bahia.

In Pico de Jabre, TIM entered into a Statement of Commitment for Adjustment of Conduct (TAC in the Brazilian acronym), through which the company was obliged to donate equipment, set up a BTS in the municipality of Maturéia in order to make the Personal Mobile Service signal available to the local population, in addition to providing traffic signage. In consideration, the clearance of a 12 x 12 m<sup>2</sup> area of vegetation was authorized by the Environmental Administration Superintendence (Sudema).

Regarding the Cristo Redentor and Lençóis BTSSs, TIM has an environmental diagnostic project which will survey all data transmission cell towers in the APP.

### Electromagnetic fields

For a better understanding of electromagnetic fields, radiation, safety and research in cellular telephony, TIM reproduces in full the text of the National Association of Mobile Carriers (Acel), published on the website [www.acel.org.br](http://www.acel.org.br):

“Electromagnetic waves (or fields), such as those used in cellular telephony, are found in nature or are produced by human technologies. The most common source of electromagnetic waves is the sun, which produces infrared radiation, visible light and ultraviolet light.

Electromagnetic waves are classified according to their frequency or number of oscillations per second. The unit that measures the frequency of electromagnetic waves is called Hertz, which corresponds to a cycle (or oscillation) of wave per second. For example, when seeking to tune to 96.3 FM radio station, you're looking for a station that broadcasts an FM radio signal in frequency of 96.3 Megahertz (1 MegaHertz = 1 million Hertz).

The low frequency electromagnetic fields are used in the generation, transmission, distribution and use of electricity. RF fields are used in cellular telephony, for radio and television broadcasts, for networks in wireless communication, for radio communication systems and in microwave ovens, for example.

Radiation can be ionizing and non-ionizing radiation. Ultra-high frequency ionizing radiation releases large amounts of energy that can damage body tissues. In the case of non-ionizing radiation, as the radiation emitted by radio waves used in cellular telephony is called, the energy is not sufficient to cause such damage and only causes an increase in temperature, or thermal effect.

The radiation emitted by the antennas installed on towers or masts is negligible, even with continuous exposure. In fact, the level to which we are exposed due to radiation emitted by the antennas is 50 to 1,000 times smaller than the safety level established by Anatel regu-

lations, using, in Brazil, the standards recommended by the World Health Organization (WHO) under the guidance of the Non-Governmental Organization, the International Commission on Non-Ionizing Radiation Protection (ICNIRP).

The safety level is established based on the exposure conditions of the human body, which are determined by the specific absorption rate (SAR). The SAR indicates the average rate per kg (Watts per kg) by which the energy is absorbed. The values recommended by the WHO correspond to the lowest absorption rate that causes potentially hazardous biological effects (an increase of 1° C in body temperature by exposure to 4 W/kg for 30 minutes), as a precaution divided by 10, for the exposure of workers, and again divided by 5 for the general public.

This means a SAR of 0.4 W/kg for workers exposed to radiofrequency waves and 0.08 W/kg for users of mobile phones, or 50 times less than the minimum.

There are also fears that non-thermal effects of exposure to electromagnetic fields from mobile phones are harmful to health. For over 50 years, the international scientific community has studied the matter and found no evidence tested, reviewed and validated to justify changes in exposure limits currently applied.

Nevertheless, scientific research continues to be conducted around the world, under constant attention of the WHO, which has maintained, since 1996, the Project on International Electromagnetic Fields (EMF Project) in order to provide international and coordinated answers to doubts in this area.

The WHO estimates that more than US\$ 250 million have been spent worldwide in research on this subject. Another US\$ 130 million should be spent by 2014 on studies conducted by scientists from other European countries, in addition to the United States and Australia. To date, the entity informs, ‘there is no convincing scientific evidence that the weak RF signals from transceiver stations and wireless networks cause adverse health effects’.”

TIM analyzes and monitors, based on the methods provided in Resolution No. 303 of July 2, 2002, issued by the National Telecommunications Agency (Anatel), the electromagnetic emissions at all Base Transceiver Stations (BTSs) remaining within the established limits. Calculations and measurements are considered, including the cases of multiuser stations (shared), which assess the technical parameters of equipment (transceivers and antennas) of other carriers. Additional information on websites [www.anatel.gov.br](http://www.anatel.gov.br) and [www.acel.org.br](http://www.acel.org.br).

### Noise

On the other hand, measurement of noise level is not governed at federal level, but rather, at municipal level. To obtain the operating license of the ERB, some municipalities require measurement of noise, which can be requested by the Department of Justice or by local residents. Noise emissions occur only upon the requirement of law or public agency.

There are three ways of measuring noise: one, which is determined by municipal and state legislation, and another, which is done by the process of preventive and corrective licensing and upon request from public agencies. The variation between 2009 and 2010 is due to the occurrence, or not, of the three factors mentioned above.

#### Measurement of EMR and Noise Level

		2009	2010
Number of sites in which EMR levels were measured	No.	1,334	642
Number of sites in which noise levels were measured	No.	236	6

In order to comply with TIM guidelines, which aim at minimizing negative impacts and promoting the efficient use of natural and energy resources, we proceeded with the following measures in 2010:

- > Providing cell phone devices using innovative technologies that generate lower environmental impact;
- > Using of technological alternatives that save resources, such as online top-up using TIM PDV (as described in the following case study);
- > Maintenance of energy consumption optimization programs;
- > Internal awareness campaigns aimed at reducing consumption of water and energy, and promoting selective collection.

### Case study

#### Eco-Friendly Cell Phones

Within the strategy of introducing environmentally friendly solutions to the Brazilian market, TIM launched two new models in 2010. In the previous year, the company had already made Motorola W233 available, which was the first device launched made from recycled plastic bottles. This was later it was followed by the Samsung Solar, which is exclusive to TIM and uses a solar battery.

The models that integrate the portfolio are Motocubo A45 Eco, which is also made from recycled plastic bottles, and Samsung Blue Earth (S7550) which is the fourth model, with the same eco-friendly concept, launched by TIM. In addition to using 3G technology, the Blue Earth device has a touch screen, is made from recycled plastic PET bottles and also has a solar battery. In order for the user to have an eco-friendly lifestyle, Blue Earth provides services such as Eco profile, which automatically adjusts the device to save more energy, and a calendar reminder for important dates related to environmental topics.

#### Environmental Fines and Violations

TIM's Environmental Policy covers environmental licensing, by establishing guidelines to comply with legislation by meeting all social and environmental requirements. The Company's environmental liabilities have been identified and disclosed in accordance with a resolution from the Brazilian Securities Exchange Commission (CVM) and funds have been provided for their remediation.

Seeking to improve its management processes to comply with environmental legislation, the Company hired specialized personnel to identify relevant environmental legislation and monitor compliance with this legislation.



### Fines and non-monetary penalties related to environmental aspects

Environmental proceedings in 2010		2009	2010
Administrative proceedings (Active)	No.	183	129
Administrative proceedings (New)	No.	27	12
Legal Proceedings (Active)	No.	43	50
Legal Proceedings (New)	No.	5	2
Fines and non-monetary penalties related to environmental aspects		2009	2010
Number of fines	No.	143	60
Total value of fines	R\$	1,683,061.90	513,061.76
Total number of notifications	No.	165	95

In 2010, R\$513,061.76 were paid in fines to environmental agencies, due to absence of environmental licensing for cell towers. Based on the criteria of the Brazilian Institute for the Environment and Renewable Natural Resources (Ibama), the activity performed by TIM is not potentially polluting. Furthermore, the Company is in compliance with the provisions of the Anatel resolution in regard to the radiation emitted by its cell towers.

The significant decrease in the amount of fines and notifications, when compared to the previous year, is due to the fact that 135 notifications from Sudema-PB in 2009 referred to absence of environmental licensing, and which were suspended by legal action.

In 2010, 40 notifications were issued by the Ceará State Environmental Department (Semace), due to the non-renewal of environmental licenses, therefore the Company executed a Term of Adjustment of Conduct (TAC) in order to regulate all cell towers (including those pointed out in the filings), as well as a Term of Debt Negotiation in order to pay for the fines resulting from the notifications.

### Terms of adjustment of conduct relating to environmental aspects

TIM, whenever possible, seeks to execute Terms of Adjustment of Conduct (TACs) pertaining to environmental issues.

Terms of adjustment of conduct relating to environmental aspects		2009	2010
Total TACs executed in the period	No.	0	5
Total ongoing TACs	No.	2	2
Total TACs completed in the period	No.	0	4

Ongoing TACs in 2010:

**Goiânia** – TAC executed between TIM and Goiânia Municipal Environmental Agency (AMMA), aiming at regulating 42 Base Transceiver Stations (BTSs). In exchange, TIM is committed to making payment to be converted into the acquisition of materials.

**Ceará** – TAC executed between TIM and the Ceará State Environmental Superintendence aiming at regulating the licensing of sites installed in Ceará and outside Fortaleza. In addition, TIM is committed to paying for fines issued due to the absence of licensing.

### Investment in the Environment

In 2010, the volume of resources invested in the environment by TIM was of R\$ 334,000, up 29% when compared to 2009. The main reason for the increase was that costs were waived due to improved training of internal stakeholders in order to obtain the ISO 14001 certification, and also the support given to the WWF's Earth Hour.

The amount invested in the maintenance of operating processes for the improvement of the environment corresponds to the maintenance expenditure of the program for collecting devices and batteries. This expenditure refers to the logistics of the program.

