

**Você, sem fronteiras.**



## 2014 SUSTAINABILITY REPORT

# SUMMARY

TIM.....	3
PRESENTATION.....	3
MESSAGE FROM THE CEO.....	6
OWNERSHIP STRUCTURE.....	8
ACHIEVEMENTS IN 2014.....	8
 TRANSPARENCY.....	 11
CORPORATE GOVERNANCE.....	11
BUSINESS LONGEVITY.....	13
 COMMITMENT.....	 15
CODES AND POLICIES.....	16
TARGETS: 2014 RESULTS AND 2015 COMMITMENTS.....	20
 CONNECTING AND CARING ABOUT EACH ONE.....	 23
TAKING CARE OF THE BUSINESS: ECONOMIC PERFORMANCE.....	23
TAKING CARE OF CUSTOMERS.....	26
TAKING CARE OF THE ENVIRONMENT.....	29
TAKING CARE OF SOCIETY.....	41
TAKING CARE OF PEOPLE.....	44
STAKEHOLDER ENGAGEMENT.....	53
 INNOVATION AND AGILITY.....	 55
PRODUCTS AND SERVICES.....	55
INVESTMENTS.....	56
 ABOUT THE REPORT.....	 60
MATERIALITY.....	60

# TIM

IN THIS CHAPTER  
PRESENTATION  
MESSAGE FROM THE CEO  
OWNERSHIP STRUCTURE  
ACHIEVEMENTS IN 2014



## PRESENTATION [GRI 1.2, 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8]

TIM Participações S.A. is a holding company that provides telecommunication services – mobile, local and long distance fixed telephony and data transmission – with a focus on ingenious and innovative solutions to keep its customers permanently connected.. In operation since 1998, in 2002 TIM became the first mobile telephony carrier to cover every state in Brazil. Today, TIM reaches approximately 95% of the urban population in the country and its data network covers around 80% of the inhabitants in Brazilian cities. The company also has the highest 4G coverage in São Paulo. Its innovative stance and pioneering spirit led the company to be the first operator to launch EDGE technology, MMS services and 3G pay-as-you-go internet in Brazil. A subsidiary of TIM Brasil Serviços e Participações S.A., a member of the Telecom Italia Group, the company is based in Rio de Janeiro (RJ). A publicly traded organization, TIM has two subsidiaries, TIM Celular S.A. (a mobile telephony operator) and Intelig Telecomunicações Ltda. (a fixed voice and data service provider).

Always attentive to user needs, TIM offers a broad range of services for individual and corporate customers. Mobile and fixed telephony and internet access, as well as fixed ultra broadband, are part of the company's portfolio, offered in diverse plans (pay-as-you-go, postpaid, control and roaming) with latest generation handsets.

In 2014, TIM maintained its leadership of the Brazilian pay as you go mobile telephony segment and continued to be the only company in the sector on the BM&FBovespa Novo Mercado, recognized as the highest level in corporate governance. The Live TIM ultra broadband service was acclaimed as the fastest and most reliable in the country in surveys conducted by international content providers like Netflix and Steam. Moreover, among the main operators in the sector, TIM had the fewest complaints lodged with Procon, according to Senacon (the National Consumer Defense Department). These and other achievements during the year reflect the company's constant growth and expansion, with total investments of R\$ 14 billion in infrastructure, services and products planned for the three-year period from 2015-17, an increase of almost 30% compared with 2014-16.

2014 also saw the launch of the company's new purpose – Connecting and caring about each one so that everyone is able to achieve more – which, in addition to translating our innovative approach to business, is also evident in our support for social responsibility projects on a broader level, so that all the company's internal and external stakeholders may do more – both for

# TIM

IN THIS CHAPTER  
PRESENTATION  
MESSAGE FROM THE CEO  
OWNERSHIP STRUCTURE  
ACHIEVEMENTS IN 2014

themselves and for the world. In this report, the company will present its main advances not only in technology, services and economic indicators, but also on its path towards sustainable development without frontiers.

## Leading operator in the 'pay as you go' segment

In 2014, TIM continued to be the Brazilian mobile telephony operator with the highest number of customers in the pay as you go segment. In 2014 there was a 2.1 million increase in the number of new users, growing to 63.2 million, compared with 61.1 the previous year, a growth rate of 3.4%. This growth was accompanied by positive results in the main customer indicators.

## Timeline

### 1998

Integration of the operations of Tele Celular Sul Participações S.A. and Tele Nordeste Celular in the consortium formed by UGB Participações Ltda. ("UGB") and Bitel Participações S.A. "Bitel").

### 2002

Authorization to provide mobile telephony services nationwide, the only group to have such permission, operating under the same brand in diverse regions. Launch of Global System for Mobile Communication (GSM) technology in D and E bands.

### 2003

Expansion of GSM technology to the company's entire market. Bitel incorporates TIM Brasil S.A., adopting the name TIM Brasil Serviços e Participações S.A.

### 2004

Beginning of trading of TIM Participações shares on Bovespa, under the ticker symbol TIM PART. S.A.

### 2005

Approval of incorporation of all TIM Sul and TIM Nordeste shares by TIM Participações.

### 2007

With the acquisition of new frequencies in Anatel (Agência Nacional de Telecomunicações) auctions, the company starts offering third generation services in all states, as well as mobile broadband.

### 2008

Beginning of third generation services under the TIM 3G+ brand, including mobile broadband, video calls and mobile TV. Launch of first fully connected notebook in Brazil in partnership with HP. Beginning of operations in fixed telephony with TIM Fixo, in more than 300 cities in every state in the country. The company is listed on the BM&FBovespa Corporate Sustainability Index (ISE).

# TIM

---

IN THIS CHAPTER  
PRESENTATION  
MESSAGE FROM THE CEO  
OWNERSHIP STRUCTURE  
ACHIEVEMENTS IN 2014

---

## 2009

Start of TIM's brand repositioning, with the launch of the slogan "Você, sem fronteiras" (You, without frontiers) and the Infinity and Liberty plans. Intelig is fully incorporated into TIM PART. S.A.

## 2010

Company reaches number two position in mobile telephony in Brazil and is leader in market share for long distance calls (code 41). Acquisition of remainders in SMP frequency band, enabling company to expand its 2G coverage and boost its presence in the North of the country and in the states of Paraná, Santa Catarina and Minas Gerais. The company is listed on the BM&FBovespa ICO2 (Carbon Efficient Index).

## 2011

Acquisition of AES Atimus and incorporation of a 5,500 kilometer fiber optic network in the Rio de Janeiro and São Paulo metropolitan regions. Acquisition of blocks in the 1.800 MHz band. The company migrates to the BM&FBovespa Novo Mercado, the stock exchange segment with the most advanced level of corporate governance.

## 2012

Company leads pay as you go segment; acquisition of 4G frequency in the 2.5 GHz band in Anatel auction; runner up in the postpaid voice segment. Launch of Live TIM fixed broadband service.

## 2013

Creation of the Instituto TIM, with the mission of generating and leveraging funds and strategies to promote human development in Brazil using mobile technology as an enabler. Launch of the official version of the Portas Abertas website ([www.tim.com.br/portasabertas](http://www.tim.com.br/portasabertas)), to track the improvement in the quality of the operator's network, reinforcing TIM's commitment to quality and transparency.

## Julho de 2014

Live TIM reaches mark of 100,000 customers.

## Setembro de 2014

Acquisition of 4G frequency in the 700 MHz band in Anatel auction.

# TIM

IN THIS CHAPTER  
PRESENTATION  
MESSAGE FROM THE CEO  
OWNERSHIP STRUCTURE  
ACHIEVEMENTS IN 2014

## MESSAGE FROM THE CEO [GRI 1.1]

TIM obtained very positive operational and financial results in 2014. This performance is even more remarkable given that the year was challenging for Brazil, with slower overall economic growth, which had a direct impact on the telecommunications market.

Yet again, we maintained our leadership of the pay as you go mobile segment – exceeding the mark of 63 million users. We also saw notable increases in our data customer base and 4G market share.

Operational profitability grew and we ended the year with the highest Ebitda margin since

2010, driven by growth in the data service and stronger cost controls. Equally noteworthy was the turnaround in our fixed telephony business, with growth replacing the downward trend.

We continue to invest heavily in infrastructure, in particular in the data network, in line with projected demand for the coming years. At the end of 2014, our major project in the area, focused on mobile broadband quality, reached a total of 125 cities connected by high capacity fiber optic networks. This represents more than half the total data traffic in the network. The traditional strategy of macro-cells is complemented by the employment of Wi-Fi and small cells and by the implantation of indoor coverage elements in pursuit of continuous improvement in service quality.

While in 2013 investments in 3G and 4G infrastructure represented just over half of TIM outlays in this area, in 2014 they accounted for almost 90% of the total. This emphasis on investment is coherent with the company's permanent pursuit of innovation in its products and services. In 2014, this was translated into the launch of new and differentiated packages and offers. The successful outcome in the latest 4G auction also positions TIM as a leader in developing the sector.

Innovation is also a prominent feature in our social responsibility initiatives and in our environmental management efforts. With the Instituto TIM projects we promote culture, education and scientific knowledge. Our work on sustainable development was recognized by the inclusion of TIM for the seventh year in a row in the BM&FBovespa Corporate Sustainability Index, which comprises the Brazilian companies with the best corporate governance, the most efficient economic management, as well as environmentally correct and socially fair practices. All these advances are documented in this Sustainability Report, which is part of TIM's effort to achieve maximum transparency in disclosing its management processes and in accounting for its activities.



# TIM

IN THIS CHAPTER  
PRESENTATION  
MESSAGE FROM THE CEO  
OWNERSHIP STRUCTURE  
ACHIEVEMENTS IN 2014

## 2014 IN NUMBERS [GRI 1.2, 2.8]



**75.7 million**

customers, of which 63.2 million  
use the pay as you go service



Present in

**3,433**

cities in Brazil



**2.1 million**

new pay as you go mobile service users



**117%**

growth in the Live TIM user base



**55 mil km**

of fiber optic cable installed



**13.565**

employees



**12 million**

mobiles sold, leader in smartphone  
sales among the four major carriers

Our Social Responsibility and Environmental policies are based on the ten principles of the UN's Global Compact, to which TIM has been a signatory since 2008. As such, this report serves as the company's Communication on Progress (COP) regarding the Global Compact principles, as well as accounting for its actions under the Global Reporting Initiative (GRI) model.

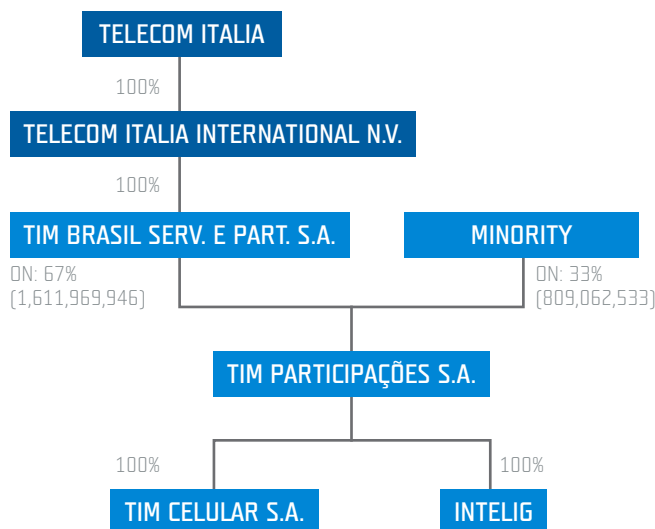
Given the encouraging results achieved so far, we believe that TIM will continue to be successful in 2015 and beyond. The company will continue to strengthen its market position, based on our culture of innovation and service quality, with the commitment to maintain the high standards of governance that have made TIM the only telecommunications operator listed on the BM&FBovespa Novo Mercado. We will continue to provide solutions so that each one of our customers, employees, shareholders and other stakeholders may fully realize their potential, guided by our new purpose, launched in 2014: "Connecting and caring about each one so that everyone is able to achieve more".

**RODRIGO ABREU**  
CEO, TIM Brasil

# TIM

IN THIS CHAPTER  
PRESENTATION  
MESSAGE FROM THE CEO  
OWNERSHIP STRUCTURE  
ACHIEVEMENTS IN 2014

## OWNERSHIP STRUCTURE



Share breakdown	Ordinary	%	Total	%
Tim Brasil Serviços e Participações S.A.	1,611,969,946	67	1,611,969,946	67
Others	809,062,533	33	809,062,533	33
<b>Total</b>	<b>2,421,032,479</b>	<b>100</b>	<b>2,421,032,479</b>	<b>100</b>

## ACHIEVEMENTS IN 2014

A summary of TIM highlights in 2014. [\[GRI 2.9\]](#)

### MOBILE BROADBAND EXPANSION

In the auction of the 700 MHz spectrum for 4G mobile technology organized by Anatel in September, TIM achieved its goal of acquiring the right to use radiofrequency for Lot 2, which will represent an investment of R\$ 2.877 billion; R\$ 1.678 billion has already been paid for use of the spectrum and R\$ 1.199 billion is payable between 2015 and 2018, together with the other operators winning the auction, for the constitution of the EAD (Entidade Administradora do Processo de Redistribuição e Digitalização de Canais de TV e RTV), the organization responsible for overseeing the redistribution and digitalization of TV. The 700 MHz radio frequency band will be very important for expanding the mobile data network in the country, offering even better navigation quality for the fourth generation and enabling the service to reach more users.

### MORE CITIES WITH 4G

TIM's increase in 4G coverage in 2014 was impressive. In January, the service was activated in another 15 cities – Porto Alegre (RS), Manaus (AM), Cuiabá (MT), Campinas (SP), São Bernardo do Campo (SP), Vitória (ES), Juiz de Fora (MG), Uberlândia (MG), Florianópolis (SC), Joinville (SC), Maceió (AL), Goiânia (GO), Belém (PA), Macapá (AP) and



# TIM

## IN THIS CHAPTER

PRESENTATION  
MESSAGE FROM THE CEO  
OWNERSHIP STRUCTURE  
ACHIEVEMENTS IN 2014

Boa Vista (RR). And in June and July, Rio Branco (AC), Manaus (AM), Macapá (AP), Feira de Santana and Salvador (BA), Brasília (DF), Vitória (ES), Goiânia (GO), Contagem and Uberlândia (MG), Campo Grande (MS), João Pessoa (PB), Jaboatão dos Guararapes (PE), Curitiba and Londrina (PR), Duque de Caxias, Nova Iguaçu, Rio de Janeiro and São Gonçalo (RJ), Porto Velho (RO), Boa Vista (RR), Porto Alegre (RS), Florianópolis and Joinville (SC), Aracaju (SE), Campinas, Guarulhos, Osasco, Ribeirão Preto, Santo André, São Bernardo do Campo, São José dos Campos, São Paulo and Sorocaba (SP) and Palmas (TO) also received fourth generation mobile internet.

### BIOSITES IN RIO DE JANEIRO AND IN CURITIBA

The first biosite in the country was installed by TIM in Curitiba, the state capital of Paraná, in June. This is a type of antenna whose installation requires less space (all the necessary equipment is installed inside the actual antenna) and therefore causes less visual pollution. The major advantage is the fact that the equipment is multifunctional: in addition to improving data service quality, it can also be used for the installation of public illumination and surveillance cameras. The expansion project continued in Rio de Janeiro in December. By the end of 2014, 23 biosites had been installed.

### ROBUST PERFORMANCE IN THE WORLD CUP

TIM network performance during the World Cup in June and July was highly efficient. During the 64 matches in the tournament in Brazil, the operator recorded traffic totaling 8.6 TB, around one third of all the data transmitted during the event. Most of the network data traffic was via 3G (60%), followed by Wi-Fi (26%), 4G (12%) and 2G (2%), considering the operator's total traffic in the 12 stadiums of the cities hosting the championship. In the six stadiums in which Wi-Fi was functioning, the technology accounted for 45% of the traffic.

For the installation of mobile telephony and broadband infrastructure, the operators undertook a joint investment in a single project totaling R\$ 226 million. In addition to the indoor coverage, which remains installed in the stadiums after the Cup, the telephony companies invested R\$ 1.3 billion in the cities that hosted the games, boosting the legacy infrastructure left for the public on average by 28%.

### OWN NETWORK OPERATION CENTER

With the full internalization of its Network Operation Center (NOC), TIM no longer depends on external providers to monitor and manage its network for mobile and fixed services. The goal is to have direct control over all the relevant processes and teams to improve service quality indicators even further. Over a six-month period, R\$ 8 million was invested in staff training and in infrastructure to ensure a center of excellence in network management, aligned with best market practices.

### INVESTMENT IN NEW STORES

In 2014 TIM proceeded with its strategy of expanding its chain of company-owned stores. Eleven new stores directly run by the carrier were inaugurated. At the end of 2014, TIM had a total of 173 company-owned stores nationwide. Read more in the chapter *Connecting and caring about each one*.

# TIM

## IN THIS CHAPTER

PRESENTATION  
MESSAGE FROM THE CEO  
OWNERSHIP STRUCTURE  
ACHIEVEMENTS IN 2014

### SEVENTH YEAR RUNNING IN THE ISE CORPORATE SUSTAINABILITY INDEX

Once again, the company was included in the Corporate Sustainability Index (ISE in the Portuguese acronym) of the São Paulo stock exchange, BM&FBovespa, valid until January 2, 2016. The index comprises the shares of companies showing a high degree of commitment to sustainability and corporate governance. This is the seventh year running that TIM has been included in the index, inducing the company to maintain best practices and strive even harder along the path towards sustainability every year. Read more in the chapter *Commitment*.

### FIFTH YEAR RUNNING IN THE ICO<sub>2</sub>

In January 2015, TIM was confirmed as listed on the BM&FBovespa Carbon Efficient Index (ICO<sub>2</sub>) for the fifth year in a row. The index comprises companies committed to sustainable development and to working towards a low carbon economy. The carrier has been listed on this index, which comprises companies from diverse segments, since its creation in 2010. Read more in the chapter *Connecting and caring about each one*.

### INSTITUTO TIM: IN 250 CITIES

The Instituto TIM, dedicated to promoting human development based on mobile communication technologies, reached more than 250 cities in Brazil with its initiatives in 2014. More than 70 thousand people benefited from projects in the areas of education, culture, civic awareness and social inclusion. Worthy of note was the project Agents of Transformation, which received the ARede award from the non-governmental organization Bit Social for initiatives combining technology and education. Read more in the chapter *Connecting and caring about each one*.