The investment in environmental protection made by TIM is aligned with its Environmental Policy, especially with the following principles:

- > Keeping an open communication channel with stakeholders, dealing with occasional notifications, observations or complaints in order to improve management's own environmental impacts.
- > Encouraging technological research aimed at developing services and products that keep adverse impacts to a minimum.
- > Disclosing environmental guidelines and encouraging internal and external stakeholders to participate in awareness actions and campaigns, fostering a responsible approach in regard to the environment. Encouraging suppliers, partners and sub-contractors to adopt these principles.

Total investment and expenditure in environmental protection		2009	2010
Maintenance of operating processes for environmental improvement	R\$ thousands	204	275
Initiatives for educating internal stakeholders in environmental-related matters	R\$ thousands	55	48
Investment in environmental education of the community	R\$ thousands	-	10

## 9. Social performance

In alignment with the Telecom Italia Group, TIM promotes human rights and advocates for fair labor practices.



TIM recognizes that in order to fulfill the mission “to be close to clients, offering innovative possibilities for connectivity, focusing on their various expectations and needs, and contributing as an agent of social development through sustainable management” an essential element is necessary: people. Furthermore, mobile and landline communication is a part of people’s everyday lives, be it in their professional or personal activities.

The Company seeks a transparent relationship with stakeholders and is in compliance with the Global Compact principles. TIM’s Materiality Matrix also points out how Customers Relations, Human Rights, Human Resources, Suppliers and Distributors and Community Relations are relevant to TIM and to its stakeholders.

### Human Capital

In alignment with Telecom Italia Group, TIM promotes human rights and defends proper working conditions for its employees. The Social Responsibility Policy is

based on the Global Compact and on the Company’s Code of Ethics, and the Human Resources Department, which reports directly to the Presidency, is responsible for its enforcement.

In this report, TIM adopts the following definitions:

- > Employees – represents TIM’s employees, apprentices and interns.
- > Internal stakeholders – represents the sum of TIM’s employees and administrative contractors.

In 2010, TIM’s internal stakeholders totaled 10,559 people. Of this total, 10,138 were employees (96%), and the rest was composed of interns, apprentices and contractors. This number includes Intelig’s employees, due to its merger with TIM in December 31st, 2009. For this reason, the figures in the following tables had to be updated

and therefore show different information when compared to the 2009 Sustainability Report.

In addition to the previously mentioned merger, there was a 2.49% increase in headcount. However, the number of contractors hired by the Company was reduced by 95.1%

The Program “Talentos sem Fronteiras”, which aims at recruiting young professionals, hired 84 people. Over 100 job positions opened throughout 2010.

#### Internal stakeholders by type of relationship with the Company

	2009	2010
Employees	9,813	10,138
Apprentices	164	218
Interns	318	177
<b>Total Employees</b>	<b>10,295</b>	<b>10,533</b>
Administrative contractors	527	26
<b>Total internal stakeholders</b>	<b>10,822</b>	<b>10,559</b>

#### % of total internal stakeholders

	2009	2010
Employees	90.7%	96.0%
Apprentices	1.5%	2.1%
Interns	2.9 %	1.7%
<b>Total Employees</b>	<b>-</b>	<b>-</b>
Administrative contractors	4.9%	0.2%
<b>Total internal stakeholders</b>	<b>-</b>	<b>-</b>

The figures in the 2009 column were altered - when compared to the 2009 Sustainability Report - due to the merger with Intelig, in December 2009.

#### Regional Offices

In 2010, the names and the mode of separating regional offices were altered. Therefore, the number of employees in the Rio de Janeiro Regional Office also includes Headquarters employees. In addition, the Southern states were separated from the former regional office. Espírito Santo also underwent a change; it was separated from the Rio de Janeiro Regional Office.

There were no significant changes in the percentage of women working in the Company headquarters, offices, sales force or stores.

#### Number of employees by region\*

	2009
São Paulo Regional Office	1,554
Rio de Janeiro Regional Office	278
Southern Regional Office	630
Midwestern Regional Office	315
Eastern Regional Office	416
Northeastern Regional Office	439
Northern Regional Office	267
Headquarter	1,535
Own Customer Relationship Centers	3,797

\*Division of regional offices in 2009.

The figures were altered - when compared to the 2009 Sustainability Report - due to the merger with Intelig, in December 2009.

#### Number of employees by operating unit

	2010
São Paulo Office	2,949
Rio de Janeiro Regional Office*	2,892
Rio de Janeiro Regional Office – Espírito Santo*	25
Southern Regional Office – Paraná**	1,251
Southern Regional Office – Santa Catarina**	83
Southern Regional Office – Rio Grande do Sul**	133
Midwestern Regional Office – DF, GO, TO, MT, MS, RO, AC	304
Eastern Regional Office – MG, BA, SE	401
Northeastern Regional Office – PE, AL, PB, RN, CE, PI	1,860
Northern Regional Office– PA, AM, MA, AP, RR	240
Headquarter	*
Own Customer Relationship Centers	*

\*The Rio de Janeiro Regional Office includes the Headquarter and the local Customer Relationship Center (CRC). \*\*Separation of Southern states from the former region.

Holding company and regional offices (% in relation to total for the position)	Men		Women		Total (number)	
	2009	2010	2009	2010	2009	2010
Executive Directors	87.2%	87.8%	12.8%	12.2%	41	47
Managers	8.1%	7.2	3.7%	3.3%	761	667
Professionals	27.9%	29.6%	22.6%	22.7%	3,262	3,324
Sales Force/Stores	12.6%	13.0%	14.5%	14.8%	1,753	1,769
Relationship/Fraud Consultants	0.7%	0.7%	2.3%	2.8%	193	228
Interns	2.8%	1.4%	2.1%	1.3%	315	174
Apprentices	0.7%	1.0%	1.3%	1.5%	124	156
<b>Total</b>	<b>53.4%</b>	<b>53.5%</b>	<b>46.6%</b>	<b>46.5%</b>	<b>6,455</b>	<b>6,359</b>

The figures in the 2009 column were altered - when compared to the 2009 Sustainability Report - due to the merger with Intelig, in December 2009.

The Customer Relationship Center, which is an important communication channel with the market and has as strategic objective to raise the level of customer satisfaction, increased its headcount in 2010. A greater number of men was hired, however, women still make up the majority of employees in this sector.

CRC (% in relation to total for the position)	Men		Women		Total (number)	
	2009	2010	2009	2010	2009	2010
Managers	23.1%	29.0%	76.9%	71.0%	26	31
Professionals	31.0%	31.0%	69.0%	69.0%	339	294
Relationship/Fraud Consultants	21.7%	23.2%	78.3%	76.8%	3,432	3,784
Interns	100.0%	66.7%	0%	33.3%	3	3
Apprentices	37.5%	41.9%	62.5%	58.1%	40	62
<b>Total</b>	<b>22.8%</b>	<b>24.1%</b>	<b>77.2%</b>	<b>75.9%</b>	<b>3,840</b>	<b>4,174</b>

The figures in the 2009 column were altered - when compared to the 2009 Sustainability Report - due to the merger with Intelig, in December 2009.

### Years with the Company

Employees who have been working for TIM for 1 to 5 years are still the majority, representing 45.5% of the total workforce in 2010. There was a significant increase in the number of employees who have been working for up to a year in the Company, representing 29.3% (up from 20.8% in 2009).

Employees by years with the Company	% Of total number of employees	
	2009	2010
Up to 1 year	20.8%	29.3%
From 1 to 5 years	57.3%	45.5%
From 5 to 10 years	16.4%	18.2%
From 10 to 20 years	4.9%	6.4%
From 20 to 30 years	0.4%	0.4%
Over 30 years	0.2%	0.2%
<b>Absolute Number of employees</b>	<b>10,295</b>	<b>10,533</b>

The figures in the 2009 column were altered - when compared to the 2009 Sustainability Report - due to the merger with Intelig, in December 2009.

### 9.1 Diversity and equal opportunities

**TIM's Social Responsibility Policy does not allow any form of discrimination and constraint in its work relations.**

TIM's Social Responsibility Policy recognizes that diversity is a value and a practice to be fostered throughout the Company, not conducting or allowing any expression or form of discrimination in its work relations.

#### Gender

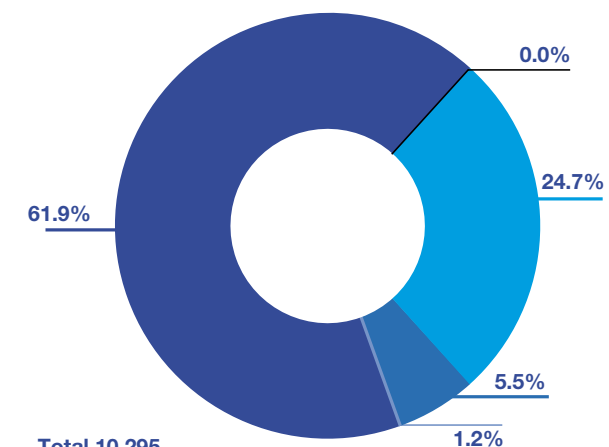
Women still comprise the majority of employees, accounting for 58.1% of the total. In the CRC, the percentage is 75.9%, in most positions and roles. In this area of the Company, women hold 71% of management positions.

In the regional offices and headquarters, women represent 43.1% of workforce, holding 12.2% of executive director positions and 3.3% of management positions.

#### Education

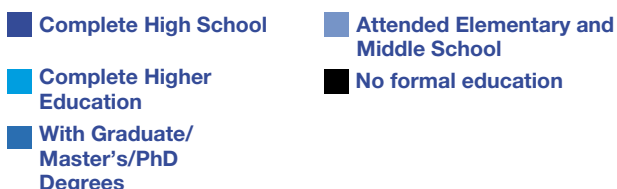
Employees who hold a graduate degree, Master's or PhD represent 5.1% of headcount. The percentage of employees who hold a university degree is 27.1%, while 64.2% have completed high school and 3.5% have attended elementary and Middle school.

### EMPLOYEES BY EDUCATION BACKGROUND (%)

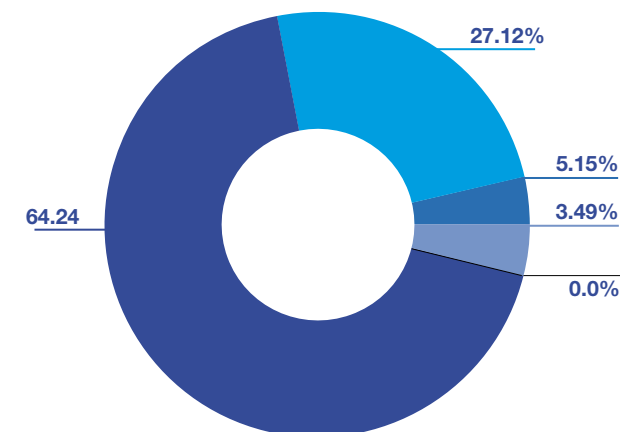


Total 10,295

2009

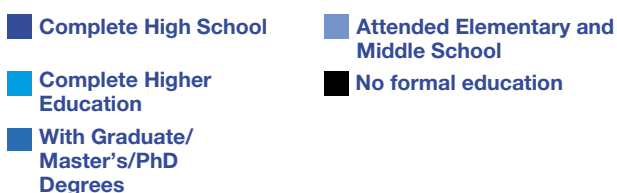


### EMPLOYEES BY EDUCATION BACKGROUND (%)



Total : 10,533

2010

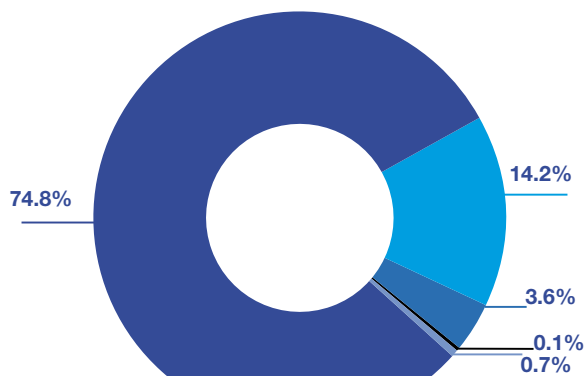


The figures in the 2009 column were altered - when compared to the 2009 Sustainability Report - due to the merger with Intelig, in December 2009.

## Age Group

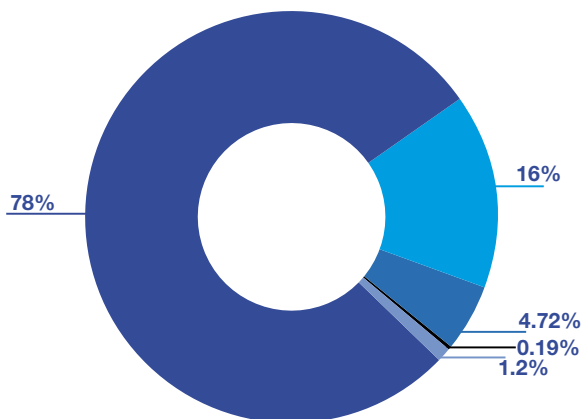
TIM's staff are young. 78% of the employees are in the 18 to 35 age group. People between 36 and 45 years of age represent 16% of total employees.

### EMPLOYEES BY AGE GROUP



Total : 10,295

2009



Total 10,533

2010

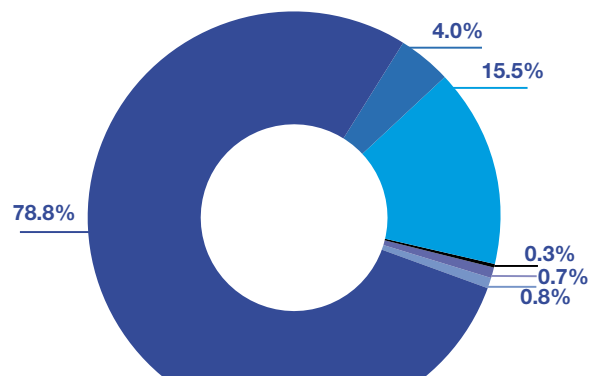


The figures in the 2009 column were altered - when compared to the 2009 Sustainability Report - due to the merger with Intelig, in December 2009.

## Color/Race

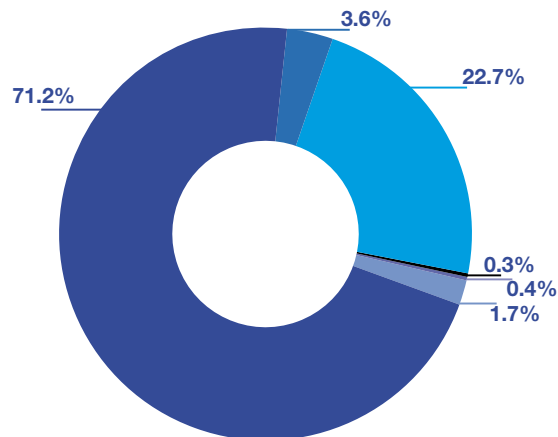
There were no significant changes in this item in 2010. The criteria for the definition of race are defined by the employee's self-declared statement, as established by the Brazilian Institute of Geography and Statistics (IBGE). White employees represent 71.2% of the total. Together, pardo\* and black employees account for 26.3% of employees.

### EMPLOYEES BY COLOR/RACE



Total 9,613\*

2009



Total 10,533

2010



\*The figures in the 2009 column were altered - when compared to the 2009 Sustainability Report - due to the merger with Intelig, in December 2009.

\*According to IBGE (Brazilian Institute of Geography and Statistics), Pardo is a broad classification that encompasses Brazilians of mixed race ancestry, mulattos, and assimilated indigenous people.



## 9.2 Diversity in governance

The groups in the company responsible for governance are comprised of men between the ages of 36 and 60.

The Company's groups which are responsible for governance are: The Board of Directors and its Specialized Committees (Remuneration Committee and Corporate Governance and Internal Control Committee), the Supervisory Committee, Executive Board and the Secretary General of the Board. The current composition of these groups – which are predominantly composed of white men between 36 and 60 years of age – does not represent the same diversity profile seen in the Company's operating units.

There are no formal initiatives to ensure/expand the diversity or the participation and representation of various social groups in the groups responsible for the Company's governance. However, TIM does not discriminate and/or make any distinctions based on the different categories of existing social groups in the hiring process, whether or not for positions in the Company's Governance. The Company, aiming towards optimum performance and greater protection of its shareholders, seeks highly qualified people in the market, regardless of race, religion, gender, among others.

Total participants in the groups responsible for TIM's corporate governance by gender	2009	2010
Men	18	21
Women	2	1

Total participants in the groups responsible for corporate governance by color/race	2009	2010
White	20	21
Black	0	0
Pardo	0	0
Asian-descent	0	1
Amerindians	0	0

Total participants in the groups responsible for corporate governance by age group	2009	2010
From 18 to 35 years of age	0	0
From 36 to 45 years of age	7	7
From 45 to 60 years of age	4	6
Over 60 years of age	9	9

### Gender and salaries

> TIM does not associate its salary policy with any type of discrimination. The Company's values reflect market behavior. In 2010, the difference between the average salary of men and women continued to decrease. Some examples can be highlighted: in stores and call centers, where half the company's workforce are concentrated, women's average salaries are slightly higher than men's (4% and 2% respectively).

### Ratio between nominal salaries paid to men/women

Holding company and regional offices	2009	2010
Executive Directors/Managers	1.21	1.27
Professionals	1.12	1.20
Sales Force/Stores	1.36	0.6

CRC	2009	2010
Executive Directors/Managers	4.82	1.30
Professionals	1.23	1.14
Relationship Consultants	1.0	0.97

Note: Nominal Salary: The fixed amount paid to an employee for the performance of their duties. This does not include additional compensation, such as that based on tenure, overtime, bonus, payment of benefits or any other additional amounts.

Note: Amounts greater than 1 indicate higher salaries for men compared to women. Amounts smaller than one indicate the opposite, higher salaries for women.

### Staff turnover

In 2010, TIM's turnover rate was 29.17%, as shown in the table below:

2009		
	Terminations	Turnover (%)
Voluntary	1,298	12.61
Involuntary	1,802	17.61
Total	3,100	30.22

2010		
	Terminations	Turnover (%)
Voluntary	1,534	15.67
Involuntary	1,325	13.50
Total	2,859	29.17

Turnover = number of terminations divided by the headcount of the previous year

	2009	2010
Employees hired*	2,041	3,216
Employees laid off**	3,111	2,896
No. of employees	9,231	10,533

\*Considers external recruiting only.

\*\*Considers terminations by death and retirement.

2009		
Employees hired and laid off by gender	Men	Women
Employees hired	829	1,212
Employees laid off	1,213	1,898
No. of employees	4,322	5,973

2010		
Employees hired and laid off by gender	Men	Women
Employees hired	1,271	1,945
Employees laid off	1,122	1,774
No. of employees	4,412	6,121

### Remuneration and benefits

TIM's Benefits Policy covers several benefits, such as medical and dental assistance, life insurance, private pensions, meal vouchers, grocery allowance, transportation allowance and day care allowance. These benefits are provided to employees, irrespective of the operating unit in which they work.

Executive Directors and managers are entitled to international health assistance; the executive board is also entitled to vehicle and fuel allowance. All employees participate in the Company's profit sharing program. Executive directors and managers receive MBO-based compensation, and other employees are entitled to profit sharing (PLR).