### AWARDS AND RECOGNITION DURING THE YEAR

Among the awards TIM received in 2014, worthy of note are: [\[GRI 2.10\]](#)

- In the National Teleservices Award (ABT), the company won one Gold trophy ( "External communication campaigns case"), two Silver trophies ( "TIM breaks down barriers with its customer service model" and "Exchanging experience: TIM's new way of managing partners") and two Bronze trophies (for the cases "LIVE TIM: innovation without frontiers" and "Another social project to overcome barriers: Consumer Defense Code in Braille");
- Abermd Award, from the Associação Brasileira de Marketing Direto (Brazilian Direct Marketing Association), with the case "Put this idea into practice (Online Billing)";
- Human Being Award, from the ABRH-RJ (Brazilian Human Resources Association), with the case "Leadership development";
- Tele.Síntese de Inovação Award, with the case "Live TIM Extreme";
- Frost & Sullivan Award, for the case "Live TIM";
- Global Telecoms Business Innovation Award for TIM Fiber;
- Tela Viva Móvel Award for TIM Music;
- The TIM brand was included in diverse rankings for having one of the highest recall rates among consumers, including the Top of Mind - Santa Catarina, Top of Mind - University Students (Curitiba, PR), Amanhã magazine Top of Mind (PR) and the Top Brands award in Londrina (PR).
- Abermd Award, from the Associação Brasileira de Marketing Direto (Brazilian Direct Marketing Association), with the case "Put this idea into practice (Online Billing)";
- Distinction in the "The 2014 Latin America Executive Team" ranking published by the North American magazine Institutional Investor, with the following awards: Best Investor Relations – First Place – Nominated by Sell Side Analysts; Best CEO – First Place – Rodrigo Abreu – Nominated by Sell Side Analysts; Best Investor Relations Professional – Third Place - Rogério Tostes - Nominated by Sell Side Analysts.

# TRANSPARENCY

IN THIS CHAPTER  
CORPORATE GOVERNANCE  
BUSINESS LONGEVITY



Transparency is one of the values underscored in the TIM Code of Ethics and Conduct, which includes strengthening internal and external relationships based on the principles of loyalty and information exchange. The *2014 Sustainability Report* helps concretize this value by summarizing the key information about the company's management and governance and defining TIM's material topics – the set of more essential aspects to be observed to ensure the sustainable maintenance of the company's businesses.

## CORPORATE GOVERNANCE

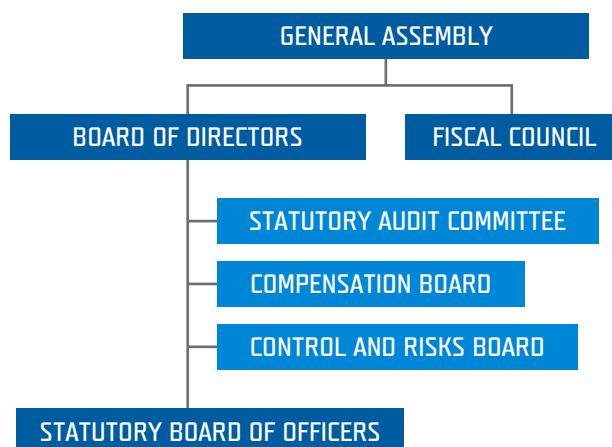
TIM Participações S.A. is a publicly traded company which is administered by its Board of Directors and Statutory Board of Officers and overseen by its Fiscal Council. The Board of Directors monitors company performance in monthly meetings and is supported by three committees: Compensation Board, Control and Risks Board and the Statutory Audit Committee. [\[GRI 4.1\]](#)

The duties and responsibilities of the members of the Board of Directors, the Statutory Board of Officers and the Fiscal Council are determined by Brazilian legislation, by the company's bylaws and by the Novo Mercado listing regulations. The is compliant with the rules established by the Brazilian securities commission, the CVM (Comissão de Valores Mobiliários), which are also reflected in the company bylaws. Since 2011, TIM has been listed on the Novo Mercado, the highest level of corporate governance on the BM&FBovespa stock exchange, comprising the shares of companies that have voluntarily committed to the adoption of best practices and the disclosure of information beyond that required by law.

# TRANSPARENCY

IN THIS CHAPTER  
CORPORATE GOVERNANCE  
BUSINESS LONGEVITY

## CORPORATE GOVERNANCE STRUCTURE



The General Shareholders' Meeting is the company's highest governance body, with the power to make decisions concerning all the businesses and take the measures it deems necessary for the defense and the development of the company. The Board of Directors is a joint administration body responsible for managing the operation, while the Fiscal Council oversees company management and ensures the provision of information for shareholders.

The Statutory Audit Board is an advisory body associated directly with the Board of Directors. The board functions on a permanent basis and in compliance with the standards established by the authorities that regulate the capital market. The compensation of the members of the Board of Directors, the Statutory Board of Officers and the other executives is not linked with TIM's social and environmental performance. [GRI 4.5]

## Management structure [GRI 4.1, 4.2, 4.3, 4.9]

Body	Composition and attributions
Board of Directors	The TIM Board of Directors consists of nine members, who may be elected and removed by the General Meeting. They serve a term of two years, with re-election permitted. Three members are independent. The board is responsible for the overall administration of the company.
Statutory Audit Committee	Comprising at least three and at most five members, indicated by the Board of directors. Attributions include recommendations and reports related to internal and external audit processes
Compensation Board	Consisting of three members elected from the Board of Directors, it makes assessments and recommendations related to compensation
Control and Risk Board	Comprising up to five members of the Board of Directors (two of whom must be independent). The board evaluates controls and risks (including social responsibility and sustainability) making recommendations to the Board of Directors
Statutory Board of Officers	The CEO and executive directors are selected by the Board of Directors and are responsible for the executive management of the company
Fiscal Council	Comprising at least three and at most five independent professionals. The body audits company management and provides information for shareholders.

# TRANSPARENCY

IN THIS CHAPTER  
CORPORATE GOVERNANCE  
BUSINESS LONGEVITY

The composition and full details on the attributions and workings of the bodies, as well as the qualifications of their members, are described in the TIM Bylaws (<http://ri.tim.com.br/show.aspx?idCanal=hgP12Q6MgpSWUVvp6lcQEw>) and in the internal rules of the committees (<http://ri.tim.com.br/Download.aspx?Arquivo=3DE6BSZ4cqCrX7NHAI+RnQ>), on the company's investor relations website (<http://ri.tim.com.br>) [GRI 4.5, 4.7, 4.10]

## BUSINESS LONGEVITY

### Environmental and quality certification

As a result of our ongoing efforts in the pursuit of improvements to internal processes and the services rendered to our customers, in 2013 and 2014 we maintained three important international certifications, two of which were extended in 2012. ISO14001:2004 – Environmental Management certification regarding the management and operation of the TIM Celular network, was extended to the states of Rio de Janeiro, Espírito Santo and São Paulo.

The second certification, ISO 9001:2008 – Quality Management - concerning management of the TIM Celular network was extended in 2012 and maintained in 2013 and 2014. The scope was extended to cover the entire country, further integrating internal company processes with a focus on customers and on continuous improvement.

At the beginning of 2014, the company extended ISO 9001:2008 certification to cover billing management processes for the operator's pay as you go GSM services, in addition to postpaid billing management. This reinforces TIM's commitment to service quality and to environmental care.

### Public policies

TIM is a member of the mobile telephony industry association SindiTelebrasil (Sindicato Nacional das Empresas de Telefonia e de Serviço Móvel Celular e Pessoal), which represents the operators authorized by Brazil's telecommunications agency Anatel to provide Personal Mobile Services in the country. The company is also a member of Telecom (Associação Brasileira das Prestadoras de Serviço de Telecomunicações Competitivas), whose mission is to promote fair competition in telecommunications services, contributing constructively and ethically to the regulation of the industry, as well as encouraging social responsibility and corporate citizenship.

TIM participates actively in debates and public consultations with representative groups in society. The results of these debates are fed back into the internal product chain. In 2014, a series of debates was organized, such as public hearings on the quality of mobile telephony services in the National Congress, the Legislative Assembly and in Municipal Council Chambers in practically every state of the country, attended by the general public and public representatives, such as mayors, councilors and deputies. [GRI S05]

TIM participated actively in the seminars organized by Acampar, the Paraná Association of Council Chambers to disseminate the Antennas

## TRANSPARENCY

### IN THIS CHAPTER

CORPORATE GOVERNANCE

BUSINESS LONGEVITY

Pact in the state. This was signed between the Paraná Legislative Assembly and TIM and other operators. According to SindiTelebrasil, the new law will facilitate the expansion of telephony and mobile broadband infrastructure in the state of Paraná, driving improved service quality and better coverage, benefiting the entire population. TIM also participated in Agenda 21 forums, such as the Minas Gerais state Agenda 21 Forum.

Internationally, TIM also participates in key industry associations such as the GSM Association and Ahciet (Associação Interamericana de Empresas de Telecomunicações), which bring Latin American telecommunications companies together in discussion forums.

TIM recognizes the national advertising self-regulatory council Conar as a competent body to oversee ethics in Brazilian advertising and submits to the country's Advertising Self-Regulatory Code, as well as the Consumer Defense Code. As the Legal area must be involved in the analysis of all company media and advertising, there is no specific frequency, since this activity occurs in function of the demand. In 2014, a representation was made against TIM by one of its competitors. This has already been concluded. Six representations were made against the company in 2013 and were only judged in 2014; all were dismissed. [\[GRI PR6\]](#)

In 2014, 17 lawsuits were brought against TIM related to anticompetitive practices; none of these had been concluded by the end of December 2014. In the administrative sphere, overseen by the antitrust agency body CADE (Conselho Administrativo de Defesa Econômica), no proceedings involving anticompetitive actions were brought against the company. [\[GRI S07\]](#)

TIM was prohibited from commercializing data and voice services during 2014 as a result of fluctuations in network quality in the following locations: Boa Vista (RR), Paraibano, Paulo Ramos, Marajó de Sena, Colinas, São Luís Gonzaga do Maranhão, Pedreiras, Trizidela

do Vale, Lima Campos in the state of Maranhão (all municipalities), Itiruporã (BA), Tabatinga (AM), Pompeu (MG), Itaituba and Novo Progresso (PA), Monteiro (PB) and Itaperuna, Bom Jesus do Itabapoana, Italva, Laje do Muriaé, Natividade, Porciúncula and Varre-Sai (RJ). The decisions were reversed in the majority of cases, while sales were still under suspension in six of the locations at the end of December 2014. [\[GRI PR6, PR7\]](#)



# COMMITMENT

IN THIS CHAPTER  
CODES AND POLICIES  
TARGETS: 2014 RESULTS  
AND 2015 COMMITMENTS

Connecting and caring about  
each one so that everyone  
is able to achieve more.



The pursuit of balance in the three dimensions of corporate responsibility (economic, social and environmental) helps TIM to honor its Purpose. This involves complying with a series of commitments that guide the company in its relations with internal and external stakeholders, in the adoption of good management and governance practices and strategies to ensure the longevity of the business. Translated into policies and codes that govern specific areas, these commitments are aligned with TIM Values and with its Principles of Sustainability.

## Our Purpose [GRI 4.8]

### CONNECTING AND CARING ABOUT EACH ONE SO THAT EVERYONE IS ABLE TO ACHIEVE MORE.

To drive greater focus and clarity in all its areas of interest, in 2014 TIM renewed its Purpose as a company. This is a commitment aimed at developing a personalized and collaborative relationship with our customers, employees and other segments of society, guided by the following values:

## OUR VALUES [GRI 4.8]

### CUSTOMER CARE

- We ask legitimate questions to find out what customers truly want.
- We listen carefully and curiously to what customers have to say.
- Our decision making process takes heavily into account our customer's experience.
- We're proud to have a positive impact on the lives of our customers.

### TRANSPARENCY

- We establish clear and true relationships with everyone.
- Transparency and integrity in our actions builds trust.

### INNOVATION

- We innovate by finding new ways to do things.
- We rely on creativity to go further.

## COMMITMENT

IN THIS CHAPTER  
CODES AND POLICIES  
TARGETS: 2014 RESULTS  
AND 2015 COMMITMENTS

view the Code of Ethics and Conduct (<http://www.tim.com.br/sp/sobre-a-tim/institucional/codigo-de-etica>).

### COMMITMENT

- We're responsible.
- We recognize we're part of a broader common project.
- We collaborate by investing our talent and effort in each and every action.

### AGILITY

- We make "more", "better" and "faster" in an increasingly complex and dynamic world.
- We plan, decide and execute quickly, making things easier for everyone around us.

## CODES AND POLICIES

### Code of Ethics and Conduct

All internal decisions concerning employee conduct are based on the Code of Ethics and Conduct. The most recent version was approved in 2013 and sets forth the principles and directives of the Telecom Italia Group. TIM believes that management focused on ethics, integrity and combating corruption is key to a company's success and is fundamental for establishing relations of trust and respect with stakeholders.

The company works constantly on disseminating the principles in the code to its stakeholders, with a view to reducing risks related to the business and to stakeholder conduct. This work is directly linked with risk management, aimed at consolidating the organization's reputation.

In 2014, the company worked on assessing corruption-related risks. TIM initiated the planning for its Anti-Fraud program, the controls for which will come into operation in 2015. In October, the new anti-corruption program known as the Organizing Model was released. Employees have a direct internal channel through which to report irregularities. Read more in the chapter *Transparency*, in the *Business longevity* section.

A variety of training and qualification courses were organized for employees in 2014, including an online ethics course, training programs in Brazil's new Anti-Corruption law, courses on data security, electronic crime, fraud prevention and internal controls, totaling 9,446 hours of training. Senior management and the legal area undertook a total of 472 hours training on the theme "Compliance: knowledge and culture". Training is planned for the other internal areas in 2015. [GRI S03]

Some reports related to corruption were received via the email [comitedeauditoria@timbrasil.com.br](mailto:comitedeauditoria@timbrasil.com.br) during the year. Three audits were conducted focused on the subject of corruption. The reported cases and the audits, as well as the measures taken in response are considered to be confidential. No cases of corruption or lawsuits brought against the company or its employees were concluded during 2014. [GRI S02, S03, S04]

TIM makes the Code of Ethics and Conduct available over the internet and promotes the principles of the Global Compact internally and externally but does not conduct formal human rights training for employees and security staff. In 2014, there were no cases of discrimination against employees in labor suits concerning the company. [GRI HR3, HR4, HR8]

## COMMITMENT

IN THIS CHAPTER  
CODES AND POLICIES  
TARGETS: 2014 RESULTS  
AND 2015 COMMITMENTS

Total employees receiving training in anti-corruption policies and procedures, by function [GRI S03]			
Functional category	Employees trained in 2014	Employees trained in 2013	Variation 2014/2013 (%)
<b>Customer Relationship Center (CRC)</b>			
Managers	108	23	370%
Supervision	90	84	7%
Relationship consultants	4,629	2,046	126%
<b>Headquarters, regional offices and stores</b>			
Directors	37	29	28%
Managers	351	473	-26%
Specialists	639	811	-21%
Analysts and consultants	3,701	3,733	-1%
Assistants	582	676	-14%

### Principles of Sustainability

TIM believes its strategies, goals and results should be aligned with its stakeholders expectations. It is necessary to be transparent in interactions and in accountability to society and to interest groups as a means of ensuring the longevity of the business and gaining people's recognition. These groups are divided into eight categories: customers, suppliers, competitors, civil society organizations, the environment, community, human resources and shareholders.

Based on the concept of the triple bottom line, TIM manages sustainability in the three following dimensions.

- **Economic sustainability** is aimed at maintaining and increasing capital, balancing value generation with societal demands.
- **Environmental sustainability** requires responsible management of natural resources (raw materials and energy) and the waste generated by company production processes in order to ensure balance in the ecosystems.
- **Social sustainability** seeks to ensure fairness and equality between people by respecting human and civil rights, ensuring access to development opportunities and participation in decision making. This is related to both current needs and those of future generations.

### Our policies

TIM companies are aligned with the most important global socio-environmental responsibility, business and human rights conventions and pacts. The pursuit of best practices is reflected in the Code of Ethics and Conduct and in the Telecom Italia Group Organizing Model, which are inspired by the ten principles of the United Nations (UN) Global Compact.

To align internal actions with the precepts of integrity and best practices, TIM Participações and its subsidiaries have a framework of specific policies that translate and adapt universally accepted concepts and lessons into the day to day routines of the company. The full versions of some of the policies highlighted below may be accessed on the investor relations website (<http://ri.tim.com.br/show.aspx?idCanal=5ZfVncWehunt36yZkGeKCw==>).

- **Customer Data Protection Policy** – approved in 2010, this policy defines the criteria necessary to ensure the privacy of customer data, considered confidential by Brazilian legislation and based on fundamental premises of control of access.

## COMMITMENT

IN THIS CHAPTER  
CODES AND POLICIES  
TARGETS: 2014 RESULTS  
AND 2015 COMMITMENTS

- **Social Responsibility Policy** – this sets forth the guidelines TIM follows in questions such as health and safety, diversity, child labor and slave or forced labor, freedom of association and the right to collective bargaining, discrimination, psychological and sexual harassment, working hours and remuneration.
- **Environmental Policy** – Establishes principles aimed at promoting continuous improvement in environmental performance. This includes compliance with existing legislation, with the requirements of regulatory authorities and with the directives of the Telecom Italia Group, reinforcing the company's commitment to sustainable development.
- **Climate Change Policy** – this comprises principles to be applied to the activities of TIM companies in Brazil with the goal of promoting proper, efficient management of company greenhouse gas (GHG) emissions, complying with existing legislations, regulatory authorities, and the guidelines of the Telecom Italia Group.
- **Occupational Health and Safety Policy** – this sets forth the principles to be applied to all TIM activities in Brazil, aimed at promoting continuous improvement in occupational health and safety performance in compliance with existing legislations, regulatory authorities, and the guidelines of the Telecom Italia Group, reinforcing TIM's commitment to preventing occupational diseases and accidents in its companies in Brazil.
- **Code of Business Conduct** – this sets forth criteria for relations with suppliers, customers, consumers and the community, aimed at preventing situations or behaviors that are potentially harmful to the company's interests and at establishing fair and equitable relations with the market and the business environment.
- **Competition Policy** – this document is aimed at informing employees and workers of the principles concerning fair competition in Brazil. Thus, professionals, in particular those who deal with external stakeholders, are apprised of antitrust legislation and of the activities of the authorities responsible for its application in Brazil, enabling them to identify and avoid breaches of laws and standards.
- **Transactions with Related Parties Policy** – established in 2013, this policy sets forth the guidelines and procedures to be followed by TIM companies in Brazil with respect to transactions with related parties. The policy prohibits transactions between private individuals or companies that have any link with each other that may characterize a relationship of dependence. In accordance with the law, no special favors may be granted in these operations.
- **Relations with suppliers in TIM purchasing process** – In Brazil TIM adopted measures to establish a more efficient purchasing process, aimed at reducing costs, while maintaining quality and excellence and ensuring social and environmental responsibility in the goods and services acquired. Additionally, purchases should be within technical specifications, should involve verification of the qualifications of suppliers and should be priced competitively. Similarly, suppliers are expected to conduct themselves ethically, respecting freedom of association, the right to collective bargaining and diversity, combating discrimination and harassment, as well as having proper monitoring and control systems in place.
- **Engagement Policy** – this policy is aimed at orientating and encouraging company employees to stimulate dialogue and increase the involvement of the main stakeholders of TIM companies in Brazil, promoting engagement initiatives and encouraging the multiplication of these actions in their spheres of influence.
- **Marketing Communication Policy** – this aims to align TIM marketing actions and communications with its Purpose and its sustainability

## COMMITMENT

IN THIS CHAPTER  
CODES AND POLICIES  
TARGETS: 2014 RESULTS  
AND 2015 COMMITMENTS

principles. This process should be conducted responsibly and transparently, minimizing risks in the company's commercial activities and respecting the self-regulatory codes and legislation in the area, as well as incorporating guidance from recognized and respected authorities.