Amount spent on benefits, by type of benefit (annual social accounting - Ibase)	2009 (R\$ thousands)	2010 (R\$ thousands)
<i>Food</i> Expenses relating to restaurant meals, meal vouchers, snacks, food baskets, and other items related to employee meals	43,265	43,461
<i>Private Pensions</i> Special retirement plans, pension funds	5,081	8,520
<i>Health</i> Health plans, medical assistance, preventive medicine, life quality programs, and other expenses relating to health, including retirement	35,531	39,552
<i>Occupational health and safety</i>	2,574	2,574
<i>Education</i> Expenses relating to regular education at all levels, refunding of expenses relating to formal education, scholarships, magazine subscriptions, library expenses (except personal items) and other expenses related to education	383	2,375
<i>Culture</i> Expenses relating to events and artistic and cultural expression (music, theater, cinema, literature and other arts) for internal stakeholders	0	0
<i>Professional Training and Development</i> Resources invested in training, courses, internships (except salaries), and expenses specifically assigned to qualification programs related to employee activities	7,615	5,500
<i>Day Care Center or Day Care Allowance</i> Local day care center or day care allowance for employees' children	1,825	1,824
<i>Profit Sharing</i>	11,508	54,736
<i>Others</i> Insurance, leisure activities, transportation, housing and other benefits offered to employees and not detailed above	12,036	11,245
<b>Amount spent on social charges</b>	<b>2009 (R\$ thousands)</b>	<b>2010 (R\$ thousands)</b>
Total compulsory social charges	131,456	117,536

### Collective Bargaining Agreements

The negotiations for the Collective Bargaining Agreement 2010/2012 started in December and finished in January, 2011. The main demand from the union was satisfied, with the provision of an actual increase to more than 51% of employees and a full restatement of the aggregate inflation rate to all other employees. Furthermore, an increase above the inflation rate for social benefits, in addition to maintaining the conditions negotiated through previous collective bargaining agreements can be highlighted.

All TIM employees are included in the agreements entered into through collective bargaining. The Company respects the employees' rights of freedom of association and collective bargaining in accordance with Brazilian laws, policies and other guidelines to which the Company adheres, such as, for example, the Global Compact. However, TIM does not perform regular monitoring of operations in which employees' rights to freedom of association or negotiations may be at risk.

Publications from the unions are communicated internally, and the Company also promotes meetings between the parties. Moreover, union members have free access to TIM's premises.

Employees are free to join the union of their category (SINTTEL), and 375 of them are members. 100% of TIM's employees are represented by unions, in accordance with the Brazilian legal system. TIM negotiates 85 collective bargaining agreements per year with 26 unions.

The Profit Share Program (PPR 2010) negotiations were completed in October, when TIM/Intelig and the unions entered into a collective bargaining agreement. Profits were calculated based on the clusters and will be paid according to goal achievement table, which ranges from 80% to 160%.

TIM previously informed employees about the implementation of operational changes that may affect them. However, the minimum term for disclosing this communication has not been established.

	2009	2010
Number of unions representing the Company's employees	26*	26
Number of employees covered by collective bargaining agreements	9.231	10.334
% of employees covered by collective bargaining agreements in relation to the total number of internal stakeholders	90	98

\*the number of unions was corrected in this report, as last year's figure was incorrect. The error occurred due to an agreement which covered two regions which are supported by two different unions.

### Labor claims

In 2010 there were 6,172 labor claims against the Company, of which 2,714 were considered founded and 406 were ruled groundless. The total amount of compensations and fines paid due to court order, including the amount paid in court settlements was of R\$267,000. These claims had a 40% increase when compared to 2009.

### 9.3 Health and safety

#### **TIM has 11 Internal Commissions for the Prevention of Accidents (CIPA) with over 50 employees.**

TIM follows all legal requirements for health and safety in the workplace, as directed in its Social Responsibility Policy. TIM has assigned a representative responsible for health and safety, who will ensure that all measures implemented are followed. Upon being hired, all employees receive integration training on policy and procedures for health and safety in the workplace.

TIM currently has 11 Internal Commissions for Prevention of Occupational Accidents (Cipas), which are distributed throughout the Company's units and include over 50 employees. Cipas are formed by employees who are appointed by the Company's executive body and by employees appointed by their peers, in the proportion of 50% for each group. A person is trained to be in charge of performing prevention activities in units where there is no minimum number of employees.

Cipa is in accordance with the NR-05 in the prevention of occupational accidents and diseases. These actions are taken together with the Specialized Service of Safety Engineering and Occupational Medicine (SESMT) or the Company's Occupational Safety representative. Over 75% of employees are represented by these committees and all occupational accidents or diseases are registered.

### Acting on prevention

In addition to the actions taken by the Committees in 2010, TIM organized the Environmental Risk Prevention Program (PPRA) and the Occupational Health Control Program (PCMSO), also considering the Customer Relationship Center activities. Moreover, the Internal Occupational Accidents Prevention Week (Sipat) took place, and the Commission for Prevention of Occupational Accidents (Cipa) was created. TIM also promoted the Labor Gymnastics Program, the Voice Conservation Program, offered flu shots, and promoted the TIM Quality of Life Program, which provides information on the Internet as well as in offices, motivating employees to have healthier lifestyles.

The agreements made with the unions also include health and safety aspects. One of the topics included is the elimination of health risks through collective and individual protection, prioritizing the elimination or neutralization of agents that might be harmful to employees' health. Furthermore, SINTTEL and TIM promote campaigns and studies in order to find solutions to occupational health and safety issues.

The rates related to occupational accidents improved in 2010 when compared to 2009, as shown in the table below: No serious occurrences were registered. There were no cases of occupational diseases reported to INSS or to the Ministry of Labor.

Occupational accidents	2009	2010
Number of accidents without lost time*	5	4
Number of accidents with lost time*	36	16
Frequency rate (Number of accidents with lost time per million man-hours worked)	2.59	1.25
Severity rate (Number of lost days as a result of accidents per million man-hours worked)	52.59	13.95

\*Lost time refers to absences registered in the Occupational Accidents Communication System (CAT).

Occupational Disease*	2009	2010
Registered cases of occupational disease		
Disease resulting from occupational situations or activities, or occupation-related injuries.	61	0

\*The discrepancy between 2009 and 2010 is due to change in methodology.

### Development and training

In 2010, TIM expanded its sustainability training to other functional categories. Up to 2009, TIM's goal was to obtain management buy-in with this training. This resulted in 73% of managers being trained on sustainability in 2009. In 2010, 20% of all internal stakeholders participated in the sustainability training, which was made available through the Company's e-learning tool.

The goal for total training hours (classroom, online and on-the-job training) was also reached, totaling 897,954 hours.

However, the Company did not reach the goal for training coverage involving the number of people who participated in at least one training course in the year.

### Average training hours per employee

In 2010, TIM invested a total of R\$3,614,825.83 in 450,067 training hours for its employees (the training hours for interns and contractors are not included in this total). The amount invested was down 29% when compared to 2009, however, the Company achieved its goal by holding more online training courses.

The table below presents the average training hours per year – online and in classroom, in or out of the office – by employee, according to functional category.

		2009	2010
Executive Directors	No. of hours	38.15	13.08
Managers	No. of hours	18.22	31.23
Other positions	No. of hours	43.52	14.90
Sales Force	No. of hours	18.49	18.14
Relationship Consultant (CRCs)	No. of hours	22.48	71.65

### Training of employees

Training of TIM's own service staff and contractors is continuous and also relies on e-learning courses developed according to a new style adopted by the Company, which uses more informal language and more dynamic content.

In 2010, TIM Friends was created, which is a relationship site for consultants, and it aims at creating more interaction between operation attendants. The initiative promotes the concept of community in the exchange of knowledge and best practices, it promotes the philosophy of pleasing clients, and it also motivates employees through a recognition program.

The Company also has agreements that offer discounts at universities, language courses, and at other educational institutions, in addition to motivational competitions, benefits and a work environment that focuses on quality of life. Call Center employees are offered relaxation and body posture classes – which use innovative concepts, such as Pilates, walks, notions of taekwondo and body combat – they attend lectures related to current subjects, they also have access to a library, Internet café, snack bars and restaurants.

### Qualification program

#### International Education

This program was developed through a partnership with the top ten institutions according to the ranking of the Financial Times (such as London Business School, Wharton, Harvard, Stanford, Insead, MIT) and the program's main goal is to reduce competence gaps between managers and professionals with high potential and/or holding key positions. In 2010, 21 employees were covered by this initiative, which represented an investment of approximately R\$750,000. TIM will continue with this Program in 2011 and other employees will also be included.

#### Online Qualification

The goal of this program is to qualify and offer career opportunities to high-performance employees who earn up to R\$3,500.00. Of the 61 employees who entered the program, 55 still remained active by the end of 2010; in 2011, the number of placements will be extended to 150.

#### Workshops

In 2010, workshops were organized in order to promote the redesign of organizational skills. 150 Company managers attended the Innovation workshops which had the participation of international experts (Renee Mauborgne, Nicholas Negroponte, Rosabeth Moss Kanter) and the Decision Making workshops (together with COPPEAD).

#### Competency management

TIM believes that investing in the qualification of internal stakeholders is beneficial not only to the Company, but also to the improvement of employees' performance. Therefore, the Company develops programs which aim at developing the necessary competencies to achieve business results; the program takes into account the future and possible challenges as well as technological and market advancements.

In addition to the programs mentioned above, the Company offers specific technical training focused on the technical qualification and recycling to perform in the corresponding role. TIM also provides institutional training, familiarizing employees with the company.