- **Corporate Risk Management Policy** – published in 2013, this document is aimed at defining a methodology to enable production of a standardized process for risk management, as a reference for the analysis, assessment, treatment and provision of information on risks in the company.
- **Anti-corruption Policy** – approved by the Board of Directors in 2013, the Anti-corruption policy includes global anti-bribery rules that prohibit offering, paying, asking for or accepting advantages or favors of any nature, and ensuring employees are aware of how they should act in such situations. The policy is aimed at companies, administrators, executives, employees and everyone who has relations with or does business with TIM.
- **Policy for Managing Conflicts of Interest** – approved by the Board of Directors in 2013, the policy is aimed at preventing and managing situations involving conflicts of interest, in order to avoid or contain impacts that are detrimental to the interests of the company and to support and protect the persons involved, of whom impeccable, transparent behavior is expected. This policy is applicable to all TIM employees and to the areas involved in managing potential cases of conflicts of interest. [\[GRI 4.6\]](#)

### Organizing Model

The TIM Organizing Model, adopted based on Italy's Legislative Decree n.º 231/01, on Brazil's Anti-corruption Law (n.º 12.846/2013) and on other international laws, such as the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act, should be adopted by all TIM companies as a means of optimizing existing controls and preventing group companies from being held responsible for crimes committed by individuals. This helps ensure ethical and diligent management that preserves the viability of the business and minimizes risks to its continuity.

The Code of Ethics and Conduct, the General Principles of Internal Control, the Principles of Behavior towards Public Administration and the Internal Control Schemes are the documents orientating the construction of the Organizing Model, establishing processes to prevent fraud and corruption.

## COMMITMENT

### IN THIS CHAPTER

CODES AND POLICIES  
TARGETS: 2014 RESULTS  
AND 2015 COMMITMENTS

## TARGETS: 2014 RESULTS AND 2015 COMMITMENTS

Every year TIM establishes performance targets in specific areas based on its goals and on the results obtained the previous year. The table below shows the results from 2014 and the targets established for 2015.

Topic	Indicator	Unit	Dec.2013 (achieved)	2014 Target	Dec.2014 (achieved)	Result	2015 Target
Volunteer work	Bonus of one working day for employees who take part in the Citizen Without Frontiers program voluntarily	% (own staff)	4.06	2	2.4	Achieved	2
Training <sup>1</sup>	Training (total hours: in classroom + online + on the job)	Number of hours (own staff, interns and third-parties)	2,135,543	2,000,000	1,087,215	Not achieved	900.000
Training <sup>2</sup>	Sustainability (number of people participating in at least one training session on sustainability during the current year)	% (own staff interns and third-parties)	31.37	30	70	Achieved	N/A
Training <sup>3</sup>	Sustainability (percentage of new admissions participating in at least one training session on sustainability during the current year)	% (own staff interns and third-parties)	N/A	N/A	N/A	N/A	90
Environment/ Batteries <sup>4</sup>	Collection of decommissioned mobilecellular phones, batteries and other accessories for recycling	Metric tons	0.37	13	1.05	Not achieved	2
Environment/ Waste <sup>5</sup>	Percentage of office waste recycled (non-hazardous)	%	68	68	58	Not achieved	68
Environment/ Water <sup>6</sup>	Reduction in consumption of water expected in offices compared with previous year	% (limit of increase in water consumption in the offices)	N/A	N/A	N/A	N/A	From 13% to 10%
Environment/ Asbestos	Conclusion of inventory and reports on presence of asbestos in 95 (82%) of the administrative and multiple buildings up to October 2014*	Number	N/A	95	95	Achieved	The action was concluded so the target will be discontinued
Energy/network <sup>7</sup> [GRI EN6]	Reduction in expected increase in energy consumption projected for mobile network	% (limit of increase in electricity consumption)	N/A	From 23% to 19%	19%	Achieved	From 23% to 21%
Supplier management	Number of major suppliers screened in questions related to sustainability during current year	Number	N/A	50	53	Achieved	60

\*Multiple buildings have two or more functions. For example: administrative, industrial, data center and commercial.

<sup>1</sup>2014, the data base related to the target was reviewed. The number for 2013 had been overestimated, leading to a mistake in the calculation for 2014, impeding feasibility.

<sup>2</sup>Calculation methodology for the target will change for 2015.

<sup>3</sup>The calculation methodology was changed, taking into account the percentage of new admissions participating in training on sustainability during the year.

<sup>4</sup>In 2013, the recycling program for mobile phones, batteries and accessories was reformulated and suspended temporarily. The 2014 target was not achieved because the program did not resume according to plan. A communication plan will be established in 2015 aimed at store managers and customers. This will attempt to raise team awareness of the program, as well as encourage external stakeholders to dispose of these materials correctly.

<sup>5</sup>Between September and December 2014, selective collection in one of the distribution and logistics centers was suspended due to a change in supplier, which impeded achievement of the target. Another factor that impeded achievement of the target was the outsourced printing pool program adopted in 2013, which contributed towards controlling wastage of paper (read more in the chapter Connecting and caring about each one, in the section Taking care of the environment).

<sup>6</sup>The projection of increased water consumption is due to the execution of works, the increase in headcount and in the number of visitors to administrative offices. To limit consumption, awareness measures will be organized for staff and preventive maintenance routines will be continued. Water consumption in offices: 2012 = 173,037 m³; 2013 = 190,692 m³; 2014 = 188,047 m³.

<sup>7</sup>The projection of increased electricity consumption in the mobile network from 2014 to 2016 is due to a series of measures to improve coverage, including the expansion of the capacity of the 2G technology network, activation of new coverage and expansion of the 4G and 3G networks, activation of new coverage to meet Anatel requirements in rural areas and the expansion of data centers. Diverse energy efficiency measures are underway to reduce consumption. Read more in the chapter Connecting and caring about each one, in the section Taking care of the environment.



# COMMITMENT

IN THIS CHAPTER  
CODES AND POLICIES  
TARGETS: 2014 RESULTS  
AND 2015 COMMITMENTS

## TIM Commitments

In addition to its internal policies and codes, TIM confirms its commitment to social, environmental and ethical demands by participating in a series of global initiatives and treaties. Participation in these commitments increases the visibility and reach of questions of great importance for society and enables the company to remain in the forefront of best market practice by adopting more efficient actions. [\[GRI 4.12, 4.13\]](#)

### GLOBAL PACT

A signatory since 2008, TIM has incorporated the ten principles of the United Nations (UN) Global Compact into its strategy, culture and day to day operations. The main aim of the compact is to mobilize the business community around urgent, universally accepted issues, such as human rights and combating corruption.



Pacto Global Rede Brasileira  
WE SUPPORT

### HUMAN RIGHTS

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

### WORK

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

### ENVIRONMENT

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

### CORRUPTION

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

## COMMITMENT

---

### IN THIS CHAPTER

CODES AND POLICIES

TARGETS: 2014 RESULTS

AND 2015 COMMITMENTS

---

### GRI

TIM adopted Global Reporting Initiative (GRI) methodology in 2008. Globally, this is the most widely used methodology to prepare company sustainability reports; it also permits the comparison of economic, social and environmental results.

### CDP

The CDP is the largest data base on greenhouse gases in the world. TIM has responded to CDP questionnaires since 2007, informing its greenhouse gas (GHG) emissions and its strategy for climate change.

### EMPRESAS PELO CLIMA - EPC (COMPANIES FOR THE CLIMATE)

TIM has participated in the EPC since 2010. This is a platform which strives to mobilize Brazilian business leaders around GHG emission reductions and management.

### CORPORATE SUSTAINABILITY INDEX (ISE OU ÍNDICE DE SUSTENTABILIDADE EMPRESARIAL)

TIM has been listed on the BM&FBovespa Corporate Sustainability Index (ISE) since 2008.

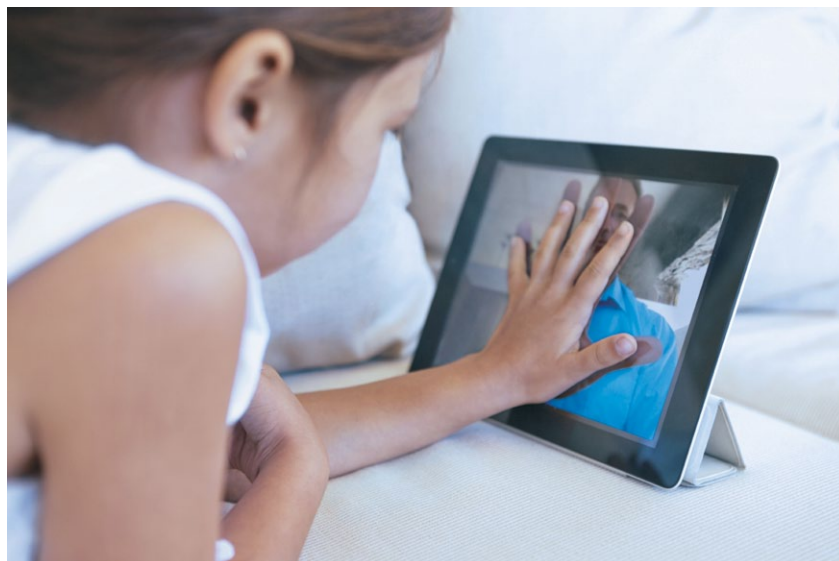
### CARBON EFFICIENT INDEX (ÍNDICE CARBONO EFICIENTE - IC02)

TIM has been listed on the BM&FBovespa Carbon Efficient Index (IC02) since 2010.

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT



TIM's old Mission was replaced with a new Purpose: Connecting and caring about each one so everyone may do more. In this chapter, the reader will understand who the company is referring to when it says “each one” – with a summary of its performance in terms of business, customer relations, the environment, social responsibility, people management and sustainable development.

### TAKING CARE OF THE BUSINESS: ECONOMIC PERFORMANCE

In a conjuncture influenced by a series of macroeconomic challenges which impact the telecommunications sector, TIM was able to post very positive numbers for its performance in 2014. There was an increase in the numbers of pay as you go (a segment in which the company maintains its national leadership) and postpaid users. An advance was also evident among data users.

This operational performance drove an improvement in financial results with increased profitability and the largest Ebitda margin since 2010, leveraged by growth in data services and cost control efforts. The turnaround operation in the fixed user segment was a resounding success, with real growth of over 25% during the year.

The added value calculation shows the capacity a company has to produce wealth and the effects of the distribution of the amounts generated on the organization's diverse stakeholders (shareholders, employees, financiers, government and society). The final amount is the difference between the revenues from products and services and the expenses from the payment of goods and services acquired from third-parties, as well as the costs of depreciation and amortization.

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

Economic profit = operating profit after income tax in the period - (average capital invested in period x opportunity cost).

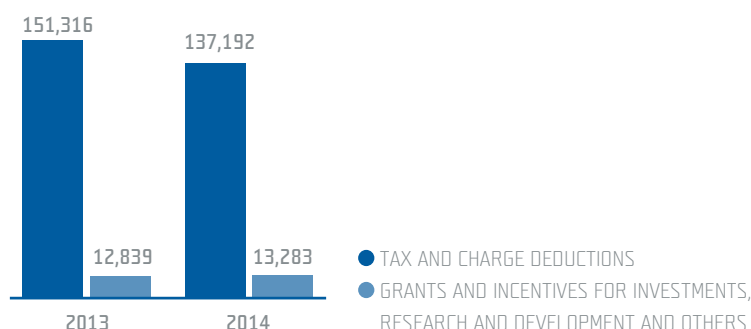
Value generation (in thousands of R\$) [GRI EC1]	2014	2013
(A) Revenues	25,973,031	26,225,901
(B) Goods and services acquired from 3rd parties	-10,906,860	-11,894,210
Cost of services rendered and goods sold	-7,232,375	-8,280,452
Materials, energy, 3 <sup>rd</sup> party services and others	-3,674,485	-3,613,758
(C) Gross added value (A - B)	15,066,171	14,331,691
(D) Retentions (depreciation and amortization)	-3,052,579	-2,767,870
(E) Net added value (C - D)	12,013,592	11,563,821
(F) Transfers	1,003,425	686,154
(G) Added value for distribution E + F)	13,017,017	12,249,975

Distribution of added value (in thousands of R\$)	2014	2013
Personnel and charges		686,149
Salaries	446,788	407,365
Social charges	63,398	55,075
Private pensions	15,030	8,110
Benefits	139,576	128,033
Profit share	117,797	87,566
Government	8,843,917	8,575,353
Taxes, charges and contributions, deducting subsidies (exemptions)	8,843,917	8,575,353
Financiers	1,844,092	1,482,859
Interest and rents	1,844,092	1,482,859
Shareholders	367,274	357,583
Interest on own equity and dividends	367,274	357,583
Retained	1,179,145	1,148,031
Profit/loss	1,179,145	1,148,031

In 2014, TIM received a total of R\$ 150.47 million in government benefits, with more than 90% of this amount (R\$ 137.1 million) corresponding to tax and charge deductions, as shown in the table below. The benefits received in 2014 were 8.3% down on 2013. [GRI EC4]

### TOTAL FINANCIAL BENEFITS RECEIVED FROM THE GOVERNMENT (THOUSANDS OF R\$)



### ECONOMIC PROFIT

Every year TIM calculates and tracks its economic profit, a financial indicator that takes opportunity cost into account in its businesses. The economic profit is calculated based on the net operating profit after tax (Nopat) and the cost of capital invested.

In 2014, the economic profit was minus R\$ 18.2 million. This performance is explained by an acceleration in the average capital invested higher than Nopat growth. The acceleration is due to the growth in company investments in 2014. The acquisition of the 700 MHz frequency in the last Anatel auction also impacted the capital invested.

# CONNECTING AND CARING ABOUT EACH ONE

## IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

**CAGR** – Compound Annual Growth Rate is a measure representing the geometric average of growth of a determined amount. The calculation is based on dividing the amount at the end of the period by the amount at the beginning of the period, raised to the power of 1 over the number of years, minus 1, in accordance with the following formulas:

$$\text{CAGR (TOTAL NET REVENUE)} = \left( \frac{\text{NET REVENUE 2016}}{\text{NET REVENUE 2013}} \right)^{(1/3)} - 1$$

$$\text{CAGR (EBITDA)} = \left( \frac{\text{EBITDA 2016}}{\text{EBITDA 2013}} \right)^{(1/3)} - 1$$

## 2014 ECONOMIC TARGETS

At the end of 2013, the company released a guidance for the three-year period covering 2014, 2015 and 2016, with estimates of mid-single digit average growth (CAGR 2013-2016) for total net revenue and Ebitda, that is growth between 3.3% and 6.7%. The target defined for investments in 2014 was R\$ 3.8 billion (excluding investments in the acquisition of licenses).

At the end of 2014, TIM had a total of R\$ 3.9 billion in investments (not counting the acquisition of 700 MHz licenses), the equivalent of 102.6% of the guidance for the year. Net revenue totaled R\$ 19.5 billion, with an annual variation of -2,1%, impacted by the cut in the interconnection tariff and by a weaker macroeconomic environment. Ebitda totaled R\$ 5.5 billion, growth of 6.4% over the previous year, with the support of cost control programs.



**R\$ 3.9 bi**

was the amount invested in infrastructure improvements in 2014



**6.4%**

was the compound annual growth rate (CAGR) for 2014

Indicator	Definition	Measure	Measure horizon	Guidance	Results
CAGR Total Net Revenue	Compound annual growth rate (CAGR 2013-16) in revenues after payment of taxes, sales returns and discounts in services	%	Average of years 2014,2015 and 2016	Mid single digit	Only one year's measurement (-2.1%)
CAGR Ebitda*	Compound annual growth rate (CAGR 2013-16) of earnings before interest, taxes, depreciation and amortization: Net revenues minus costs and expenses, which represents the company's cash generation	%	Average of years 2014,2015 and 2016	Mid single digit	Only one year's measurement (+6.4%)
Capex	Mid to long term investments in the purchase, improvement, development or extension of infrastructure, equipment, systems and properties. Excluding the amounts invested in the acquisition of frequency licenses	R\$	2014 and sum of years 2014, 2015 and 2016	R\$ 3.8 billion for 2014 and approximately R\$ 11 billion for the three-year period	R\$ 3.9 billion in 2014

\*Earnings Before Interest, Taxes, Depreciation and Amortization.

In February 2015, TIM released a new guidance for the three year period 2015 to 2017. The amount of investment (Capex) was updated and the net revenue and Ebitda growth targets became qualitative, in line with the new Telecom Italia group strategic plan and reflecting the changes in the Brazilian economic scene.

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

Indicator	Definition	Measure	Measure. horizon	Guidance
Total Net Revenue Growth	Compound annual growth rate (CAGR 2013-16) in revenues after payment of taxes, sales returns and discounts in services	N/A	2015, 2016 and 2017	Continuous growth
Ebitda Growth	Evolution in earnings before interest, taxes, depreciation and amortization: Net revenues minus costs and expenses, which represents the company's cash generation	N/A	2015, 2016 and 2017	Continuous growth
Capex	Mid to long term investments in the purchase, improvement, development or extension of infrastructure, equipment, systems and properties. Excluding the amounts invested in the acquisition of frequency licenses	R\$	2015, 2016 and 2017	Sum for three year period higher than R\$ 14 billion*

\*Does not consider 4G licenses.

## TAKING CARE OF CUSTOMERS

At the end of 2014, TIM had a base of users of its products and services totaling 75.7 million. In a sector characterized by intense competition, the provision of quality services is fundamental.

For this reason, in 2014 – as it does every year – the company paid close attention to the channels it provides for customer contacts, with a focus on efficiency and speedy response.

TIM seeks continually to understand customer needs. Service is focused on innovation, processes and people, demonstrating our concern with transparency. In 2014, this was reflected by the company's maintenance of the position of the carrier with the lowest number of complaints made to Procon agencies recorded in the Sindec consumer defense system (Sistema Nacional de Informações de Defesa do Consumidor).

The company has various channels to receive suggestions and criticisms from customers. The Customer Relationship Center (CRC) has four company-owned sites in key state capitals (Curitiba, São Paulo, Rio de Janeiro and Recife) and another seven outsourced sites. The Customer Relationship Management (CRM) system records all the contacts (for the telephone service), and the response is provided online or in up to five days in cases requiring more detailed analysis. Telephone access is also possible via the Portal \*144# – which uses Unstructured Supplementary Service Data (USSD) technology to activate diverse services automatically from the mobile. Self-service is also available via an Audible Response Unit, for options such as the blocking or unblocking lines and requesting copies of bills. [GRI PR5]

On the [www.tim.com.br](http://www.tim.com.br) website, an online chat is available for direct real time interaction with attendants. The Twitter profile @TIMAjuda is another channel for clarifying customers' doubts.

The TIM concept stores have trained employees to provide post-sale services to users. TIM employees may air doubts and problems reported by customers using the channel Fale pelo Cliente (Speak for the Customer), which uses the company intranet to send the questions directly to the CRM area. Contact is also possible via fax, letter and email.



## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

In 2014, from all the complaints received by the CRC, 99.94% were resolved and around 91% were concluded within five working days. To improve its services, TIM measures customer satisfaction via a monthly survey. This survey has been conducted since 2004 and is currently carried out nationwide, encompassing customers in the pay as you go, postpaid and corporate segments. In 2014, the average rating given by individual customers attended by the CRC was 7.30, on a scale from 0 to 10. [\[GRI PR5\]](#)

Additionally, every six months TIM conducts a nationwide satisfaction survey with its own customers and the users of competing carriers, applied by specialized external research institutes. This research addresses questions such as offers, prices, coverage, call and connection quality, technical assistance and sustainability. The average score in the overall satisfaction survey in 2014 was 7.54 (average of the surveys conducted in May and November). In the last survey, conducted in November 2014, the percentage of dissatisfied customers was 29%. The most mentioned reasons for dissatisfaction included coverage, call quality and problems with internet connection and navigation.

Customer service information <a href="#">[GRI PR5]</a>	2014	2013
Total calls answered by Call Center	137,078,489	132,427,615
Average waiting time for call to Call Center to be answered (in seconds)	47	30
Total Ombudsman contacts	5,080	5,343
<b>Total complaints received</b>		
In company	6,175,552	6,458,631
In Anatel	342,877	329,138
In court	93,782	87,174
<b>Total complaints and criticisms resolved</b>		
In company	99.94%	98.17%
In Anatel	91.69%	97.23%
In court	106.51% <sup>1</sup>	63.49%
<b>Customer satisfaction surveys – on a scale from 0 to 10</b>		
Average satisfaction rating for individual customers	7.54	7.92
Average satisfaction rating with CRC service for individual customers	7.30	7.47

<sup>1</sup> Total complaints and criticisms addressed or resolved during the year, regardless of date of entry.

According to Sindec, in 2014 a total of 52,207 complaints were registered with Procon and other consumer defense organizations. From the Preliminary Information Letters (CIPs) received, 80.7% were resolved; among the substantiated complaints, 74.5% were resolved in 2014.

With its Customer Data Privacy Policy, TIM seeks to protect the personal information of its users and prevent unauthorized access and unwarranted use of this information. The company guarantees that access to customer registration and communication data is permitted only to employees who require such information in the course of their professional duties.

In 2013, 44 cases of loss of privacy were recorded. 42 of these remained open in 2014. There was only one new case in 2014, which was resolved with an extrajudicial payment for damages. [\[GRI PR8\]](#)

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

## Outstanding actions and campaigns in 2014

Promotions, offers and special actions helped forge even closer links between TIM and customers in 2014.

### TIM BETA + QUEREMOS

The TIM Beta plan is an innovative, exclusive offer for customers who are part of the Beta Lab: influential and active social network users. The plan offers services charged per day: call to any TIM number in Brazil (using the direct dial code 41), internet access via mobile phone and messages to any carrier. One of the outstanding relationship actions was the partnership between TIM Beta and the crowdfunding platform Queremos!, which organizes shows with support from the artists' fans. The Beta users who distinguished themselves on the Blablâmetro – a game which benefits the most active in the community, with the most social capital – won invitations to watch a show featuring the Canadian band Current Swell in Rio de Janeiro in September.

### TABLETS STREAMLINE SERVICE

A new service organization system run by attendants using tablets reduced the waiting time for customers in TIM stores by two thirds (on average) for the activation of new postpaid lines. The tool, which was launched in July 2014, permits the capture and copying of the customer's documents on the tablet; the consumer also signs the document using the device's touch screen. Then all the documentation (which used to be printed and delivered by hand) is sent by email.

### FUTEBOLCARD PARTNERSHIP

Launched in October 2014, the partnership between TIM and the website FutebolCard enables Infinity and Liberty Torcedor customers to receive tickets for games organized by the clubs Cruzeiro, Vasco da Gama and Palmeiras on their mobiles. This unprecedented agreement in Brazil gives customers who buy tickets via the FutebolCard website the option to receive them via smartphone. On the day of the match, the customer presents the smartphone with the QR code of the ticket at the entrance to the stadium. This means it is not necessary to print the ticket or to go to the ticket office. In addition to being more practical for the customer, the tool helps reduce paper consumption.

### TIM VISITOR

TIM Visitor was a special offer valid from May 2014 to May 2015 which enabled foreign tourists to use a single chip with a fixed cost (R\$ 50) to make local and long distance calls to fixed and mobile numbers from any carrier, international calls and send text messages to numbers in Brazil and abroad. The offer also included a 1.5 GB per week data package to navigate on the internet. To receive the large number of tourists who visited Brazil for the World Cup, TIM invested in top up channels and contact services in English and Spanish.

### TIM + DECOLAR.COM

TIM was the first Brazilian operator to invest in a partnership with Decolar.com, the largest online travel agency in Latin America. TIM customers received a 15% discount on reservations at selected hotels in 800 cities; for the promotion all they had to do was to download the Decolar.com app using a promotional code in the Quick Trips section.

### INFINITY TURBO 7

Turbo 7 is a quick and cheap way for TIM customers to communicate more. On sale for R\$ 7 at top up points (TIM stores, supermarkets, newsstands, drugstores, bakeries), the offer includes 300 minutes a day of calls to any TIM in Brazil (local and long distance via the code 41), 450 text

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

messages a day to TIM numbers and 150 a day to other operators and a 10 MB per day data package – all valid for seven days without the need to buy a new chip.

### WHATSAPP CONTROL

The launch of another innovative plan in November 2014 in line with growing demand for mobile internet in the Brazilian market. The novelty is the result of a partnership between TIM and this fast-growing instant messaging service. The service permits unlimited text, voice, photo and video transmissions over the application without consuming the user's data package (it does not include calls made and received over Whatsapp - VoIP). Access to WhatsApp is maintained with no reduction in speed even if customers exceed the limit of their data package.

## TAKING CARE OF THE ENVIRONMENT

TIM encourages environmental awareness among its employees and its customers, and has a permanent commitment to minimizing the environmental impact of its operations and optimizing and economizing the use of natural resources and raw materials. The company's Environmental Policy is inspired by the guidelines set forth by the Global Reporting Initiative (GRI) – a global standard for the preparation of sustainability reports – and, aligned with the pursuit for sustainable development, orientates the management of environmental questions, in compliance with pertinent legislation and the guidelines of the Telecom Italia Group.

See some of the advances in the environmental matters prioritized by TIM in 2014.

### Continuous improvement and prevention of pollution

TIM always seeks to improve its processes and activities, aimed not only at greater efficiency, but also at reducing environmental impacts. In 2014, the company invested R\$ 77,800 in the maintenance of processes and operations aimed specifically at improving environmental performance, as well as R\$ 470,600 on processes related to environmental questions (mainly on contracting consulting services). [\[GRI EN30\]](#)



**R\$ 77,800**

invested in the maintenance of processes and operations aimed specifically at improving environmental performance



**R\$ 470,600**

invested in assessments and processes related to environmental questions

### CLIMATE CHANGE AND GHG EMISSIONS

Climate change is considered to be strategic for TIM and its businesses. In 2013, the Climate Change Policy set forth the guidelines for addressing the issue. [\[GRI EN16, EN17\]](#)

TIM monitors its greenhouse gas (GHG) emissions on an annual basis, measuring data and estimating emissions based on existing references.

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

Measurement is undertaken in accordance with the tools provided by the GHG Protocol (a methodology used globally to measure GHG emissions) and is also orientated by the guidelines and emission factors published by the International Panel for Climate Change (IPCC). The results of the emissions inventory are disclosed through a number of channels, including the CDP, Brazil's Registro Público de Emissões (Public Emissions Registry) and TIM's internet portal. [\[GRI EC2\]](#)

In 2014, once again TIM organized three workshops on climate change aimed at engaging employees and third-party transportation providers.

The course included basic notions of climate science, the recently created Climate Change Policy and the concepts of the scopes, showing the importance of the data collection process, among other things.

In 2014, for the fourth year the TIM GHG inventory was verified by an independent third-party, a process which boosts transparency and public confidence. For the third year running, the company received the GHG Protocol Gold Seal (for the 2013 GHG inventory).

Scope	Type of emission
Scope 1 (direct emissions)	1) Consumption of fuel in own fleet 2) Consumption of diesel oil to generate energy 3) Fugitive emissions from gases used in refrigeration equipment
Scope 2 (indirect emissions associated with energy generation)	Consumption of purchased energy
Scope 3 (other direct emissions)	1) Fuel consumed in: • employee air travel • employee commuting between work and home • third-party fleet and vehicles of sales consultants • cargo transported by air 2) Waste management

EMISSION BY TYPE		
SCOPE 1		
2014	2,195	tCO <sub>2</sub> e
2013	2,591	tCO <sub>2</sub> e
SCOPE 2		
2014	483,934	MWh
	65,565	tCO <sub>2</sub> e
2013	403,772	MWh
	38,776	tCO <sub>2</sub> e

Emissions discriminated by scope and type	2014	2013
	Emissions (tCO <sub>2</sub> e)	Emissions (tCO <sub>2</sub> e)
<b>SCOPE 1</b>	<b>2,195</b>	<b>2,591</b>
Own fleet	737	789
Generators	370	436
Fugitive emissions	1,088	1,366
<b>SCOPE 2</b>	<b>65,565</b>	<b>38,776</b>
Electricity consumption <sup>1</sup>	65,565	38,776
<b>SCOPES 1 and 2</b>	<b>67,760</b>	<b>41,367</b>
<b>SCOPE 3</b>	<b>39,606</b>	<b>18,390</b>
Air travel	5,080	4,723
Employee commuting <sup>2</sup>	7,373	4,406
Transport and distribution – Logistics <sup>3</sup>	23,714	6,419
Transport – Others <sup>4</sup>	1,613	774

# CONNECTING AND CARING ABOUT EACH ONE

## IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

Sales consultants	1,786	2,038
Waste management	40	30

<sup>1</sup>Emissions from electricity consumption increased significantly (69%) due mainly to the increase in the national grid emission factor supplied by the Ministry of Science and Technology, which takes into account the Brazilian energy matrix and its supply via the Sistema Interligado Nacional (SIN) (emission factors: 2013 – 0.0960 tCO<sub>2</sub>/MWh; 2014 – 0.1355 tCO<sub>2</sub>/MWh). During the same period there was a 20% increase in the total consumption of electricity imported from the SIN.

<sup>2</sup>Emissions related to commuting also increased considerably (67%) as a result of the increase in the number of employees and mainly because of the updating of the TIM commuting survey, conducted in September 2014, which showed a change in the employee commuting profile (employees now commute further).

<sup>3</sup>The increase is due mainly to the incorporation of emissions associated with the transportation of marketing materials and improvements in the collection of data from transportation providers.

<sup>4</sup>This line records emissions associated with the transportation of network equipment, selective collection and collection of handsets, batteries and accessories. There was an increase in transportation related to selective collection and the collection of handsets, batteries and accessories compared with the previous year.

The company also undertook a new purchase of a total of 6 thousand tCO<sub>2</sub>e of carbon credits in 2015 to offset TIM's direct emissions (scope 1) for 2014. The REDD+Jari Amapá project (Emissions Reduction by Avoidance of Deforestation), a partnership between the Grupo Jari and Biofílica, is located the River Jari valley, in the state of Amapá. The project generates carbon credits from the avoidance of deforestation, based on the economic development of the standing forest. The 2014 direct (scope 1) emissions were fully compensated, the residual credits from the purchases in 2013 and 2015 (4,374 tCO<sub>2</sub>e) will be used to offset the direct emissions for 2015 and possibly in other actions. TIM has been offsetting its direct emissions voluntarily since 2014 (referring to direct emissions from base year 2013). Of the 3,160 tCO<sub>2</sub>e purchased in 2013, 2,591 were used to offset that year's emissions, resulting in a balance of 569 tCO<sub>2</sub>e, used to offset direct emissions from base year 2014.

As additional efforts to reduce its emissions in 2014, worthy of note are initiatives such as incentives for online billing (reducing printing and paper consumption) and the TIM PDV (pay as you go top up program that does not use cards). Diverse initiatives to increase energy efficiency helped reduce energy consumption and, by extension, the GHG emissions associated with energy generation. The modernization and equipment swapping programs, substituting older devices with more modern ones that consume less, were continued. Another example of this is the RAN sharing with the carrier Oi, in place since 2013, as well as the virtualization of the data centers. Read more in *Consumption of natural resources*. [GRI EN18]

TIM also quantifies emissions of ozone-depleting substances, which occur mainly in the air conditioning equipment at company units (R-22 refrigerant). [GRI EN19]

OZONE -DEPLETING SUBSTANCES <sup>1</sup>		
In t gas	2014	2013
R-22	2.2	2.10
In t-eq CFC-11		
R-22	0.13	0.12

<sup>1</sup>Calculated based on consumption of gases with ozone depletion potential (ODP), as presented in the Montreal Protocol of 2000.

## OPPORTUNITIES AND RISKS LINKED WITH CLIMATE CHANGE

For the telecommunications sector, the opportunities arising from climate change are related mainly to the mitigation of emissions of the operators and their customers and the creation of solutions to adapt to these changes. It is TIM's understanding that society is increasingly

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

demanding in its choices, and this includes preference for companies that show responsible environmental management. Similarly, climate change influences the behavior of investors, who prioritize companies that are open about how they manage their emissions.

In addition to having quantified and published its GHG emissions annually since 2008, being part of the CDP data base and having participated in the Empresas pelo Clima initiative since 2010, TIM offers consumers diverse alternatives which have a positive impact on emissions reductions.

TIM PDV, for example, is the company's online top up system, which reduces emissions associated with the life cycle of prepaid cards. For the postpaid customer, there are diverse ways of paying bills which do not require the use of paper, thus economizing natural resources (read more in *Climate change and GHG emissions* and in *Materials*). Highly significant is the fact that the operator's telecommunications contribute to reducing emissions from the dislocation of people – optimizing production processes and eliminating stages in logistics processes.

In 2015, TIM continues to be listed on the BM&FBovespa Corporate Sustainability Index (ISE) and Carbon Efficient Index (ICO2), providing investors with a guarantee of the adoption of good carbon management practices. The ICO2 is based on companies' GHG emission efficiency, meaning that a low emissions rate results in a higher share in the securities traded.

TIM has responded to the CDP Investors questionnaire (the biggest global investor initiative to collect climate change information related to business) since 2007. Since 2012, it has responded to the CDP Supply Chain survey, which compiles information about sustainable development in the value chains of large companies.

Among the risks arising from climate change is the possibility of the introduction of legal restrictions on GHG emissions. TIM monitors Brazilian legislation on emissions and climate change. Brazilian national policy on emissions and climate, introduced in 2009, and Decree n.º 7.390 (2010) determine a voluntary reduction in GHG emissions and specific targets for diverse production sectors. Although the telecommunications sector is not included in this legislation, it may represent a precedent for the establishment of GHG emission reduction targets for other industries. Additionally, state laws in São Paulo and Rio de Janeiro, the two most important states in the company's operations, provide for the establishment of efficiency targets and the identification of parameters for specific sectors. In this context, the company identifies the risk (improbable in the short term) of being subject to emissions restrictions if future changes in laws oblige the telecommunications sector to present plans for voluntary reduction targets.

Energy consumption related to network infrastructure, logistics activities and travel also implies risks. Energy sector policies and regulations could increase operational costs for these services, with these increases being passed on to consumers, which would impact TIM's operating costs. Other alterations could impact the company's vendors, especially those supplying electronic products and infrastructure, whose GHG emissions and carbon footprints may be subject to legal restrictions in the future. Finally, in the event of the withdrawal of subsidies for fossil fuels, and/or the imposition of emissions reduction targets in this sector, TIM could be adversely affected.

The company also considers the risks of electricity rationing. The prolonged



## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

droughts in 2014 and 2015 affected the levels of the reservoirs that provide more than 80% of the nation's electricity. TIM believes it could be subject to possible energy rationing measures and/or to fluctuations in the average price per kWh in function of the effects of climate change on energy supplies in the country.

Put more simply, changes in the climate imply a series of physical risks. An increase in the occurrence and in the frequency of storms could damage transmission towers and other TIM equipment, as well as provoking increases in the price of insuring these goods and installations. A rise in average temperatures could increase the consumption of electricity used to refrigerate network equipment. Climatic phenomena could also interrupt or lead to a deterioration in the quality of telephony and data transmission signals, reduce the working life of mobile devices and increase the number of absences of TIM employees (due to difficulties in travel and commuting caused by flooding or health problems aggravated by climate variations), affecting the company's performance negatively.

The company conducts a preliminary assessment of the risks and opportunities associated with climate change. This is available on the CDP website at: <https://www.cdp.net/en-US/Results/Pages/Company-Responses.aspx?company=19063>). [GRI EC2]

### PRODUCT AND SERVICE ENVIRONMENTAL IMPACTS

The TIM radio base stations (RBS) generate impacts at two stages: firstly during construction and later when they come into operation, due to the emission of noise and non-ionizing radiation. All RBSs have Anatel operating licenses and proof, in the form of reports on theoretical and measured compliance, that the non-ionizing radiation emitted is within the limits permitted by the World Health Organization (WHO), the standard adopted by Anatel. As a basic premise, RBSs are only installed at locations permitted by the competent local authority and with the necessary urban planning permission and environmental licenses (when applicable). [GRI 4.11, SD1]

According to the publication *Telefonia Celular – Conheça Bem Essa Tecnologia* (Information about mobile telephony), published by the cellular telephony operator association Acel (Associação Nacional de Operadoras Celulares), studies conducted by the World Health Organization indicate that there is insufficient evidence to show that the use of mobile phones and emissions from antennas are harmful to health, as long as limits and precautionary standards are observed. According to the publication, the antennas emit insignificant amounts of radiation even in the event of continuous exposure. The level of exposure the public is subject to is 50 to 1,000 times lower than the safety threshold established in Anatel regulations (Resolution n.º 303/2002).