In order to assess the Relationship Consultants (CR), TIM carries out the Excellence Consultant Program, which provides indicators for the "Crescer" (Grow) Program, which aims at promoting the professional development of employees who work in the Customer Relationship Center (CRC). These employees are evaluated on a monthly basis on several indicators, such as quality,

productivity, behavior and collectives. These criteria are previously agreed upon, and all employees are encouraged to take part in training programs and seek excellence in customer service.

The results of the assessment are shared with employees and serve as a support for decision making regarding employees' career plans. The annual average of these results is converted to a concept which summarizes the CR development, aligned with the corporate Development Management process.

For professionals undergoing a termination process, TIM complies with legislation regarding severance packages.

#### Performance assessment

In June 2010, all 4,982 employees eligible for performance assessment were evaluated. Customer Relationship Center (CRC) employees take part in the Excellence Consultant Program, as described in the Competency Management.

Employees have their performance assessed annually, based on activities/goals established for the period and group competencies defined for each function. Managers are assessed based on their goals/results and on the alignment of their actions with the managing model of the group.

As part of this process, a feedback meeting between the manager and the employee is held so that both can jointly define which competencies should be developed for the coming year. Subsequently, the Individual Development Plan for each employee is prepared, in which the actions to be taken are defined in order to support the development of such competencies. The actions related to the employee's careers and merits result from these assessments and development plans.

#### 9.4 External public

**A new philosophy in services was implemented, based on a more conciliatory and efficient stance.**

##### Our clients

In 2009, TIM started a market repositioning process, which also involved the area responsible for customer relations. The quality of customer services was highlighted as one of the Company's strategic priorities and, consequently, the Customer Satisfaction area started to report directly to the Company president. The change in structure allowed more efficiency and speed in addressing clients' needs.

Under the new organization chart – in association with the process in other areas to simplify offerings and expansion of the network infrastructure – a new philosophy was implemented in the customer service area, based on a more conciliatory and resolute proposal:

- > Focus on training of attendants so that they are able to empathize and have a better relationship with clients.
- > Investment in closer observation of consumers through qualitative surveys and monitoring activities.
- > Investment in the implementation of an end-to-end customer service model, in which each operation should provide all information, from contact management to addressing users' demands. For this project, a new variable remuneration system was created that allows associating the remuneration of the call center partners (Atento, CSU, Almaxiva and AeC) to the quality of customer service. Partners who receive a positive evaluation in customer service and deal with customers' requests in a fast and effective way receive bonuses of up to 12% on top of their salary, which would represent a significant increase in their income.

> Expansion of the customer service channels, diversifying the possibilities of clients obtaining fast answers to their queries. The creation of the Content Portal \*144# was one of these initiatives. This portal is a free communication channel, which allows TIM clients quick access to information, provides easy access to services, and instant answers through their own cell phones. Portal \*144# provides clients with the opportunity to manage their preferences and get important information within seconds, combining self service with mobility. Clients are able to check plans, promotions, services, top-ups, remaining credit on the TIM+ plan, favorite numbers, request copies of their bill, passwords and purchase content.

##### Impact on customer service

Between 2009 and 2010 there was a significant increase in the client base, which could have generated an increase in customer service demand. However, with the revision of the portfolio and the simplification of new products, due to the launch of the Infinity and Liberty plans, the understanding of the products by users was facilitated.

In addition, network coverage was expanded and the communication model with clients was changed, which contributed to a decrease in complaints. Consequently, due to actions to reduce complaints, a significant reduction in demand was observed.

By the end of 2010, the Company had approximately 51 million clients – up 24% when compared to 2009 – and there was a decrease of 12% in calls received at the call center between January 2009 and December 2010.

Another result that proves the success of management's focus on quality of customer service was a reduction in the number of second calls, which was down 60% in the period. It was also noted that almost 65% of call center calls are from clients seeking information; therefore, TIM decided to create more self service channels.

To prove the efficiency of this new customer service approach, in April 2010, TIM reached the goal for solutions to reasonable complaints, which had been previously set by the Department of Consumer Protection and Defense (DPDC). Moreover, since August, TIM has been achieving 100% of the goals set by Anatel's General Plan for Quality Goals.



TIM is aware that client relations must constantly be improved, therefore the Company has adopted a series of measures to reduce complaints in Procons (Consumer Protection Agencies), which resulted in a 16% decrease in the number of complaints:

- > TIM's daily monitoring of the Procon 0800 channel (Micromanagement);
- > Motivational campaigns for CRCs employees in order to improve customer service;
- > Communication of culture for effective problem-solving in customer service (Front End), guiding CRC attendants to be pro-active and flexible during the contact, thus, keeping customers from contacting Consumer Defense Agencies.

It is possible to highlight the main actions which were responsible for improvement in this area:

- > Development of a management method for Network quality indicators, with daily previews, allowing the monitoring and achievement of established goals;
- > Improvement of the sales system to reduce on-hold time in customer services;
- > Increase in the number of CRC attendants to ensure the established service time;
- > Creation of service level agreement goals (SLA) for the internal areas, to ensure the established deadline to address demand.

		2009	2010
Total calls received by customer services	No.	148,206,990	115,011,728
Average time on hold to customer service phone lines	Seconds	41"	38"
Total services by the Ombudsman	No.	5,892	5,024
<b>Total complaints received:</b>			
By the Company	No.	15,140,423	10,247,904
By Procon and by other Consumer Protection Agencies	No.	21,699	19,050
By Anatel	No.	180,132	211,209
By Courts	No.	46,590	48,165

#### Total complaints and criticisms solved:

By the Company	%	99.40%	99.88%
By Procon and by other Consumer Protection Agencies	%	*	100%
By Anatel	%	89.60%	97.88%
By Courts	%	**	96.26

\*The percentage of complaints solved by Procon exceeded 100%, since the number of actions finished in 2008 and 2009 was higher than the number of actions received, due to ongoing actions from previous years.

\*\*The percentage of complaints solved by courts exceeded 100%, since the number of actions finished in 2008 was higher than the number of actions received, due to ongoing actions from previous years.

The Company had no cases of non-compliance with regulations and codes related to impacts from its products and services on health, or cases of non-compliance with regulations and codes related to labeling and information on products and services.

#### Contact channels

TIM's main customer service channel is the CRC which addresses all doubts and suggestions from consumers via e-mail, telephone, fax, mail or through the website [www.tim.com.br](http://www.tim.com.br) – available 24 hours a day, seven days a week.

The Company also offers self service channels on its website, in the exclusive area; and the innovative portal \*144# which allows clients to easily find answers to their queries and requests through their own cell phones.

TIM's Twitter profile (<http://twitter.com/timimporttim>), and the Portal \*144# received the Troféu Ouro (Golden Trophy) and the Business Case of the year, in the ABT Awards, held by Garrido Marketing and by Fundação Getúlio Vargas (FGV).

#### Surveys

In order to assess client satisfaction with services received, TIM carries out monthly surveys through specialized independent institutes. The Company also carries out two semiannual surveys in order to assess client satisfaction with all areas of the Company.

The main reasons for client dissatisfaction with TIM, indicated in the surveys are: Lack of signal in some areas (coverage), lack of promotions and customer service through the telephone (long waiting time for customer services and limited capability for solving complaints).

		2009	2010
Average individual customer satisfaction score*	No.	8.28	8.06
Average individual customer satisfaction score for CRC*	No.	7.64	7.46

\*The scores presented above refer to the average scores in the semiannual surveys.

### Impacts of marketing communications

The Brazilian Advertising Self-Regulating Code (Conar) is the entity that ensures ethical values in the Brazilian advertising sector. TIM, as well as other advertisers, communication agencies, and media in general, seek to follow its principles. In addition, TIM has a Marketing Communication Policy, which ensures the alignment of marketing communication projects and actions with its mission and principles in relation to Sustainability.

In 2010, 13 claims were filed against TIM at Conar, 9 of which were filed by competitors and 4 by Conar itself. Among them, 7 ended in 2010, of which 5 had to have changes to the advertising, one suspension of advertising, and one was ruled in favor of TIM.

### Product labeling

It is of the manufacturers' responsibility to provide adequate information and/or warnings regarding devices, accessories and spare parts marketed by TIM, as per the terms of article 12, caput, in the Consumer Protection Code.

### Customer privacy

In 2010, there were four lawsuits filed by clients against TIM alleging violation of privacy. The Company is awaiting a ruling on its appeal against two of the action. The other two are still pending decisions.

## 9.5 Society and government

**In 2010, 998 hours of training were taught, focusing on the Sarbanes-Oxley Act (SOX).**

### Anti-corruption training

In 2010, TIM registered complaints or legal actions referring to corruption practices involving the Company or its employees. Incidents of fraud were registered, facts were investigated and the proper measures were taken, such as: terminating the employment of the employees involved. Furthermore, the Company filed charges with the Police Authorities, so that the proper measures could be taken.

The Company provides training focused on the Sarbanes-Oxley Act (SOX), which is widely recognized as an anti-corruption procedure regarding financial information. In 2010, 998 hours of training were held. TIM, through a Base audit, considered only the hours of participants who finished the course in the highlighted period, as shown in the table below. Therefore, the indicators decreased, since the number of hours of participants with ongoing status were not considered. The final distribution is as follows:

Type of training	Total Hours		Public
	2009	2010	
Training for Control Test Owners- SOX (6 hours)	156	96	Employees working directly with SOX
Overview of Sarbanes-Oxley Act SOX (2 hours)	106	82	Internal Stakeholders
Course on Ethics (1 hour)	747	820	Internal Stakeholders
<b>Total</b>	<b>1,009</b>	<b>998</b>	

The course on Ethics refers to the principles established in the Global Compact, such as Principle 10, which deals with corruption. At the end of the course, a test is applied in order to facilitate the employees' understanding, through a hypothetical situation, on how to act in a possible situation involving corruption.

TIM does not provide any type of training regarding policies or procedures related to human rights.

### Fighting discrimination and harassment

TIM is committed to eliminating discrimination, harassment, child labor and/or slave labor or any other similar activities in its operations and business chain. The Company addresses such issues in its Social Responsibility Policy, available on the Company's website or intranet. Moreover, TIM is a signatory to the Global Compact, whose guidelines cover commitment to these subjects, promoting them inside and outside the Company.

All purchase agreements and orders are supported by a clause guaranteeing compliance with ethics and respect for human and labor rights, with environmental protection principles and anti-corruption measures; these initiatives are all covered in the Global Compact. This clause sets forth that the contracted supplier recognizes the position of the Company and commits to communicating these values and principles in an ethical and socially responsible way, throughout its business chain.

TIM does not have a specific communication channel dedicated to the recording and receiving of complaints on cases of discrimination or harassment, involving internal or external stakeholders. The Supervisory Committee/Audit Committee currently deals with cases which are submitted through the Reporting Channel.

The Company does not have specific procedures to identify operations or processes in its production chain which might pose a risk of representing forced or slave labor or child labor. In 2010, the Company was not informed of any case of disrespect or violation of the rights of indigenous peoples.

### Contributions to political parties

TIM establishes in its Code of Ethics that making contributions to political parties, politicians or related institutions is forbidden.

### Practices for the Defense of Free Competition

TIM's Defense of Competition Program is a structured set of tools to raise employees' awareness on the importance of compliance with Brazilian laws on the defense of competition, as well as to prevent the occurrence of infractions resulting from any breach of the legislation.

The first actions of this program were the preparation of an informative manual containing detailed information on the rules for defense of competition, recommendations on their proper use, and the detailing of rules of conduct, and specific training for several areas of the Company.

The Program was developed by TIM based on its respect for consumers and the Brazilian economy, as well as TIM itself and its internal stakeholders.

TIM's internal stakeholders, especially those who deal with clients or consumers, distributors, suppliers, and competitors on a daily basis, need to understand antitrust legislation and the operation of the agencies responsible for its application in Brazil, in order to identify and avoid acts potentially contrary to the established rules. Thus TIM contributes to the protection of freedom of competition in the markets in which it operates.

TIM defends full competition in the markets in which it operates and believes that companies which are more efficient and innovative should be rewarded for their merits. Undoubtedly, this is the only mechanism that allows the fulfillment of the social function of wealth circulation and by which consumers can benefit from the offer of products with better quality and lower prices.

In 2010, there were three lawsuits against TIM for illegal competition.

### 9.6 Communities

**Through qualitative market surveys, TIM evaluates the impact of its products on socio-environmental issues.**

#### Management of impacts

TIM recognizes and manages the main aspects of its business that may have an impact on communities, especially regarding regulatory requirements, such as those needed to license its Base Transceiver Stations (BTSs or cell towers).

Among the main environmental aspects and their respective negative impacts, the following can be highlighted:

#### Products and services

In order to have a qualitative assessment of impacts, most of our products and services undergo preliminary tests on groups of customers before being launched. Through this qualitative market survey, TIM assesses the impact of these products on socio-environmental issues.

Some qualitative results of this research are reported below:

**> New plans**

In 2010, cell phone users interviewed said they now feel they will have more options when choosing a plan. They realize that these new plans should make the market more competitive, and may even reduce costs. On the other hand, they might generate negative impacts, since people could replace their devices more often, generating more electronic waste.

**> Information via SMS**

People interviewed perceived the information services on traffic and news over their cell phones as being positive. For them, receiving information on traffic would optimize their choice of routes, reduce traffic jams, and, therefore, contribute to the reduction of emissions. The use of the cell phone to read the news reduces the use of physical communication media, reducing the need for printing, therefore, having a positive impact on the environment.

**> Oferta Jovem (Young Offer)**

The public interviewed evaluated this segment as positive, since they would interact more often with family and friends.

**> iPhone Offering**

When people interviewed were asked on how life would improve with the Iphone, Apple's smartphone, they highlighted that it provide more people with access to the Internet through their cell phones and because of Iphone's versatility, it would be possible to have only one device, instead of four (cell phone, camera, mp3 player, etc). They also emphasized the importance of manufacturers guiding users on the best way to dispose of batteries and cell phones which are no longer being used.

**Noise and EMR emissions**

The country's radio frequency ranges for mobile telephone services are regulated by the National Telecommunications Agency (Anatel). Based on Resolution No. 303, TIM analyzes and monitors the EMR in all the Base Transceiver Stations (BTSs), keeping them within the established thresholds.

**Waste**

In order to manage the impact of its waste, the Company maintains programs to collect cell phones, batteries and accessories which are no longer being used; TIM also keeps a selective collection program in offices, among others. TIM also has specific procedures for the decommissioning of sites, which include the closing of the operations and removal of equipment from the communities, providing a final and adequate destination.

**Social Projects in Communities**

TIM's two main social projects had their impact measured through a survey with its beneficiaries. TIM's project Música nas Escolas (Music at schools) presented consistent results on students' level of learning, as well as perennials results for these groups.

The assessment of TIM's project ArtEducação showed the improvement in students' relations with family and teachers.

**Impact on surrounding communities**

Due to the nature of its activities, few modifications were recorded in the Company's facilities, other than the creation or decommissioning of sites. The need to open a new office was felt just a few times. On these occasions, TIM always attempted to discuss our entry in the community with local residents, such as, for example, the agreements entered into with the local government of Santo André (State of São Paulo) regarding the installation of a Technology Center and the investment made to improve the areas surrounding the project.

**Investment in cultural and social projects**

Since the beginning of TIM's brand repositioning, in 2009, our cultural and social projects have been reassessed. Some of them were closed and others replaced by new ones.

In general, the main criterion established to regulate TIM's private social investment is to foster the inclusion of Brazilian low-income individuals, primarily children and youngsters, by investing in educational projects which may reinforce the "no borders" concept within the social scope.

Private Social Investment	Amount (R\$ thousands) 2009	Amount (R\$ thousands) 2010
Education	6,874	7,101
Culture	8,884	2,359
Health and sanitation	139	251
Sports	10	163
Fighting hunger and improving food safety	76	2
Others	96	438
<b>Total contribution to society</b>	<b>16,080</b>	<b>10,316</b>

Note: Tax incentives are included in the amounts above and correspond to less than 5% of these investments.

## Culture

The TIM UFMG cultural space – Etuc, opened in 2010, resulted from a partnership between TIM, the Minas Gerais State Government and the Federal University of Minas Gerais (UFMG), which is represented by the Foundation of Research Development (Fundep) and is responsible for the contents presented in the project.

Integrated to the Praça da Liberdade Cultural Circuit, which is located in the center of Belo Horizonte, this project includes an observatory and a space observation deck, a planetarium with capacity for 80 people, and rooms for the exhibition of scientific, cultural and educational projects with capacity to receive 300,000 visitors every year.

## 9.7 Social projects in communities

With a nationwide reach, *TIM Música nas Escolas* (TIM Music in Schools), was held in six cities in 2010 and is one of the examples of social projects supported by TIM.

### TIM Música nas Escolas (Music in Schools)

In 2010, *TIM Música nas Escolas*, which has a national profile, took place in 6 cities. According to plan, the project had a planned life cycle at its launch and was presented to its government partners (city authorities, municipal and state boards of education). Over four cities completed its actions (Belém, Salvador, Porto Alegre and Recife), preparing dozens of young musicians.

In order to contribute to the continuity of the career of these young musicians, TIM donated instruments to participants of the orchestras in these cities, and provided certificates of attendance.

Created in 2003, the structure of *TIM's Música nas Escolas* project relies on the musical language and has the purpose of enabling new forms of learning and improving the performance of students in school, while promoting and communicating cultural expressions intended for peace. As a result of the musical education of these Ambassadors for Peace, six Brazilian Orchestras were formed, and in 2010, they gave a total of 88 public concerts. An important development of this initiative was the release, in November 2010, of the first album of the Brazilian Orchestra of Rio de Janeiro, with new songs from great composers and featuring special guests.



Claudio Medeiros





In 2010, a percussion group was also formed in *TIM Música nas Escolas* in Rio de Janeiro, composed of 30 deaf children and teenagers from the Educational Center Pilar Velásquez. The young musicians of these orchestras also multiplied their knowledge by helping over 3,000 children, in 13 schools and holding 236 music workshops promoted by the project. They returned to the schools where they initiated the project to teach children on the different properties of sound and means to musicalization.

In 2011, a new album will be released, but this time, recorded by students of the Brazilian Orchestra of Belém. By the end of the year, *TIM Música nas Escolas* will complete its activities in Rio de Janeiro and in Belo Horizonte, finishing its life cycle in these cities, as foreseen in the launch project.

### **TIM ArtEducação Program**

In 2010, over 5,000 youths participated in this program in 12 cities of Minas Gerais. The NGO Humanizarte is the founder and responsible for the coordination of the program, which is conducted through the Minas Gerais's State Law for Cultural Incentive, and also establishes partnerships with the city authorities of the municipalities involved in the project.

TIM's ArtEducação project seeks to promote schooling and the development of self-esteem and social inclusion for youths through music, dance, theater, capoeira and storytelling workshops, in addition to other forms of artistic expression. The assessment surveys attested the multiplying potential of the project, which also contributed to the city authorities on its public policies.

### **Earth Hour**

In 2010, TIM developed a partnership with the NGO WWF, as a sponsor to the largest world movement for global warming awareness, Earth Hour. Created by the organization in order to show support to global warming causes, the movement asked companies, governments and people to turn off their lights for 60 minutes.