Both noise and electromagnetic emissions are measured and reported. These measurements are determined by state and municipal legislation upon licensing or regularization or on demand by local authorities or communities.

In 2014, electromagnetic emissions were measured in 7,273 locations (133% more than in the previous year). Noise levels were measured in locations where this was requested by public authorities.

The work on verifying RBSs potentially located in Permanent Protected Areas

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

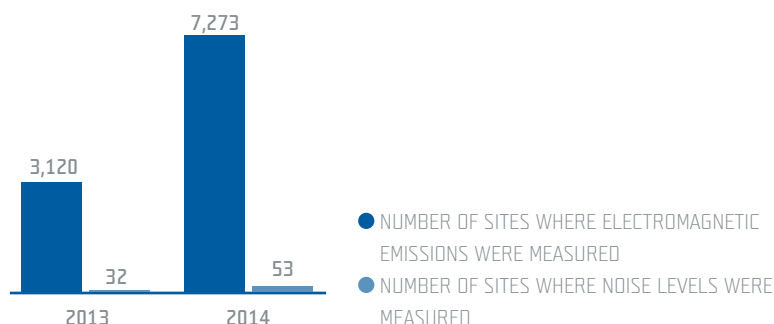
TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

(APP in the Portuguese acronym) continued. In 2014, it was established that TIM had 152 stations in preservation areas. The antenna mapping project continues, as does the periodic monitoring of the main impacts on biodiversity associated with the company's activities in these areas.

The analysis of the data from this monitoring ensures the company complies with legal requirements and those of certifying bodies, in addition to fueling TIM environmental management processes. The company has not suffered any restrictions or conduct adjustment terms imposed by the environmental body Ibama (Instituto do Meio Ambiente e dos Recursos Naturais Renováveis) in relation to the maintenance of preservation areas. [GRI EN11, EN12]

Environmental management at TIM encompasses control over all operational aspects of its RBSs, in line with Anatel requirements. Noise and electromagnetic emissions are measured upon the installation of new antennas, for licensing purposes and upon the request of the local community. To obtain further information, consult the link <http://www.tim.com.br/sp/sobre-a-tim/sustentabilidade/ambiental/campos-eletromagneticos>.

### MEASUREMENT OF ELECTROMAGNETIC EMISSIONS AND NOISE LEVELS



Safe emission levels are set forth in the guidelines issued by the International Commission on Non-Ionizing Radiation Protection (ICNIRP), endorsed by the World Health Organization (WHO), and are defined in Anatel Ruling n.º 303, dated July 2, 2002. TIM monitors and analyzes its RBS electromagnetic emissions based on Ruling n.º 303 methods, remaining within the limits established.

### PARTNERSHIPS WITH THE MINISTRY OF SCIENCE, TECHNOLOGY AND INNOVATION

During the last year, in partnership with the Ministry of Science, Technology and Innovation, the company supported services benefiting the general public by means of the project to install Automatic Rainfall Meters and Virtual Weather Stations. [GRI EC8]

The Automatic Rainfall Meters project consists of the installation of Automatic Data Collection Platforms (PCDs) in locations close to areas at risk of natural disaster. This helps expand the rainfall monitoring network and improve the system for forecasting extreme climatic events, with a view

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

2,332 automatic rainfall meters were installed nationwide, as part of the partnership between TIM and the Ministry of Science, Technology and Innovation, expanding monitoring of climatic events.

to reducing socio-economic and environmental damage. The partnership, initiated in 2013 with the Ministry of Science, Technology and Innovation through the disaster monitoring center Cemaden (Centro Nacional de Monitoramento e Alertas de Desastres Naturais), was continued in 2014. At no cost, TIM provided 400 data chips to connect the PCDs. Cemaden technicians are responsible for installing and maintaining the equipment, while TIM provides the chips for data transmission.

The automatic rainfall meters – together with other data collection platforms and meteorological radars constitute the country's Observation Network, which enables real time monitoring of rainfall, hydrological and meteorological data and the issue of alerts when certain predetermined thresholds are reached. Up until March 2015, 2,332 automatic rainfall meters had been installed nationwide, covering 886 municipalities. The number of meters projected by the end of 2015 is 3 thousand. The Cemaden website makes the data collected by the equipment available, enabling municipalities, states, partnering organizations and other users to share the information gathered to manage natural disaster risks at a local level.

Another partnership between TIM and the ministry which was continued in 2014 was the Virtual Weather Station project. The initiative is supported by the Planetary Skin Institute (PSI), an independent, global non-profit research and development organization that develops platforms for the proactive management of risks related to natural disasters and the use of natural resources. TIM permits PSI and Cemaden to access data from its radio links, enabling the virtual monitoring of rainfall nationwide, without the need for high physical weather station coverage.

With the information collected from the mobile telephone network, it will be possible to create high resolution rainfall maps in real time, in addition to creating a more robust series of historical data. The pilot project for 2015 provides for the collection of data from all over the country, segmented into regions of economic and social interest (strategic locations in terms of energy, agriculture, water resources, as well as regions of social importance). The survey may contribute to studies on adaptation to climate change, minimizing the negative effects of such changes.

## Waste management

TIM's Environmental Policy sets forth the commitment to minimize waste generation and to promote as much reuse as possible by means of selective collection, recycling and reutilization. The Waste Management Program organizes the collection and disposal of waste throughout the company. All the company's administrative offices and industrial facilities have selective collection for paper, cardboard, plastics, aluminum and non-recyclable materials. The waste management program takes care of the waste generated by the operations and is based on Brazil's national solid waste policy, instituted in 2010. This encompasses the collection of devices, batteries and accessories no longer in use, the selective collection program and the organization of campaigns to promote conscious consumption of water and energy. [\[GRI S01\]](#)

Organic waste is disposed via public utility (run by municipal governments or third-party service providers). Reusable and/or recyclable materials are sent to registered waste cooperatives or specialized service providers. There is also a program for the proper disposal of light bulbs, which is executed by specialized companies. [\[GRI EN26\]](#)

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

### DISPOSAL OF MATERIALS

The company's main waste materials are batteries of network equipment at the end of their working life and lubricant oil. A large volume of batteries was disposed of in 2013, causing an increase in waste generation. In 2014, the company only disposed of lubricant oil. [\[GRI EN22\]](#)

Generation (metric tons) <a href="#">[GRI EN22]</a>	2014	2013
Hazardous	11.08	314.08
Non-hazardous	428.15	395.70
<b>Total</b>	<b>439.23</b>	<b>709.78</b>
<b>Recycling</b>		
Hazardous	8.84	277.92
Non-hazardous	167.22	261.24
<b>Total</b>	<b>176.06</b>	<b>539.16</b>
<b>Landfill</b>		
Non-hazardous waste	260.93	134.46
<b>Others</b>		
Hazardous waste	2.24	36.16

The waste is collected and transported to its final destination by specialized companies.

### RECOVERY OF MATERIALS

During the year, two programs aimed at recovering devices, batteries and other accessories for proper disposal were in course. Special bins for the Recarregue o Planeta and Papa-Pilhas programs were made available in all TIM stores. In 2014, a total of 1,054 kg of products and packaging was recovered, including mobile phones, batteries and chargers. In December 2014, the Papa-Pilhas program, a partnership with the Santander bank, was discontinued. In 2015, the Recarregue o Planeta program remains in place for the collection of mobile phones and accessories in TIM stores. [\[GRI EN27, EN24\]](#)

### Legal compliance

The activities determined in TIM Environmental Policy assume complete compliance with legal requirements and the guidelines established by regulatory authorities. With full monitoring, all environmental issues are compiled in a contingency report which is updated on a monthly basis.

At the end of 2014, 683 cases were being tracked. The issues being tracked included: adaptation of structure, licensing, non-activated RBSs, advertising, electromagnetic radiation and the removal of RBSs. [\[GRI EN28\]](#)

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

Fines and non-monetary sanctions related to the environment:	2014	2013
Number of fines	71	39
Total sum of fines (thousands of R\$)	4,344.16 <sup>1</sup>	789.00
Total number of infraction notifications	154	46
Conduct adjustment agreements (TAC) relative to environmental questions		
Total TACs initiated in period	0	1
Total TACs in place	5	5
Total TACs ended in period	0	1
Lawsuits and proceedings (number)		
Administrative proceedings (Active)	683	815
Administrative proceedings (Filed)	163	62
Lawsuits (Active)	37	33
Lawsuits (Filed)	1	6

<sup>1</sup> In December 2014, the Altamira (PA) Municipal Environment Department issued a notification related to the alleged installation and operation of a radio base station in the municipality without an appropriate environmental license, with a fine of R\$ 4 million. TIM presented its defense in the administrative proceedings and is awaiting a decision from the environmental department.

### CONDUCT ADJUSTMENT AGREEMENTS (TAC)

A conduct adjustment agreement (TAC) is a legal instrument used by government bodies to get companies to commit to modifying certain processes in line with legal requirements. In December 2014, TIM had five TACs in place related to the following cases.

- Ananindeua (PA) – A TAC agreed between TIM Celular and the city government giving the company time to regularize the environmental licensing processes of all the unlicensed RBSs installed in the municipality and extinguishing unpaid associated fines. Underway.
- Fortaleza (CE) – TAC between TIM Celular and the state environmental authority
- Semace for the company to present all the documentation relative to the 135 proceedings underway for the radio base stations implanted in the state of Ceará. Underway.
- Ipueiras (CE) – TAC between TIM Celular and the Public Prosecution Service relative to the relocation and regularization of a RBS. TIM obligations: rectify ownership of the plot of land on which the tower is located and move the tower. TAC finalized, awaiting signature of prosecutor to bring case to a conclusion.
- Manaus (AM) – TAC between TIM Celular and the city government due to the irregular installation of RBSs in the municipality. There was a reduction in the fines applied by the municipality and TIM was obliged to license the radio base stations. Underway.
- Boa Vista (RO) – TAC between TIM Celular and the local government to regularize the urban licenses of all the RBSs installed in the municipality, with a reduction in the penalties. Underway.

## Resource consumption

In 2014, TIM continued to invest in measures to reduce wastage of natural resources and other inputs and, by extension, reducing the impacts caused by its operations as well as costs. The objective is to promote the conscious consumption of water, electricity and other materials.

### ENERGY

Diverse initiatives to drive energy efficiency were undertaken in 2014. With the modernization of the access network (2G swap), the old 2G base transceiver stations (2G BTS) were substituted, increasing capacity

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

and reducing consumption. The decommissioning process led to the substitution of outdated monolithic stations for more energy efficient modern equipment. Control of the rollout of the sites permitted the activation of energy only when strictly necessary. More than two thirds (68.3%) of the 2G network was modernized; the same is true for 92.3% of the 3G network. [\[GRI EN6\]](#)

The RAN sharing agreement for the 4G network, signed with Oi and approved by Anatel at the beginning of 2013, reduced maintenance and operational tasks for TIM and boosted efficiency, with responsibility for implantation split fifty-fifty between the two operators. Users benefit from the reduction in the cost of implanting the networks because the areas considered less attractive also gain access, often before the time stipulated in the tender. [\[GRI EN5 e EN6\]](#)

Also worthy of note is the fact that sharing infrastructure has a positive impact on the urban landscape, improving land occupation by reducing the number of new stations. Equally noteworthy is the contribution to sustainability caused by the rational use of energy enabled by the sharing of network infrastructure, resulting in the reduction in the overall number of stations needed to meet targets.

Considering a total of around 3,600 stations shared between TIM and Oi at the end of 2014, in addition to the efficiency in infrastructure, there was an estimated electricity saving of around 150 thousand MWh, corresponding to a cost saving of approximately R\$ 40 million (OPEX) in 2014. This saving also generates an environmental gain, given that some 20,000 tCO<sub>2</sub>e of atmospheric emissions were avoided.

By the end of 2014, a total of 23 biosites, an innovative type of antenna that provokes a lower environmental impact and consumes less energy, had been implanted. Biosites are structures that permit a more specific coverage and more efficient use of energy and space, causing a lower visual impact and using 99% less steel in their casing than a traditional base station (read more in the chapter TIM).

The company's internal commitment to reducing energy consumption in the administrative offices, including employee awareness measures, was maintained. Additionally routines were modified, including reductions in the use of air conditioning and elevators, the replacement of high consumption equipment with more efficient alternatives and the intensification of maintenance. [\[GRI EN5\]](#)

An increase in energy consumption in the mobile network is projected from 2014 to 2016, due to the implementation of a series of actions to expand coverage. Projects include the expansion of the capacity of 2G, 3G and 4G networks, the introduction of new infrastructure installations to comply with the regulatory agency Anatel's (Agência Nacional de Telecomunicações) requirements and the expansion of the data centers necessary for these operations.

In 2015, energy efficiency initiatives will be maintained with a view to limiting this increase in consumption projected for the coming years. The new initiatives will include the FreeCooling Project, which consists of a ventilation system for equipment containers through the installation of a cooler in shelter type sites in the South and Southeast regions. This will reduce the use of energy and refrigerant gases in air conditioning equipment.

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

Practically all (97.1%) of the energy consumed by TIM comes from the public network. The rest is consumed by the vehicle fleet and by diesel generators. The following table presents the direct and indirect energy consumption indicators for 2014. The increased consumption of diesel in vehicles was due to greater use of diesel-powered vehicles in the company's internal transportation.

Total direct energy consumed, discriminated by source [GRI EN3, EN4]		2014	2013
Gasoline	L	1,489,469	1,565,457
Diesel – vehicles	L	33,149	24,534
Diesel – generators	L	148,316	173,315
Electricity	MWh	483,934	403,772
In GJ:			
Gasoline	GJ	44,664	46,942
Diesel – vehicles	GJ	1,174	869
Diesel – generators	GJ	5,251	6,136
Total direct energy	GJ	51,088	53,947
Electricity	GJ	1,742,161	1,453,581
Total indirect energy	GJ	1,742,161	1,453,581
Total energy used (GJ)	GJ	1,793,249	1,507,528

The increase in electricity consumption compared with 2013 (around 20%) is due to network expansion, with the addition of 2,718 new sites.

### WATER

The water consumed in TIM's activities comes mainly from urban supply networks. The company's operations do not use water intensively and its consumption does not have a significant impact on availability of the resource for other users or systems. The office in São Paulo has an Artesian well which meets virtually all the building's needs. Internal initiatives to reduce consumption include inspections of the rest rooms and kitchens to detect leaks and the installation of efficient equipment in the bathrooms: taps with timers and toilet bowls with an attached tank.

[GRI EN9, EN10]

There was a 9% rise in water consumption, due principally to the increase in headcount.

Water consumption in 2014, by source [GRI EN8]		2014	2013
Company withdrawal	m³	22,475	20,276
Utility supplies	m³	228,725	209,603
Total	m³	251,200	229,880



## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

All waste water from TIM buildings is discharged into the public sewage networks, which are responsible for the proper treatment and disposal of domestic effluent. The company does not discharge effluents that have a highly negative impact and no water body is significantly affected by TIM's effluents.

In 2014, there was a leak of 50 liters of diesel from a tank used to store the fuel for the generators. There are no records of leaks of fuel oil or lubricants. [GRI EN21, EN23]

### MATERIALS

With printing guidelines and procedures aimed at reducing internal paper consumption and respective costs, TIM continues to substitute printers, fax machines, scanners and photocopiers with multifunctional equipment that centralizes all these tasks. There are also restrictions to printing, such as mandatory printing on both sides of sheets of paper and the use of identity badges to authorize printing. These initiatives, associated with internal awareness campaigns, have contributed to savings in paper and materials such as toner. Currently 100% of the paper used internally by company employees has Forestry Stewardship Council (FSC) certification.

The motto "Tire essa ideia do papel" (Off paper, into practice), introduced in 2013, was maintained and used in campaigns to popularize online billing, underscoring the advantages of this option (convenience, control, privacy and security). [GRI EN25]

Total materials used, by weight (kg) [GRI EN1]	2014	2013
Paper – billing	1,348,029	1,338,920
Paper –internal use	43,907	52,186
Paper – others	1,114,592	1,489,811
Cardboard	77,112	89,800
<b>Total</b>	<b>2,583,640</b>	<b>2,970,717</b>

Total paper used, by type of use [GRI EN2]	2014	2013
<b>Paper for internal use (kg)</b>		
Total	43,907	52,186
Recycled	0	2,089
FSC	43,907	48,593
White	0	1,504
<b>Bags (kg)</b>		
Total	77,112	89,800
FSC	77,112	89,800
<b>Marketing (kg)</b>		
Total	1,114,592	1,489,811
FSC	1,114,592	1,489,811

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

Billing (kg)		
Total	1,348,029	1,338,920
FSC	1,348,029	1,338,920
Total (kg)		
Total	2,583,640	2,970,717
Recycled	0	2,089
FSC	2,583,640	2,967,124
Branco	0	1,504
Percentage (%)		
Total	100	100
Recycled	0	0.08
FSC	100	99.88%
White	0	0.06

## TAKING CARE OF SOCIETY

Caring for individuals also means caring for society as a whole. In 2014, TIM undertook a number of successful initiatives in fields such as education, science and social transformation, always pursuing innovative means of promoting human development. The investments undertaken by the Instituto TIM – the arm of the company dedicated to corporate social responsibility – totaled more than R\$ 15 million in the year, impacting around 70 thousand people in over 250 cities nationwide. In parallel, the Cidadão Sem Fronteiras (Citizen without frontiers) program encouraged employees to engage in actions that benefited children, young people, the elderly and entire families, by supporting social assistance organizations. All employees get one day a year off work to dedicate to volunteer activities. This work is counted towards achievement of TIM's annual volunteer work target (read more in the chapter *Commitment*).

Based on the premise that its products and services multiply the possibilities of communication between people, companies and institutions, TIM believes that its activities contribute towards the country's economic growth. The solutions TIM provides enable corporate customers to make their processes and practices more efficient, boosting their competitiveness and expanding the number of new jobs available. TIM products help drive progress in industrial activities and in technological innovation for companies. In local communities, the company leverages human development via the use of its technologies. All of these factors provoke a positive impact on the generation of wealth and growth of the country's gross domestic product (GDP). [GRI EC9]

### Instituto TIM in 2014

The Instituto TIM was founded in 2013 with the mission of creating and leveraging resources and strategies to open up access to science, technology and innovation, promoting human development in Brazil using mobile technology as a key enabler. Today the institute has more than 60 partnerships with municipal governments, state education departments, ministries (Science and Technology; Culture; and Education) and other organizations with which it collaborates to execute educational, cultural, civic awareness and social inclusion projects. Learn more about the institute's activities in 2014 below and at [www.institutotim.org.br](http://www.institutotim.org.br). [GRI SD1]

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

### CULTURAL MAPS

A joint effort involving the São Paulo municipal government, the municipal culture department and the Instituto TIM initiated in 2013 resulted in the launch of the project Mapas Culturais (Cultural Maps) in August 2014. This is a free software with a geo-referencing system that may be adopted free of charge by any city or state and which was baptized SP Cultura in São Paulo. Users may look for cultural events and may also register their own agent profile as artists, managers or producers. This enables them to include their own cultural programming, providing more complete coverage of the cultural scene in the city. The state governments of Ceará and Rio Grande do Sul, as well as the municipal governments of Campinas (SP), Santos (SP), João Pessoa (PB), Blumenau (SC), Santo André (SP), Vitória da Conquista (BA), Sobral (CE) and Itacoatiara (AM) are planning to adopt the project.

### THE BRAZIL MATH CIRCLE

Around 8 thousand students from 67 public schools in São Paulo, Rio de Janeiro, Duque de Caxias, Porto Alegre, Salvador, Porto Velho, Brasília, Fortaleza, Belém and Aracaju took part in more the 14 thousand classes based on the approach to teaching mathematics to primary school children developed by the Harvard teachers Harvard Bob and Ellen Kaplan. In 2014, 62 educators and 297 teachers were trained in the project approach and became multipliers. In only three months, the mathematics skills of the participating students increased by 5.7%, according to an assessment conducted by the project coordination.

### TIM FAZ CIÊNCIA (TIM DOES SCIENCE)

This is an educational action aimed at primary school teachers and students. It invites public school students from all over the country to explore the intellectual operations (observing, verifying, classifying, questioning, defining, applying and generalizing) associated with scientific investigation. Teaching kits were distributed to more than 2 thousand teachers in a series of partnerships with 26 Education departments.

### ZELADORIA URBANA PARTICIPATIVA OR ZUP (PARTICIPATIVE URBAN CONSERVATION)

A business intelligence (BI) platform that uses new information technologies to improve and facilitate urban cleaning and conservation activities and operations (street sweeping, garbage collection, pruning trees, maintaining green areas, fixing potholes in streets etc.). In 2014, the platform was implanted in four cities (São Bernardo do Campo, Boa Vista, Maceió and Florianópolis).

### TIM TEC

In 2014, the project offered ten free courses for students in secondary, technical and vocational institutions. The first pilot course was organized for students at the Centro de Formação Cultural Cidade Tiradentes, in São Paulo, and the Instituto Federal Sul-Rio-Grandense (Ifsul). Another seven courses will be finalized by the beginning of 2015. At the end of 2014, 3,600 people were using the platform.

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

### BRAZILIAN PUBLIC SCHOOL MATH OLYMPICS - OBMEP (OLIMPÍADA BRASILEIRA DE MATEMÁTICA DAS ESCOLAS PÚBLICAS)

The Math Olympics contest has existed since 2005 and is organized by Impa (National Institute of Pure and Applied Mathematics). The goal is to encourage the study of mathematics by means of the solution of problems that arouse the interest and curiosity of teachers and students. The Instituto TIM supported the 2014 edition of the event and initiated the Instituto TIM-Obmep Study Scholarship project, aimed at award winning students who will start studying at public universities from 2015.

### INSTITUTO TIM DRUM BAND

The Drum Band has been part of the TIM social investment program since 2013. Aimed at hearing impaired children and young people, the band also has participants with other types of disabilities. With around 50 members, the band rehearses at the Centro Municipal de Referência da Música Carioca Artur da Távola in Rio de Janeiro.

### AGENTS OF TRANSFORMATION

Seventy young scholarship holders from Rio de Janeiro were prepared to enter the labor market as researchers. They collected data on subjects of interest to hundreds of young people in seven pacified communities in the city. The young researchers used mobiles and tablets with software developed by the Instituto TIM to conduct the interviews. The results will be used as inputs for the development of social and economic inclusion projects in these areas.

### CDI MOBILITY

The Instituto TIM supported the CDI Mobility project, which teaches young people from Rio de Janeiro communities to create applications for mobile phones via its Mobile Applications Development course. The pilot project was implanted in ten regions with the training of educators and young people in the communities. The course was also made available online at #NaReal ([www.nareal.org.br](http://www.nareal.org.br)) and via the SPOC (Small Private Online Courses) model. A total of 58 educators were trained, while 59 institutions and 2,175 young people benefited from the project, which resulted in 208 ideas for applications.

### FUNDAÇÃO AMAZONAS SUSTENTÁVEL (SUSTAINABLE AMAZON FOUNDATION)

The partnership with the Fundação Amazonas Sustentável (FAS), initiated in 2013, was continued in 2014 with the donation of R\$ 300,000 as part of the investment in the Forestry Grant Program. Currently, the Forestry Grant Program is the largest program promoting payment for environmental services in the world. It is in place in 15 conservation units, where families benefit from conservation and sustainability projects.

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

## Private social investment

Investments in social projects by area (thousands of R\$)*	2014	2013	Variação (%)
Education	10,231.16	13,222.93	-22,63%
Culture	1,570.69	995.19	57,83% <sup>1</sup>
Health and sanitation	99.35	94.38	5,27%
Sport	136.90	3,646.26	-96,25%
Social action	5,186.97	5,833.53	-11,08%
<b>Total<sup>1</sup></b>	<b>17,225.06</b>	<b>23,792.29</b>	<b>-27,60%</b>

\* Tax incentives are included in the total amounts invested above, and accounted for 23% of the total in 2014.

Cultural and sports sponsorships (in thousands of R\$)	2014	2013
Cultural	22,806.93	28,919.39
Sports	1,112.30	7,989.15
<b>Total invested*</b>	<b>23,919.23</b>	<b>36,908.54</b>

\* Tax incentives are included in the total amounts invested above, and accounted for 46% of the total in 2014

## TAKING CARE OF PEOPLE

The care TIM takes of its employee is a way of caring for the company itself, fostering the longevity and sustainability of its businesses. Company operations always prioritize the safety, health and well-being of employees, whose labor rights are respected and who are able to engage in open dialogue with leaders. Year on year, the means of personal and professional development available for the work force increase, ensuring improved capabilities and skills and effective career planning.

## The work force in 2014

At the end of 2014, TIM had 13,565 employees. [GRI LA1, LA2]

Total employees	2014	2013
N.º	13,565	12,870

Total employees by type of employment	2014	2013
Employees	12,860	12,167
Third-party administrative	14	16
Trainees	276	306
Apprentices	415	381

Distribution of employees, by region *	2014	2013
São Paulo regional office - (city and state of São Paulo)	3,989	3,588
Rio de Janeiro regional office – RJ	4,035	3,835
Rio de Janeiro regional office – ES	14	14
Southern regional office – PR	1,103	1,213
Southern regional office – SC	144	123
Southern regional office – RS	221	228
Midwest regional office – DF, GO, TO, MT, MS, RO, AC	397	362
Eastern regional office – MG, BA, SE	642	585
Northeastern regional office - PE, AL, PB, RN, CE, PI	2,006	1,956
Northern regional office - PA, AM, MA, AP, RR	309	263

\* The distribution of employees by region does not take into account outsourced administrative workers, interns and apprentices. The sum of employees by region in 2014 was 12,860, compared with 12,167 in 2013.

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

Total employees by length of service	2014	2013
Up to 1 year	32.21%	28.18%
From 1 to 5 years	41.42%	43.59%
From 5 to 10 years	17.33%	19.40%
From 10 to 20 years	8.59%	8.40%
From 20 to 30 years	0.27%	0.25%
Over 30 years	0.18%	0.17%

Number of employees by type of contract *:	2014	2013
Permanent contract	N.º	12,860
Fixed term contract **	N.º	691

\*This indicator does not consider third-party administrative workers. Thus the total is 13,551 employees in 2014 and 12,854 in 2013.

\*\*Interns and apprentices.

Number of employees by type of work shift:	2014	2013
Full-time	N.º	13,551
Part-time *	N.º	0

\*TIM does not have part-time employees. The work load for interns and apprentices is established by law, consequently, they are considered to work full-time.

Total employees admitted and discharged in the period:	2014	2013
Admitted	N.º	5,215
Discharged	N.º	4,523

Total number of voluntary and involuntary discharges in the period:		
Voluntary	N.º	2,302
Involuntary	N.º	2,191
Other causes	N.º	30

Total admissions by gender		
Men	N.º	2,388
Women	N.º	2,827

Total admissions by age group		
Up to 35 years	N.º	4,533
From 36 to 45 years	N.º	581
From 45 to 60 years	N.º	99
Over 60 years	N.º	2

Total discharges by gender		
Men	N.º	1,767
Women	N.º	2,756

Total admissions by different forms of recruitment:		
Internal recruitment	N.º	93
External recruitment	N.º	5,122

Sum of nominal salaries:		
Sum of nominal salaries of employees admitted in the period	R\$	9,574,096
Sum of nominal salaries of employees discharged in the period	R\$	7,901,741

Turnover rate:		
Voluntary	Rate	18.13
Involuntary	Rate	17.03
<b>Total</b>	<b>Rate</b>	<b>35.17</b>

For employees discharged from the company TIM provides the normal severance indemnity, plus an additional sum for length of service, as established by law.

# CONNECTING AND CARING ABOUT EACH ONE

## IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

Breakdown of employees, by gender and job [GRI LA13]			
Functional category	Gender	2014	2013
Directors	Men	44	42
	Women	10	8
Managers	Men	541	462
	Women	272	226
Professionals	Men	2,846	2,411
	Women	2,024	1,909
Sales force/Stores	Men	1,445	1,272
	Women	1,414	1,385
Relationship/Fraud consultants	Men	1,025	1,091
	Women	3,239	3,361

\*Employees are those admitted under Brazil's CLT legislation. [GRI 3.9]

Breakdown of employees by color/race		
Color/Race	2014	2013
White	8,777	8,461
Black	831	724
Mixed race	3,653	3,402
Yellow	162	140
Indigenous	40	39
Not informed	88	88

\*Counting CLT employees, interns and apprentices. [GRI 3.9]

Employee breakdown by functional category		
Functional category	2014	2013
Board	9	7
Director level	54	50
Management	813	688
Other functions	12,684	12,116

\*Counting CLT employees, interns and apprentices. [GRI 3.9]

Considering only CLT employees, the average age of TIM employees in December 2014 was 32 years.

Total employees by age group		
Age group	2014	2013
Under 18 years	388	342
From 18 to 35 years	9,594	9,423
From 36 to 45 years	2,648	2,317
From 46 to 60 years	891	745
Over 60 years	30	27

\*Counting CLT employees, interns and apprentices. [GRI 3.9]

Total employees by level of schooling		
Level of schooling	2014	2013
Illiterate	0	0
Primary	285	287
Secondary	7,167	8,229
Higher	5,244	3,584
Post-graduate / master's / doctorate	855	754

\*Counting CLT employees, interns and apprentices [GRI 3.9]



## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

The groups responsible for the company's governance are: the Board of Directors and its advisory boards (Statutory Audit Committee, Compensation Board and Control and Risk Board), the Fiscal Council and the Statutory Audit Committee.

Governance Bodies	Gender (%)		2014
	Men	Women	Total
Board of Directors	89%	11%	100%
Statutory Audit Committee	100%	0%	100%
Compensation Board	67%	33%	100%
Risk and Control Board	80%	20%	100%
Fiscal Council	100%	0%	100%
Statutory Board of Officers	100%	0%	100%

Órgãos de governança	Age Group (%)		2014
	Under 30 years	Between 30 and 50 years	Over 50 years
Board of Directors	0	36%	64%
Statutory Audit Committee	0	0%	100%
Compensation Board	0	0%	100%
Risk and Control Board	0	20%	80%
Fiscal Council	0	0%	100%
Statutory Board of Officers	0	89%	11%

In the governance bodies there are neither black directors nor persons with special needs.

### SALARY POLICY

There is no discrimination in TIM salary policy, which reflects market behavior. [\[GRI LA14\]](#)

Proportion of men's to women's salaries, by functional category*	2014	2013
Directors	1.56	1.49
Managers	1.13	1.09
Professionals	1.11	1.19
Sales Force/Stores	1.08	1.27
Relationship/Fraud Consultants	1.10	1.06

\*The amount of average remuneration indicated corresponds to the following calculation: (men's\_salary/women's\_salary). The amount indicates how much more men received, based on the base salary, compared with women, in the years presented, by functional category. [\[GRI 3.9\]](#)

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

Difference between lowest salary in company and local minimum salary, by gender, in significant operating units [GRI EC5]				
Regional offices	States	Local minimum salary (R\$)	Lowest salary paid (R\$)	% below or above local minimum
Southeast	São Paulo	810.00	831.00	3%
	Rio de Janeiro	874.75	792.00	-9%
	Espírito Santo	724.00	1,073.00	48%
South	Paraná	983.40	792.00	-19%
	Santa Catarina	835.00	1,073.00	29%
	Rio Grande do Sul	868.00	1,073.00	24%
Midwest	Distrito Federal, Goiânia, Tocantins, Mato Grosso, Mato Grosso do Sul, Rondônia e Acre	724.00	1,073.00	48%
East	Minas Gerais, Bahia e Sergipe	724.00	1,013.00	40%
Northeast	Pernambuco, Alagoas, Paraíba, Rio Grande do Norte, Ceará e Piauí	724.00	792.00	9%
North	Pará, Amazonas, Maranhão, Amapá e Roraima	724.00	1,013.00	40%

### LOCAL HIRING POLICY

The company has no formal policy aimed at prioritizing hiring from the local community. In spite of this, the company usually prefers local manpower (residents in the city in which the vacancy exists) in cases of external recruitment. To fill determined vacancies, the company has selection and recruitment processes that engage and are supported by residents' associations from the communities around the TIM units, as well as partnerships with consultancies (that receive information about the vacancies available and disseminate them in universities and regular recruitment channels). TIM hires professionals from other regions only if there is no qualified local manpower. [GRI EC7]

Breakdown of employees by regional office	
São Paulo regional office: SP	3,989
Rio de Janeiro regional office: RJ and ES	4,049
Southern regional office: PR, SC and RS	1,468
Midwest regional office: DF, GO, TO, MT, MS, RO and AC	397
Eastern regional office: MG, BA and SE	642
Northeastern regional office: PE, AL, PB, RN, CE and PI	2,006
Northern regional office: PA, MA, AM, AP and RR	309

Number of senior managers per regional office	
São Paulo regional office: SP	26
Rio de Janeiro regional office: RJ and ES	99
Southern regional office: PR, SC and RS	5
Midwest regional office: DF, GO, TO, MT, MS, RO and AC	2
Eastern regional office: MG, BA and SE	2
Northeastern regional office: PE, AL, PB, RN, CE and PI	4
Northern regional office: PA, MA, AM, AP and RR	1

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

### BENEFITS

The benefits package provided for employees regardless of the operational unit they work in includes medical and dental assistance, life insurance, pension plan, meal/food vouchers, transportation allowance and nursery allowance. Directors and managers are also entitled to an international medical assistance plan, and directors are entitled to a vehicle and fuel. All participate in the profit share plan; for directors, managers and master specialists this is determined by Management by Objectives (MBO), and for other employees by the profit share program. TIM offers a defined benefit complementary pension plan to its employees. The cost to the company of the pension plan in 2014 was R\$ 14,875,000. [GRI LA3, EC3]

Amount spent on benefits, by category (thousands of R\$)	2014	2013
Food		
Restaurants, meal vouchers, snacks, family hampers and other items related to food for employees.	72,099	63,258
Private pensions		
Special retirement and pension plans	14,875	7,921
Health		
Ex.: Health and medical assistance plans, preventive medicine programs, quality of life programs	66,851	53,884
Occupational health and safety	2,238	3,841
Education		
Spending on regular formal teaching at all levels, grants, magazine subscriptions, library expenses (excluding personnel) and other educational expenses.	5,389	4,468
Professional training and development.		
Investment in training, courses, internships (excluding salaries) and spending on training related to the employees' professional activities.	15,755	14,517
Nurseries or nursery allowance		
On site nursery or nursery allowance for employees	7,108	3,852
Profit share	123,529	91,904
Others		
Insurance (part paid by company), loans (only the cost), spending on recreation, transportation, accommodation and other benefits provided to employees not detailed above.	13,575	18,383
Amount spent on Social Charges	2014	2013
Total compulsory social charges	358,771	304,365

### COLLECTIVE BARGAINING

The employees are free to join the union representing their category (Sinttel – Sindicato dos Trabalhadores em Empresas de Telecomunicações e Operadores de Mesas Telefônicas) and 100% of them are represented by the unions, in accordance with the Brazilian legal system. The collective agreement and profit share program were negotiated for a two-year period, with an annual review of the financial clauses and targets with the 27 unions. The review of the profit share program for 2014/2015 was finalized and signed between TIM and the unions. The collective working agreement for 2014/2016, finalized in December 2014, was approved at national level in the meetings held the same month. A total of 21 new social clauses and conditions were added, including a bonus for the absence of female employees who suffer domestic violence, clauses related to combating discrimination and harassment, paid leave for length of service, non-compensated leave on December 24 and 31 (except in areas whose operation is essential for the business), paid leave for university entrance and Enem examinations and inclusion of legal dependents in homosexual relations. [GRI LA4]

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

### LABOR SUITS IN 2014

Labor suits brought against the company, by category [GRI S08]	
Number of labor suits brought against the company.	17,536
Number of labor suits deemed substantiated.	956
Number of labor suits deemed unsubstantiated.	1,055
Total amount of indemnities and fines paid by court order (thousands of R\$)	2,407

### Health and safety

Ten Internal Accident Prevention Commissions (Cipas in the Portuguese acronym) are in place in TIM, in the units with more than 50 employees. Their work is conducted in accordance with Regulatory Standard n.º 05 of the Ministry of Labor and Employment, which addresses work-related accidents and diseases. These actions are conducted jointly with the Ministry of Labor Specialized Safety Engineering and Workplace Medicine Service (SESMT) or the company's occupational safety representative. The Cipa committees comprise employees nominated by management or elected by their peers, in the proportion of 50% for each group. Where there is not a minimum of employees, one representative is elected to perform the activities.

In a permanent effort to improve occupational health and safety conditions, the company runs the following programs: Environmental Risk Prevention program, Occupational Health Medical Control program (PCMSO), Workplace Exercise program and a series of campaigns to promote quality of life aired on the intranet, as well as actions in the work place. The company also conducts periodical campaigns, such as anti-influenza vaccinations and the voice conservation program. [GRI LA8]

TIM is dedicated to eliminating risks to the health of employees through the employment of both collective and individual protective measures, notwithstanding the provisions of labor legislation and prioritizing the neutralization of health risks. The industry union Sinttel (Sindicato dos Trabalhadores em Empresas de Telecomunicações e Operadores de Mesas Telefônicas) works with the company on campaigns and studies related to health and safety issues at TIM's request. [GRI LA9]

### PERCENTAGE OF EMPLOYEES REPRESENTED BY THESE COMMITTEES (%) [GRI LA6]



## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

The company pays constant attention to the activities conducted by the Customer Relationship Center, with health and well-being programs designed specifically for these employees.