In addition to sponsoring the cause, TIM placed its infrastructure to the service of this initiative when it performed a communication campaign, sending text messages inviting clients to participate Earth Hour. The Company shut the power off in its urban facilities at the time of the action and performed a cultural contest, which gave out eco-line cell phones to those who took the best photos during the 60 minutes of darkness.

The Company's website, the Wap Portal and the Twitter profile were used to mobilize and inform its users, by directing them to the website of the movement and doing a countdown for the Earth Hour. TIM advertised the movement in newspapers of great circulation in Rio de Janeiro and São Paulo, and on several Brazilian radio stations.

### **Volunteerism**

With the program Citizens without Borders, created in 2010 to support volunteerism among its employees, TIM established that each employee can dedicate a day of work in the year to volunteer work.

The Company promoted and advertised actions for collection of donations throughout the year, for example, during the floods that occurred in April in Rio de Janeiro, and the floods in July in Pernambuco and Alagoas.

Among the volunteer actions organized in 2010, the following are highlighted:

#### **Children's day at Educandário Romão Duarte**

TIM's employees, with the help from the program Citizens without borders, organized a big party for Children's Day for youths who are supported by Educandário Romão Duarte in Rio de Janeiro. In addition to the party, the employees raised funds for the purchase of toys and food for the institution. The action involved over 50 employees, of whom 30 were present at the party playing and minding the children.

#### **CDI-TIM**

The informal space for learning through technology, created by the NGO Comitê pela Democratização da Informática (Committee for the Democratization of Technology – CDI), already had the computers necessary for its operations; however, it needed furniture, which was donated by TIM and had the collaboration of citizens without borders to assemble the furniture.

#### **Santa's Helpers**

The Postal Service's Santa Claus campaign, which has been held for over 20 years, distributes presents to children who write letters to Santa Claus at Christmas. In 2010, it relied on the collaboration of TIM's employees. Seventeen citizens without borders became Santa's helpers for a day, supporting the Postal Service in the reading and registering of letters written by students of public schools, day-care centers and shelters that help children in vulnerable social situations. The initiative helped many children in the country have their dream come true at Christmas.

## 10. Annual social accounting

### Annual Social Accounting / 2010

Company:

1 – Calculation Base	2010 Valor (Thousand R\$)			2009 Valor (Thousand R\$)		
Net Revenue (NR)	14,457,450			13,158,134		
Operating Income (OI)	1,200,134			553,462		
Gross Payroll (GP)	587,159			520,293		
2 – Internal Social Indicators	Total (thousands)	% over GP	% over NI	Total (thousands)	% over GP	% over NI
Meals	43,461	7.40%	0.30%	43,265	8.32%	0.33%
Compulsory Social Charges	117,536	20.02%	0.81%	131,456	25.27%	1%
Private Pension	8,520	1.45%	0.06%	5,081	0.98%	0.04%
Health	39,552	6.74%	0.27%	35,531	6.83%	0.27%
Occupational Health and Safety	2,574	0.44%	0.02%	2,574	0.49%	0.02%
Education	2,375	0.40%	0.02%	383	0.07%	0%
Culture	0	0%	0%	0	0%	0%
Training and Professional Development	5,500	0.94%	0.04%	7,615	1.46%	0.06%
Daycare and Daycare Allowance	1,824	0.31%	0.01%	1,825	0.35%	0.01%
Profit Sharing	54,736	9.32%	0.38%	11,508	2.21%	0.09%
Others	11,245	1.92%	0.08%	12,036	2.31%	0.09%
Total - Internal social indicators	287,323	48.93%	1.99%	251,274	48.29%	1.91%
3 – External Social Indicators	Total (thousands)	% over OI	% over NI	Total (thousands)	% over OI	% over NI
Education	7,102	0.59%	0.05%	6,874	1.24%	0.05%
Culture	2,359	0.20%	0.02%	8,884	1.61%	0.07%
Health and Sanitation	251	0.02%	0%	139	0.03%	0%
Sports	163	0.01%	0%	10	0%	0%
Fight Hunger and food safety	2	0%	0%	76	0.01%	0%
Others	439	0.04%	0%	96	0.02%	0%
Total contribution to society	10,316	0.86%	0.07%	16,080	2.91%	0.12%
Taxes (less social charges)	4,214,550	351.17%	29.15%	4,653,885	840.87%	35.37%
Total - External social indicators	4,224,866	352.03%	29.22%	4,669,965	843.77%	35.49%
4 – Environmental Indicators	Total (thousands)	% over OI	% over NI	Total (thousands)	% over OI	% over NI
Investments related to the company's production/operation	275	0.02%	0%	219	0.04%	0%
Investments in external programs and/or projects	0	0%	0%	0	0%	0%
Total investments in the environment	275	0.02%	0%	219	0.04%	0%
Regarding the establishment of "annual goals" to minimize waste, general consumption during production/operations, and increase the efficient use of natural resources, the company	( ) does not have goals ( ) complies 0 to 50% ( ) complies 51 to 75% (x) complies 76 to 100%			( ) does not have goals ( ) complies 0 to 50% ( ) complies 51 to 75% (x) complies 76 to 100%		



5 – Functional Body Indicators	2010	2009
Number of employees at end of period	10,138	9,231
Number of admissions during the period	3,220	2,041
Number of outsourced employees	26	527
Number of apprentices	177	224
Number of employees over the age of 45	635	37
Number of women working in the company	6,121	5,730
% of management positions held by women	32.00%	32.76%
Number of African descendants working in the company	2,773	1,867
% of management positions held by African descendants	5.55%	2.12%
Number of people with disabilities or special needs	42	48
6 – relevant information concerning the practice of corporate citizenship	2010 Total (thousand R\$)	Goals for 2011
Ratio between the highest and lowest salary	62	n.d.
Total number of accidents at work	20	n.d.
The standards of safety and cleanliness in the workplace were defined by:	( ) administration (x) administration and management ( ) all employees	( ) administration and management ( ) all employees
The standards of safety and cleanliness in the workplace were defined by:	(x) administration and management ( ) all employees ( ) all + Cipa	(x) administration and management ( ) all employees ( ) all + Cipa
Concerning employees freedom of association, the right to collective bargaining and internal representation, the company:	( ) is not involved (x) complies with ILO norms ( ) promotes and adheres to ILO	( ) will not be involved (x) will comply with the ILO norms ( ) will promote and adhere to ILO norms
Private Pension covers:	( ) direction ( ) administration and management (x) all employees	( ) direction ( ) administration and management (x) all employees
Sharing of profits or results includes:	( ) direction ( ) administration and management (x) all employees	( ) direction ( ) administration and management (x) all employees
In selecting suppliers, the same ethical standards and social and environmental responsibility adopted by the company:	( ) are not considered (x) are suggested ( ) are required	( ) will not be considered (x) will be suggested ( ) will be required
Regarding the participation of employees in volunteer work, the company:	( ) is not involved (x) supports ( ) organizes and promotes	( ) will not be involved (x) will support ( ) will organize and promote
Total number of complaints and criticisms from consumers:	at the company 10,247,904 at Procon 19,050 in Court 48,165	at the company __n.d.__ at Procon __n.d.__ in Court __n.d.__
% of complaints and criticisms addressed or resolved:	at the company 99.88% at Procon 100% in Court 96.26%	at the company __n.d.__% at Procon __n.d.__% in Court __n.d.__%
Total value added for distribution (thousand R\$):	In 2010:	In 2009:
Total value added for distribution (thousand R\$) (DVA):	51.98% 6.09% 6.01% 15.19% 20.74%	government employees shareholders third parties retained 69.31% 7.71% 2.97% 19.01% 2.0%
7 – Additional Information		

## 11. Global compact



### **10 Principles of the Global Compact** **Human Rights**

- 1: Businesses should support and respect the protection of internationally proclaimed human rights;
- 2: Business should make sure they are not complicit in human rights abuses;

#### **Labor rights**

- 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4: Businesses should uphold the elimination of all forms of forced and compulsory labor;
- 5: Businesses should uphold the effective abolition of child labor;
- 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

#### **Environmental Protection**

- 7: Businesses should support a precautionary approach to environmental challenges;
- 8: Businesses should undertake initiatives to promote greater environmental responsibility; and
- 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

#### **Fight against corruption**

- 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Global Compact [www.unglobalcompact.org](http://www.unglobalcompact.org)

## 12. GRI content index

### Profile

#### 1. Strategy and Analysis

Indicator	Description	Page	Global Compact
1.1	Message from the President.	2 and 3	
1.2	Description of key impacts, risks, and opportunities.	13	

#### 2. Perfil Organizacional

Indicator	Description	Page	Global Compact
2.1	Name of the organization.	7	
2.2	Primary brands, products, and/or services.	8	
2.3	Operational structure of the organization.	7	
2.4	Location of organization's headquarters.	7	
2.5	Countries where the organization operates and where it has major operations.	7	
2.6	Nature of ownership and legal form.	9	
2.7	Markets served.	7	
2.8	Scale of the reporting organization.	7	
2.9	Significant changes during the reporting period.	7	
2.10	Awards received in the reporting period.	9	

#### 3. Report Parameters

Indicator	Description	Page	Global Compact
3.1	Reporting period for the information provided.	4	
3.2	Date of most recent previous report.	4	
3.3	Reporting cycle.	4	
3.4	Contact point for questions regarding the report or its contents.	5	
3.5	Process for defining report content.	5	
3.6	Boundary of the report.	4	
3.7	State any specific limitations on the scope or boundary of the report.	5	
3.8	Basis for reporting.	4	
3.9	Data measurement techniques and the bases of calculations.	4	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports.	5	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	4	
3.12	Table identifying the location of the Standard Disclosures in the report.	69 and 74	
3.13	Policy and current practice with regard to seeking external assurance for the report.	5	