### ACCIDENTS

No serious accidents were registered in 2014.

When accidents do occur they are recorded in the INSS Communication of Work Accident Register (CAT) and are subject to analysis and investigation in line with the procedures set forth in the Occupational Health and Safety Management Systems Assessment Method. Employees have access to the Work Accident Communication policy via the company intranet.

TIM has operations in which there is a high incidence or risk of specific occupational diseases. For this reason, the company pays constant attention to the activities conducted by the Customer Relationship Center. Among the programs specifically designed for these employees are work place exercises and ergonomic assessments under the Occupational Health Medical Control and Environmental Risk Prevention programs. No cases of occupational diseases were recorded in 2014.

Occupational safety indicators [GRI LA7]		2014	2013
Employees			
Number of accidents without leave Days off refers to accidents registered in the CAT (Work Accident Communication System)	N.º	1	3
Number of accidents with leave Days off refers to accidents registered in the CAT (Work Accident Communication System)	N.º	24	24
Frequency rate Number of accidents with leave per million man hours worked	Rate	0.4	0.28
Seriousness rate Number of days lost in function of accidents per million man hours worked	Rate	3.99	5.58
Number of days lost	N.º	216	471

### Training

TIM employees are submitted to competency identification and development processes aimed at preparing them to adapt to the constant changes in the market and the technologies employed in a dynamic segment such as telecommunications. The company invests in permanent teaching and training programs, including degree courses (support for 162 employees in higher education), international, technical and specific institutional training programs, designed to improve operational performance and ensure adaptation to new challenges and working conditions. [GRI LA11]

In 2014, the company invested a total of R\$ 14,300,000 in employee training. Another R\$ 961,000 was invested in formal education programs (such as first degree, MBA and international education programs). [GRI LA10]

Functional category	Hours training per functional category*
Director level	1,320
Management	42,222
Other jobs	105,453
Sales force	216,720
Relationship consultants (CRCs)	721,499
<b>Total</b>	<b>1,087,215</b>

\*Hours spent on training and development (technical, management, specific and others). Does not include coaching by supervisors in the company, nor hours of financed formal education.

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

Functional category	Number of employees in formal education courses financed by the company
Director level	1
Management	10
Other jobs	48
Sales force	2
Relationship consultants (CRCs)	72
<b>Total</b>	<b>133</b>

### CAREER DEVELOPMENT

On an annual basis, TIM undertakes a performance appraisal of its employees based on the activities and goals established for the year and the group competencies defined for each function. After, the employees and their managers reach a consensus about the competencies that should be developed in the coming year and define new targets and goals. This is the basis for building each employee's Individual Development Plan, with the definition of specific actions and the support necessary to carry the plan out.

The Leadership Development Program is aimed at current and future TIM managers. The goal is to involve the participants in running the business and to ensure commitment to the company's targets, focused on retaining talent and creating opportunities for professional growth. The methodology presupposes that each stage of leadership requires new ways of managing and leading, involving new skills, activities and professional values.

Many future leaders are identified in the Talent without Frontiers Trainee Program, run by the company on an annual basis. Increasingly sought after - there were some 500 candidates for each place in 2014 -, the program offers young people the opportunity to follow diverse career paths at the company's headquarters in Rio de Janeiro.

The relationship consultants (CRCs) are appraised on a monthly basis via the Five Star Consultant program. The number of stars impacts the consultants' remuneration and the aim is to drive the CRC employees' professional development. In 2014, the program won the Gold trophy in the Human Resources category of the ABT Award, conducted by the relationship marketing body the IBMR (Instituto Brasileiro de Marketing de Relacionamento).

Percentage of employees receiving performance appraisals (%) [GRI LA12]	
Eligible employees	99.8%
Relationship consultants (CRCs)	100%
% of total*	48.69%

\*The percentage presented refers to the employees who received a performance appraisal compared with the total number of employees eligible for such appraisal. The eligibility criteria include, among other specific factors, the employees' length of service in the company. [GRI 3.9]

## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

## STAKEHOLDER ENGAGEMENT

In addition to the initiatives aimed at maintaining contact and relations with customers, employees, local communities and society in general described in this chapter, TIM maintains permanent contact with its stakeholders, in line with the principles set forth in its Engagement policy, which establishes ongoing dialogue and greater involvement with the company's key stakeholder groups (read more in the chapter *Commitment*). [GRI 4.4, 4.14, 4.16]

Stakeholder groups [GRI 4.4, 4.14, 4.16]	Forms of engagement
Customers	<ul style="list-style-type: none"> <li>Service via the Customer Relationship Center (CRC), Meu TIM, Portal *144#, and Audible Response Units: for requests, information about accounts and balances, doubts, complaints and changes in data</li> <li>Social networks: Twitter (@TIM_Ajuda)</li> <li>Monthly satisfaction surveys</li> <li>Fale pelo Cliente (Speak for the Customer), used by employees to address customer requests</li> <li>Portas Abertas (Open Doors) website (<a href="http://portasabertas.tim.com.br">http://portasabertas.tim.com.br</a>), the relationship website through which customers may keep track of the deployment of antennas, growth of the network and expansion of coverage.</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Sustainability Diagnosis (assessment and identification of improvement opportunities)</li> <li>TIM Commerce website (<a href="http://www.timcommerce.com.br">www.timcommerce.com.br</a>), for registration and information</li> </ul>
Competition	<ul style="list-style-type: none"> <li>Cooperation and collaboration with diverse industry associations and working groups aimed at advancing the sector as a whole</li> <li>Information manual defending fair competition (aimed at TIM employees)</li> </ul>
Environmental regulatory agencies	<ul style="list-style-type: none"> <li>Constant contact with bodies associated with the competent departments at state and municipal level, and with the environmental body Ibama (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis)</li> <li>Environment and climate change channel: <a href="mailto:ssma@timbrasil.com.br">ssma@timbrasil.com.br</a> (doubts and suggestions)</li> </ul>
Community and civil society organizations	<ul style="list-style-type: none"> <li>Contact with communities via email (<a href="mailto:respsocialcorp@timbrasil.com.br">respsocialcorp@timbrasil.com.br</a>, <a href="mailto:projetosocial@timbrasil.com.br">projetosocial@timbrasil.com.br</a> and in the regional offices</li> <li>Donation and volunteer work campaigns, investments in specific causes and social action projects</li> <li>Support for social, environmental, cultural and educational initiatives</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Corporate intranet</li> <li>Internal corporate TV</li> <li>Emails with information highlights</li> <li>Occupational Health and Safety Channel (<a href="mailto:ssma@timbrasil.com.br">ssma@timbrasil.com.br</a>)</li> <li>Induction week for new employees</li> <li>Organizational Climate Survey</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>IR website (<a href="http://ri.tim.com.br">http://ri.tim.com.br</a>), with pertinent information and integrated and complementary services</li> <li>Fale com RI (Speak to IR) channel, to resolve doubts and provide information</li> </ul>
Commercial partners	<ul style="list-style-type: none"> <li>Information about offers and campaigns via Mundo TIM (intranet), Sales Business Information (email), SMS Messaging and email marketing</li> </ul>

### PORTAS ABERTAS (OPEN DOORS): ONLINE TRANSPARENCY

The Portas Abertas website (<http://portasabertas.tim.com.br>), launched in 2013, is a full source of information about network coverage and the advances in the services provided by TIM. On the website it is possible to track the company's evolution, the most recent infrastructure improvements, the installation of antennas, the expansion of the fiber optic network and the growth in 3G and 4G coverage.

In April, 2015, the Portas Abertas mobile application, available for the Android, iOS and Windows Phone operating systems, was remodeled. With the application, customers can use their smartphones to see the operator's coverage, visualize current and planned antennas, report defects and find out about incidents in the network. The company also provides a personalized response to customers who contribute to the initiative via the website, the application or the content website \*144#.



## CONNECTING AND CARING ABOUT EACH ONE

### IN THIS CHAPTER

TAKING CARE OF THE BUSINESS  
TAKING CARE OF CUSTOMERS  
TAKING CARE OF THE ENVIRONMENT  
TAKING CARE OF SOCIETY  
TAKING CARE OF PEOPLE  
STAKEHOLDER ENGAGEMENT

## Suppliers

Company contracts and purchase orders have a clause requiring compliance with the Code of Ethics and Conduct and observance of principles of the Global Compact, which encompass human and labor rights, environmental conservation and combating corruption. These requirements are included in the Supplier Relationship Policy, which governs the buying process. The policy establishes the supplier's socio-environmental responsibility for the goods and services provided; it also determines continuous improvement in company relations with suppliers.

In June 2014, the company included the requirement to fill out a socio-environmental responsibility questionnaire for suppliers with contracts in excess of R\$ 5 million. This covers questions such as ethical principles, forced labor, child labor, health and safety, freedom of association and the right to collective bargaining, discrimination, harassment, diversity and environmental impacts.

All TIM suppliers sign a declaration guaranteeing their commitment to fighting and eradicating any form of exploitation in the work place, in accordance with the company's Code of Ethics and Conduct and the principles of the Global Compact. There are no internal procedures to identify operations or processes in the production chain that are at risk of forced, slave or child labor. [GRI HR2, HR5, HR6, HR7]

### SPENDING ON LOCAL SUPPLIERS IN 2014

TIM does not have a purchasing policy or practices that prioritize local suppliers. Even so, whenever possible, the company seeks to contract companies headquartered in Brazil.

In 2014, practically all (98.6% of the total) of TIM's spending on products and services was with local suppliers. [GRI EC6]

Local purchases (amounts in thousands of R\$)				
Type	2014	2013	% 2014	% 2013
Local suppliers	9,435,260,43	8,852,839,56	98.6	97
Other suppliers	137,985,74	264,382,47	1.4	3
Total	9,573,246,18	9,117,222,03	100	100

## INNOVATION AND AGILITY

IN THIS CHAPTER  
PRODUCTS AND SERVICES  
INVESTMENTS



TIM constantly seeks to employ the best technologies and solutions to guarantee the highest service standards for its customers. As a result of investment and strategic partnerships for research and development focused on the mobile internet, the company has achieved satisfactory results in the segment over recent years.

In 2014, efforts were centered on four fundamental pillars: expansion (increasing the capacity of existing antennas, installing new ones, as well as growing the fiber optic network), network optimization (adjustments to equipment and processes to minimize noise and interference), resilience (preventive measures to avoid service failures and breakdowns) and customer service (expansion and enhancement of service channels).

Projects in the network area include expansion of the fiber optic network and a number of integrated measures to absorb the growth in national data demand.

## PRODUCTS AND SERVICES

### PRODUCTS AND SERVICES

Active in Brazil since 1998, TIM Participações has remained in the forefront of advances in technology and the demands of an increasingly connected society over the last few years, providing its customers with a varied range of products and services. Today the company's portfolio goes beyond mobile telephony, its primary product when it arrived in Brazil 17 years ago.

Driven by innovation, the company strives for excellence in its plans and services to boost customer communications both by telephone and internet. A description of TIM's main products and services follows.

### MOBILE TELEPHONY

TIM offers two distinct platforms, one pay as you go (Infinity), and the other postpaid (Liberty). In the former, customers are charged by call, not by minute. There are also specific plans for tourists who want to use the service only while they are in Brazil. The customer base for this platform grew 3.4% in 2014 (read more in the chapter *TIM*). The Liberty plan also offers calls to any TIM number for a fixed monthly tariff. For further information about the plans, click here:

<http://www.tim.com.br/sp/para-voce/planos>.

## INNOVATION AND AGILITY

IN THIS CHAPTER  
PRODUCTS AND SERVICES  
INVESTMENTS

TIM projects total investments of R\$ 14 billion from 2015–17, an increase of almost 30% compared with 2014–16.

### FIXED ULTRA BROADBAND (LIVE TIM)

Available since 2012, Live TIM reached a total of 130,000 users in 2014, growing 117% over the previous year. Further information available about Live TIM at: [www.livetim.tim.com.br](http://www.livetim.tim.com.br).

### MOBILE INTERNET

The mobile internet data plans grew significantly with the expansion of 4G technology to another 15 Brazilian cities.

### CORPORATE SOLUTIONS

Launched in 2013, Live Tim Empresas offers the differential of broadband internet service at competitive prices. Another plan launched in 2013 was Liberty Empresa Controle, which enables companies to control their spending on telephony services. In 2014, TIM entered the data security market with its anti-DDoS service. This is aimed at large companies in diverse sectors with high data traffic.

### SMARTPHONES AND TABLETS

In addition to being an effective strategy for expanding data usage in plans, the sale of mobiles and tablets at competitive prices is an important tool for expanding the company's customer base. In 2014, sales grew by 6.3%. The devices sold are not locked and there are no loyalty contracts.

## INVESTMENTS

### STRATEGIES AND OUTLOOK

The focus in the coming years will be on the high speed data networks (Mobile Broadband – MBB), using 3G+ and 4G technologies, reaching a total of 175 cities in 2015 and hitting 700 by 2017. To do this, a series of key initiatives were undertaken in 2014.

By means of a strategic cooperation agreement undertaken with the ZTE Corporation, TIM initiated a project to develop fixed ultra broadband in the country. Both companies were responsible for developing and for testing new access technologies, establishing a new level in ultra broadband. The partnership includes the construction of a research and innovation center aimed at developing and testing network access solutions for the sector.

Tests were also undertaken with the tool Speedtest.net. The assessments showed that the average download speed from the operator's network grew in all the country's state capitals and is above the permitted minimum in real usage situations for TIM customers.

These advances help pave the way for future growth and reinforce the importance of continuous investment. The 26% increase in the number of data customers in 2014 and the multiplication (more than 100%) of the number of Live TIM subscribers (130,000 at the end of the year) indicate trends for the coming years.

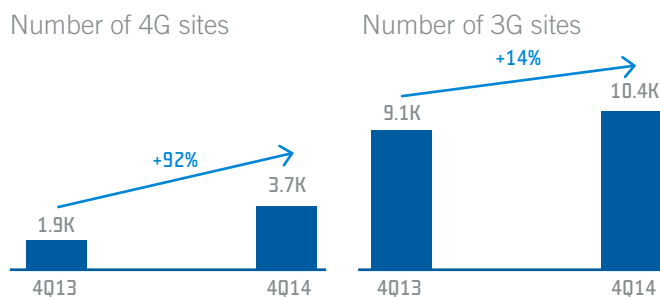
Investment focused on innovations in network coverage was one of the reasons for the company's positive results in the year, such as reaching the mark of 34 million data users.

## INNOVATION AND AGILITY

IN THIS CHAPTER  
PRODUCTS AND SERVICES  
INVESTMENTS

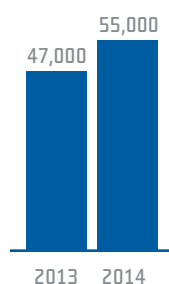
The number of 4G sites almost doubled compared with 2013, soaring from 1,900 points to 3,700 at the end of the year. Growth in the 3G network was proportionally lower (14%), reaching 10,400 sites.

### DENSIFICATION OF SITES



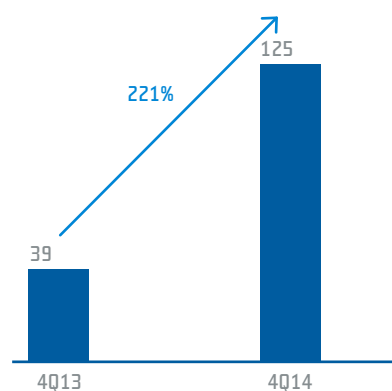
Infrastructure investments permitted expansion of the fiber optic network (metropolitan and long distance) to 55 thousand km.

### EXPANSION OF FIBER OPTIC NETWORK IN 2014 (IN KM)



The project to implant biosites, the new generation of multifunctional antennas that provoke lower environmental impact, was initiated in Curitiba and Rio de Janeiro and is now being extended to Brasília, Manaus, São Luis and Natal. In parallel, the Mobile Broadband (MBB) project, focused on improving data transmission, had reached 125 cities by the end of 2014. The initiative is aimed at providing differentiated service for mobile broadband users through sites connected by high speed fiber optics, an upgrade in radio access and the implementation of new functionalities in the core of the network.

### GROWTH IN MOBILE BROADBAND (CITIES)



## INNOVATION AND AGILITY

### IN THIS CHAPTER

PRODUCTS AND SERVICES  
INVESTMENTS

In 2014, TIM expansion efforts were focused on four pillars: expansion, network optimization, resilience and service.

Telephony market leader in the 11 coverage area (state of São Paulo), TIM also reinforced 3G coverage in the 900 MHz band, reaching 75% of the population of Greater São Paulo. In eight months, the carrier duplicated the quantity of antennas using the band in the region. At the beginning of the 3G network expansion project in the state in April 2014, 500 antennas were activated, reaching the mark of one thousand by December. TIM's goal is to cover the entire metropolitan region with more than 1,200 antennas. The Self-Organizing Networks (SON) tool, adopted in 2013 to ensure dynamic, automatic improvement of network performance in real time, will continue to be deployed.

One important goal for the year was achieved with the company's participation in the auction for the 700 MHz band, in line with the strategy to expand mobile broadband service throughout the country. In the auction, TIM won Lot 2, which involves nationwide coverage. The cost was R\$ 2.85 billion, representing a premium of 0.67% over the initial cost of the lot. The 700 MHz frequency has much broader penetration than the 2.5 GHz band currently used for LTE, and which is used especially for data traffic. Additionally, the Lot 2 that TIM acquired offers the potential for economies of scale with equipment, including synergies from the APT blocks and the digital dividend in Europe.

As a winner of the 700 MHz auction, at the end of 2014 TIM became a member of the group GIREL (Grupo de Implantação do Processo de Redistribuição e Digitalização de Canais de TV e RTV). This group will manage the migration from analogical TV to digital TV, thus reinforcing mobile broadband in the country. These are two movements towards digital modernization in Brazil which TIM believes in strongly.

More than 5,000 new pieces of access network equipment are planned for 2015 to enhance the navigation experience of customers through greater capacity and higher speeds. Investments in MBB are estimated at around R\$ 3.2 billion between 2015 and 2017. Added to the investment in fiber optic, the goal is to reach more than 66 thousand kilometers of fiber nationwide.

### PRESENCE AND DIVERSIFICATION

TIM's expansion strategy is directly linked with the technology behind the services the company provides. The company is increasingly betting on a heterogeneous network structure, with leading edge services for the most diverse user needs and profiles, principally for the mobile internet. To do this, it is fundamental to continually introduce innovative solutions and new technologies.