4. Governance, Commitments, and Engagement			
Indicator	Description	Page	Global Compact
4.1	Governance structure of the organization, including committees under the highest governance body.	15	
4.2	Chair of the highest governance body.	16	
4.3	Members of the highest governance body that are independent and/or non-executive members.	16	
4.4	Mechanisms for shareholders and employees to provide recommendations.	16	
4.5	Linkage between compensation and the organization's performance (including social and environmental performance).	16	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	16	
4.7	Qualifications and expertise of the members of the highest governance body.	The company does not have a specific procedure to determine the qualifications and expertise of the members of the Board.	
4.8	Statements of mission or values, codes of conduct and relevant internal principles.	8 and 17	
4.9	Responsibilities for the implementation of Economic, Social and Environmental Policies.	17	
4.10	Processes for self-assessment of performance of the highest governance body.	The company does not have a self-assessment process of performance for members of the Board of Directors.	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	26	
4.12	Externally developed charters, principles, or other initiatives.	17	
4.13	Memberships in associations and/or national/international advocacy organizations	22	
4.14	List of stakeholder groups engaged by the organization.	5 and 18	
4.15	Basis for identification and selection of stakeholders with whom to engage.	5	
4.16	Approaches to stakeholder engagement.	18 a 21	
4.17	Key topics and concerns that have been raised through stakeholder engagement.	5	

## Performance Indicators

Economic			
Indicator	Description	Page	Global Compact
Management Approach		11, 23, 26, 31 and 62	
Economic Performance			
Indicator	Description	Page	Global Compact
EC1	Direct economic value generated and distributed.	25	-
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	26	7
EC3	Coverage of the organization's defined benefit plan obligations.	27	-
EC4	Significant financial assistance received from government.	25	-

Market Presence			
Indicator	Description	Page	Global Compact
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	29	1
EC6	Policy, practices, and proportion of spending on locally-based suppliers.	31	-
EC7	Local hiring.	31	6
Indirect Economic Impacts			
Indicator	Description	Page	Global Compact
EC8	Impact of infrastructure investments provided primarily for public benefit.	31	-
EC9	Description of significant indirect economic impacts.	31 and 32	-
Environment			
Indicator	Description	Page	Global Compact
Management approach		26, 33, 34, 36, 38 and 41	
Materials			
Indicator	Description	Page	Global Compact
EN1	Materials used by weight or volume.	35	8
EN2	Percentage of materials used that are recycled input materials.	35	8 and 9
Energy			
Indicator	Description	Page	Global Compact
EN3	Direct energy consumption by primary energy source.	36	8
EN4	Indirect energy consumption by primary source.	36	8 and 9
EN5	Energy saved due to conservation and efficiency improvements.	36 and 37	8 and 9
EN6	Initiatives to provide energy-efficient or renewable energy based products and services.	37	8 and 9
Water			
Indicator	Description	Page	Global Compact
EN8	Total water withdrawal by source.	38	8
EN9	Water sources significantly affected by withdrawal of water.	38	8
EN10	Percentage and total volume of water recycled and reused.	38	8 and 9
Biodiversity			
Indicator	Description	Page	Global Compact
EN11	Location and size of land owned.	43	8
EN12	Significant impacts of activities, products, and services.	43	8
Emissions, Effluents, and Waste			
Indicator	Description	Page	Global Compact
EN16	Total direct and indirect greenhouse gas emissions.	40	8
EN17	Other relevant indirect greenhouse gas emissions.	40	8
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	38 and 39	7, 8 and 9
EN19	Emissions of ozone-depleting substances.	41	8
EN21	Total water discharge by quality and destination.	38	8

EN22	Total weight of waste by type and disposal method.	42	8
EN23	Total number and volume of significant spills.	43	8
EN24	Weight of transported waste deemed hazardous.	42	8

#### Products and Services

Indicator	Description	Page	Global Compact
EN26	Initiatives to mitigate environmental impacts.	45	7, 8 and 9
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	43	8 and 9

#### Compliance

Indicator	Description	Page	Global Compact
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	46	8

#### Transport

Indicator	Description	Page	Global Compact
EN29	Environmental impacts of transporting products and members of the workforce.	40 and 41	8

#### General

Indicator	Description	Page	Global Compact
EN30	Total environmental protection expenditures and investments.	46	7, 8 and 9

#### Labor Practices and Decent Work

Indicator	Description	Page	Global Compact
	Management approach	11, 20, 21, 53, 55, 56 and 58	

#### Employment

Indicator	Description	Page	Global Compact
LA1	Total workforce by employment type, employment contract, and region.	48, 49 and 50	-
LA2	Total number and rate of employee turnover by age group, gender, and region.	54	6
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	54 and 55	-

#### Labor/Management Relations

Indicator	Description	Page	Global Compact
LA4	Percentage of employees covered by collective bargaining agreements.	55 and 56	1 and 3
LA5	Description of notices (schedules and procedures).	55	3

#### Occupational Health and Safety

Indicator	Description	Page	Global Compact
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees.	56	1
LA7	Rates of injury, occupational diseases, lost days.	56 and 57	1
LA8	Education, training, counseling, prevention, and risk-control programs.	56, 57 and 58	1
LA9	Health and safety topics covered in formal agreements with trade unions.	56, 57 and 58	1

Training and Education			
Indicator	Description	Page	Global Compact
LA10	Average hours of training per year.	57	6
LA11	Programs for skills management and lifelong learning.	58	-
LA12	Percentage of employees receiving regular performance and career development reviews.	58	-
Diversity and Equal Opportunity			
Indicator	Description	Page	Global Compact
LA13	Composition of governance bodies and breakdown of employees per category according to gender.	53	1 and 6
LA14	Ratio of basic salary of men to women by employee category.	53 and 54	1 and 6
Human Rights			
Indicator	Description	Page	Global Compact
	Management approach	19, 24, 31 and 62	
Procurement practices			
Indicator	Description	Page	Global Compact
HR2	Percentage of contractors subject to assessments on human rights.	62	1, 2, 3, 4, 5 and 6
HR3	Hours of employee training on policies and procedures related to human rights, including the percentage of employees trained.	61	1, 2, 3, 4, 5 and 6
Non-discrimination			
Indicator	Description	Page	Global Compact
HR4	Total number of incidents of discrimination and actions taken.	62	1, 2 and 6
Freedom of Association			
Indicator	Description	Page	Global Compact
HR5	Policy on freedom of association and level of application.	55 and 56	1, 2 and 3
Child Labor			
Indicator	Description	Page	Global Compact
HR6	Actions taken to contribute to the elimination of child labor.	62	1, 2 and 5
Forced and Compulsory Labor			
Indicator	Description	Page	Global Compact
HR7	Actions taken to contribute to the elimination of forced or compulsory labor.	62	1, 2 and 4
Indigenous Rights			
Indicator	Description	Page	Global Compact
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	62	1 and 2
Society			
Indicator	Description	Page	Global Compact
	Management approach	11, 12, 17, 19, 20 and 22	
Community			
Indicator	Description	Page	Global Compact
SO1	Programs and practices that assess and manage the impacts of operations on communities.	62, 63, 64 and 65	-



Corruption			
Indicator	Description	Page	Global Compact
SO3	Percentage of employees trained in the organization's anti-corruption policies and procedures.	61	10
SO4	Actions taken in response to incidents of corruption.	61	10
Public Policies			
Indicator	Description	Page	Global Compact
SO5	Public policy positions.	22	1
SO6	Contributions to political parties, politicians, and related institutions.	62	10
SO7	Total number of legal actions for anticompetitive behavior.	62	-
Compliance			
Indicator	Description	Page	Global Compact
SO8	Description of monetary value of significant fines and total number of non-monetary sanctions.	56	-
Product Responsibility			
Indicator	Description	Page	Global Compact
	Management approach	11 and 19	
Product Responsibility			
Indicator	Description	Page	Global Compact
PR2	Non-conformities related to impacts on health and safety by products and services.	60	1
Product and Service Labeling			
Indicator	Description	Page	Global Compact
PR3	Type of product and service information required by labeling procedures.	61	8
PR4	Non-compliance related to labeling of products and services.	60	8
PR5	Practices related to customer satisfaction, including results of surveys.	60	-
Marketing Communications			
Indicator	Description	Page	Global Compact
PR6	Programs for adherence to laws, standards, and voluntary codes.	59, 60 and 61	-
PR7	Non-compliance related to communication of products and services.	61	-
PR8	Substantiated complaints regarding breaches of customer privacy.	61	1
Compliance			
Indicator	Description	Page	Global Compact
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	21	-

## 13. Credits

### **Coordination**

TIM Participações

Communications and Sustainability Department

### **Copywriting and Editing**

Report Comunicação

### **Graphic Design**

Report Comunicação

### **Translated Text**

Gotcha Idiomas Ltda. EPP

### **Photography**

Opening: DreamPictures/Shannon Faulk/Getty Images

About the Report: ©iStockphoto.com/Thomas\_EyeDesign

Organizational Profile: ©iStockphoto.com/skynesher

Sustainability: ©iStockphoto.com/tomazl

Corporate Governance: ©iStockphoto.com/pixdeluxe

Economic Performance: ©iStockphoto.com/mario13

Environmental Performance: ©iStockphoto.com/arekmalang

Social Performance: ©iStockphoto.com/airportrait

Cultural and social projects: Cláudio Medeiros

### **Site Program**

Report Comunicação