In 2014, by means of an agreement signed with Alcatel-Lucent, TIM started to integrate femtocells (which control the power of the signal, providing any TIM user with additional coverage) into its 3G network, in which it has the largest number of users. For a period of three years, TIM will use the Alcatel-Lucent solution, which will enable the company to effectively improve the coverage and capacity offered to subscribers. The project will be extended as part of the overall network infrastructure. The femtocells do not substitute the traditional radio base stations (RBS), due to the limitations in their capacity and power. However, globally they are emerging as an alternative in supporting coverage in locations with dense traffic, offering customers good service levels with a low environmental impact.

## INNOVATION AND AGILITY

IN THIS CHAPTER  
PRODUCTS AND SERVICES  
INVESTMENTS

Service diversification encompassed investment in new technologies, partnerships with Brazilian and foreign companies and entry into the virtual environment security market.

Another important action in 2014 was a partnership with Huawei, which enabled yet another solution on the path towards the implantation of a heterogeneous network. With the agreement, TIM integrated small cells into its 3G network, providing users with higher speeds and greater stability in data traffic in urban areas. The small cells are low-powered access points to the 3G networks which operate in spectrums that have a relatively short reach

(from 10 meters to 2 km). These are increasingly being used by operators worldwide as a more efficient means of increasing 3G data traffic speeds. Huawei is the global leader in information and communication technologies (ICT). TIM selected the Huawei Micro BTS solution, becoming the first operator in South America to adopt it. Tests with the technology have been underway since 2013 in Rio de Janeiro and in São Paulo. It is expected that implantation of small cells will be initiated nationwide by 2016.

In 2014, TIM entered a new market: virtual environment security. This incursion was motivated by the attempted invasion of a bank's data system. TIM intervened with the mission of diverting all the "dirty" traffic, known as cleanpipe, to prevent further damage to the system and to the customer. After the successful conclusion of this action, the company launched its anti-DDoS (distributed denial of service). The product required investments of around R\$ 4

million in the development of systems and in training to expand the company's capability. The target public is large companies in diverse sectors who have heavy data traffic, in particular, banks. The service monitors any suspicious alteration. When unwanted traffic is detected, it is automatically diverted to a security station, without the customer's server being affected. So far in 2015, TIM has been managing on average 4,500 attacks a month.

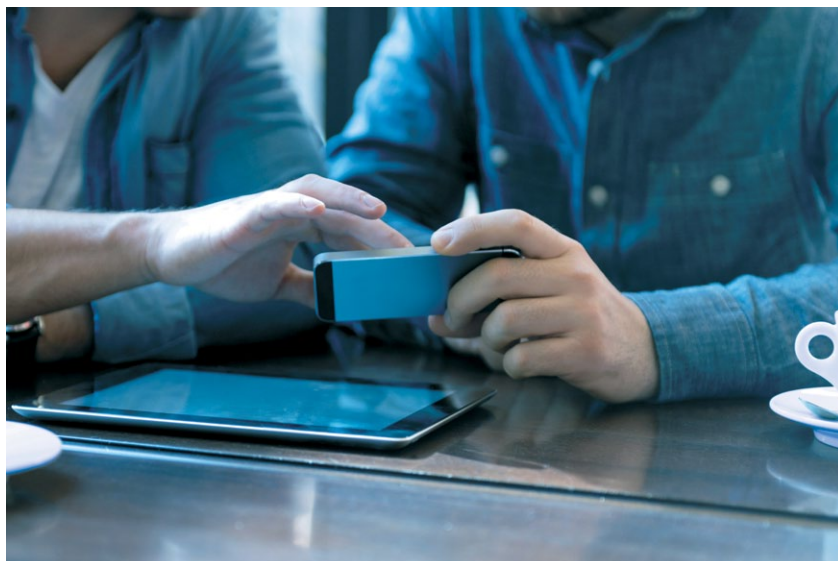
Also in the area of digital protection, another partnership involving Navita (a Brazilian mobile device management company) and Samsung (a mobile device manufacturer), created a data management project to provide companies with mobile security. This consists of monitoring and isolating corporate data from personal data on Samsung devices that use the Android operating system and are homologated for the Knox solution.

A historical landmark for TIM and for the entire Brazilian telephony industry was reached in December 2014. The company successfully concluded its first high definition voice and video call based on the IP Multimedia Subsystem (IMS) in a laboratory. The technology permits voice transmission over the 4G network from one smartphone to another by means of the IP end-to-end protocol. In partnership with Huawei, TIM Brasil pioneered the development of the solution in South America. This is an important step towards offering the best possible voice and video call experience. VoLTE is based on the multimedia telephone service (MMTel); this means that voice calls are treated as data and circulate entirely within the LTE standard. Few operators worldwide have adopted VoLTE.

## ABOUT THE REPORT

[GRI 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.13]

### IN THIS CHAPTER MATERIALITY



The *2014 TIM Sustainability Report* encompasses the activities of TIM Participações S.A. in Brazil, and includes its two subsidiaries, TIM Celular S.A. and Intelig Telecomunicações Ltda, providing information on the period from January to December 2014. To contact the company and obtain greater clarification about the content in this publication, please send an email to [respsocialcorp@timbrasil.com.br](mailto:respsocialcorp@timbrasil.com.br).

This is the seventh year in a row that TIM has published data relative to its economic, social and environmental management in accordance with Global Reporting Initiative (GRI) guidelines. The present report has been self-declared at GRI application level B+, and includes profile items, information about the management approach and indicators for the following areas: economic, environmental, human rights, labor practices, society and product responsibility. 65 indicators were reported. The information in this report was submitted to limited assurance by PwC.

## MATERIALITY

The company's first materiality test was undertaken in 2008, and since then TIM has been improving on the process of building its materiality, which involves identifying critical topics that are essential for managing the company, its corporate strategy and its positioning on sustainability. The second materiality test was undertaken in 2011. This included the company's first stakeholder panel, which involved consultations with representatives of TIM's main stakeholder groups (employees, suppliers, commercial partners, customers and public authorities). The material topics compiled in this consultation guided the communication of the company's progress in social, environmental and economic questions.

The following year, with the introduction of the Engagement Policy, the company defined the principles underpinning dialogue with and involvement of its stakeholders. [GRI 3.5, 4.15]



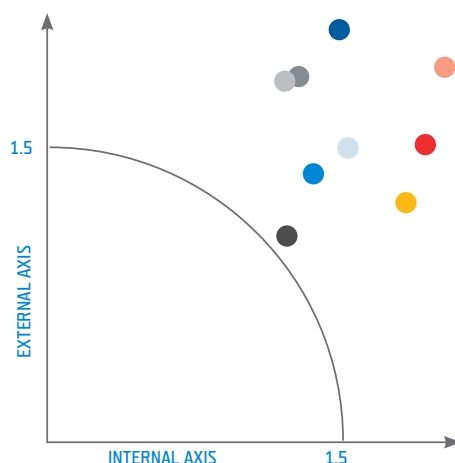
## ABOUT THE REPORT

[GRI 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.13]

### IN THIS CHAPTER MATERIALITY

At the beginning of 2014, a third materiality test was conducted to assess the ongoing validity of the topics defined in 2011 and identify new aspects. As internal perspectives, the 2014 TIM materiality matrix took into account: consultations with employees via face to face dynamics and online surveys; face to face interviews with senior executives; and the analysis of strategic internal documents (policies and guidelines). With respect to external perspectives the sources were: analysis of industry studies; online consultations with customers, commercial partners and suppliers; an interview with a representative of the government (Ministry of Communications). Similarly, internal documents, policies and codes of conduct, as well as comparative studies with other companies in the industry were analyzed. The revalidated list of nine topics considered material – covering socio-cultural, environmental, economic and governance impacts – was taken into account for the management of sustainability and permitted the establishment of long-term action plans and targets, in addition to feeding the constant process of engaging with TIM's stakeholder groups. [GRI 3.5, 4.15]

### MATERIALITY MATRIX [GRI 4.17]



- Customer satisfaction and service quality
- Incentives for innovation applied to products and services
- Transparency and accountability to stakeholders
- Ethical conduct in business
- Digital inclusion
- Dialogue with stakeholder groups
- Managing electronic products\*
- Investment in infrastructure and the development of new technologies
- Communication between the company and its stakeholder groups

\*In the original presentation of the material topics, this topic was described as "Managing electronic waste". In 2015, the term "waste" was substituted with "products", to encompass the whole life cycle of the electronic equipment involved in TIM operations.

## GRI INDEX

Item	Description	Page/response	Global Compact
<b>Profile information</b>			
<b>Strategy and analysis</b>			
1.1	Message from the CEO	6	–
1.2	Description of main impacts, risks and opportunities	3 and 7	–
<b>Organizational profile</b>			
2.1	Name of organization	3	–
2.2	Primary brands, products, and/or services	3	–
2.3	Operational structure of organization	3	–
2.4	Location of organization's headquarters	3	–
2.5	Countries in which organization and its main operations are located	3	–
2.6	Nature of ownership and legal form	3	–
2.7	Markets served	3	–
2.8	Scale of organization	3 and 7	–
2.9	Main changes in reporting year	8	–
2.10	Awards received in reporting period	10	–
<b>Parameters for the report</b>			
3.1	Reporting period	60 and 61	–
3.2	Date of previous report	61	–
3.3	Reporting cycles	60 and 61	–
3.4	Contacts details for questions about the report	60 and 61	–
3.5	Process for definition of report content	60 and 61	–
3.6	Report boundary	60	–
3.7	Declaration about specific limitations to scope or boundary of report	60 and 61	–
3.8	Basis for elaboration of report	60 and 61	–
3.9	Data measurement techniques and bases of calculations	60 and 61	–
3.10	Restatement of information from previous reports	68	–
3.11	Significant changes in scope, boundary or measurement methods applied in report	No significant changes in scope, boundary or measurement methods applied in report	–
3.12	GRI summary	62	–
3.13	Current policy and practice related to external assurance of report	60	–
<b>Governance, commitment and engagement</b>			
4.1	Governance structure of organization, including committees of highest governance body	11 and 12	–
4.2	Presidency of highest governance body	12	–
4.3	Non-executive or independent members of highest governance body	12	–
4.4	Mechanisms for shareholders to make recommendations to board	53	–
4.5	Relationship between remuneration and economic and socio-environmental performance	13	–
4.6	Processes to prevent conflicts of interest	19	–
4.7	Qualifications of members of highest governance body	13	–
4.8	Relevant declarations of mission, values, codes and principles	15	–
4.9	Responsibility for implanting economic, environmental and social policies	12	–
4.10	Self-assessment processes for highest governance body	13	–
4.11	Explanation of whether and how the organization applies the precautionary principle.	33	–
4.12	Charters, principles and initiatives developed externally	21	–
4.13	Membership of domestic / international associations	21	–
4.14	List of stakeholders engaged by organization	53	–
4.15	Basis for identification and selection of stakeholders engaged	60	–

Item	Description	Page/response	Global Compact
4.16	Approaches to engaging stakeholders.	53	–
4.17	Main topics and concerns raised by stakeholder engagement.	61	

Item	Description	Page/response	Global Compact
<b>Performance indicators</b>			
<b>Economic performance</b>			
EC1	Direct economic value generated and distributed	24	-
EC2	Financial implications and other risks and opportunities arising from climate change	29 and 33	7
EC3	Coverage of pension plan and benefit obligations	49	-
EC4	Significant financial help received from the government	24	-
<b>Market presence</b>			
EC5	Difference between lowest salary paid and local minimum salary, by gender, in significant operating units	48	1
EC6	Policies, practices and proportion of spending on local suppliers	54	-
EC7	Local hiring	48	6
<b>Indirect economic impacts</b>			
EC8	Impact of infrastructure investments for public benefit	34	-
EC9	Description of significant indirect economic impacts	41	-
<b>Environmental performance</b>			
<b>Materials</b>			
EN1	Materials used, by weight or volume	40	8
EN2	Percentage of recycled materials used	40	8 and 9
<b>Energy</b>			
EN3	Direct energy consumption discriminated by primary source	39	8
EN4	Indirect energy consumption by primary source	39	8 and 9
EN5	Energy saved due to improved conservation and efficiency	38	8
EN6	Initiatives to supply low energy consumption products	20	-
<b>Water</b>			
EN8	Total water withdrawn by source	40	8 and 9
EN9	Water sources significantly affected by water withdrawal	39	8
EN10	Percentage and total volume of water recycled and reused	39	8
<b>Biodiversity</b>			
EN11	Location and size of area owned	34	8
EN12	Significant impacts of activities, products and services on biodiversity	34	8
<b>Emissions, effluents and waste</b>			
EN16	Total direct and indirect greenhouse gas emissions	29	8
EN17	Other relevant indirect greenhouse gas emissions	29	8
EN18	Initiatives to reduce greenhouse gas emissions and reductions obtained	31	7, 8 and 9
EN19	Emissions of ozone-depleting substances	31	8
EN21	Total water discharged, by quality and destination	40	8
EN22	Total weight of waste, by type and disposal method	36	8
EN23	Number and total volume of significant spills	40	8
EN24	Weight of waste transported considered hazardous	36	-
<b>Products and services</b>			
EN26	Initiatives to mitigate environmental impacts	35 and 40	7, 8 and 9
EN27	Percentage of products and packaging recovered, by product category	36	8 and 9
<b>Compliance</b>			
EN28	Monetary value of significant fines and total number of sanctions resulting from non-compliance with legislation	36	8
<b>General</b>			
EN30	Total investment and spending on environmental protection	29	7, 8 and 9

Item	Description	Page/response	Global Compact
<b>Social performance – labor practices and decent work</b>			
<b>Employment</b>			
LA1	Total number of workers, by type of job, work contract and region, discriminated by gender	44	-
LA2	Total number and turnover rate of employees by age group, gender and region	44	6
LA3	Comparison of benefits provided for full time and for temporary employees discriminated by significant unit	49	-
<b>Relations between workers and governance</b>			
LA4	Percentage of employees covered by collective bargaining agreements	50	1, 2 and 3
<b>Occupational health and safety</b>			
LA6	Percentage of employees represented in formal health and safety committees	50	1, 2 and 3
LA7	Occupational injury, diseases, days lost, absenteeism and mortality rates by region and gender	51	1
LA8	Disease-related educational and risk prevention and control programs	50	1
LA9	Health and safety related questions covered by formal union agreements	50	1
<b>Training and education</b>			
LA10	Average hours training per year, per employee, discriminated by gender and functional category	51	6
LA11	Programs for competencies management and lifelong learning	51	-
LA12	Percentage of employees receiving regular performance appraisals and career development actions, by gender	52	-
<b>Diversity and equality of opportunity</b>			
LA13	Composition of groups responsible for corporate governance and discrimination of employees by functional category, by gender, age group, minorities and other diversity indicators	46	1 and 3
LA14	Ratio of women's base salaries and remuneration to men's, by functional category and by significant operational unit	47	1, 2 and 3
<b>Social performance – human rights</b>			
<b>Buying process</b>			
HR2	Percentage of contracted companies and critical suppliers submitted to human rights related screening and measures taken	54	1, 2, 3 and 4
HR3	Hours of training for employees in human rights policies and procedures, including percentage of employees trained	34	-
<b>Non-discrimination</b>			
HR4	Total number of cases of discrimination and measures taken to correct and mitigate new cases	17 and 34	1, 2 and 3
<b>Freedom of association</b>			
HR5	Operations or significant suppliers identified in which the right to exercise freedom of association and collective bargaining may have been violated or put at significant risk, and measures taken to support these rights	34	1, 2 and 3
<b>Child labor</b>			
HR6	Identification of business units and suppliers in which significant risk of child labor exists and measures taken to contribute to the abolition of child labor	34	1, 2, 3 and 5
<b>Forced/slave labor</b>			
HR7	Identification of business units at significant risk of forced or slave labor and measures taken to eliminate all forms of forced or compulsory labor	34	1, 2, 3 and 4
<b>Security practices</b>			
HR8	Percentage of security personnel trained in human rights	17	-
<b>Social performance - society</b>			
<b>Community</b>			
SO1	Percentage of operations with impact assessment, development and engagement programs implemented in the local community	33, 35 and 42	-

Item	Description	Page/response	Global Compact
<b>Corruption</b>			
SO2	Units submitted to corruption-related risk assessments	16	10
SO3	Percentage of employees trained in anti-corruption policies and procedures	16 and 17	10
SO4	Measures taken in response to cases of corruption	16	10
<b>Public policies</b>			
SO5	Positioning in relation to public policy	13	10
SO6	Financial contributions to political parties, politicians or related institutions	Article 5 of the TIM Participações Code of Ethics and Conduct determines that group companies do not give contributions or convey favors and other benefits on political parties or movements	10
SO7	Number of lawsuits related to anti-competitive practices	14	-
<b>Compliance</b>			
SO8	Description of significant fines and total number of non-monetary sanctions	50	-
<b>Social performance – product responsibility</b>			
<b>Product and service labeling</b>			
PR5	Practices related to customer satisfaction, including survey results	26 and 27	-
<b>Communication and marketing</b>			
PR6	Programs for adhering to laws, standards and voluntary codes	14	-
PR7	Cases of non-conformance related to communication of products and services	14	-
PR8	Substantiated complaints related to violation of customer privacy	27	-

## INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON THE INFORMATION RELATED TO SUSTAINABILITY INCLUDED IN THE SUSTAINABILITY REPORT FOR 2014

To the Board of Directors and Stockholders  
Tim Participações S.A.  
Rio de Janeiro – RJ

### Introduction

We have been engaged by Tim Participações S.A. (“Company” or “TIM”) to present our limited assurance report on the compilation and fair presentation of the information related to sustainability included in the Sustainability Report for 2014 (“Sustainability Report for 2014”) of Tim Participações S.A. and its subsidiaries TIM Celular S.A. and Intelig Telecomunicações Ltda. (“TIM Group”) for the year ended December 31, 2014.

### Management’s responsibility for the Annual Report for 2014

The management of the Company is responsible for the compilation and fair presentation of the information related to sustainability included in the Sustainability Report for 2014, in accordance with the guidelines of the Global Reporting Initiative (GRI-G3.1) and for such internal control as it determines is necessary to enable the preparation of information free from material misstatement, whether due to fraud or error.

### Independent auditor’s responsibility

Our responsibility is to express a conclusion on the compilation and fair presentation of the information related to sustainability included in the Sustainability Report for 2014, based on our limited assurance engagement carried out in accordance with the Brazilian standard NBC TO 3000, “Assurance Engagements Other than Audit and Review”, issued by the Brazilian Federal Accounting Council (CFC), which is equivalent to the international standard ISAE 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”, issued by the International Auditing and Assurance Standards Board (IAASB). Those standards require that we comply with ethical requirements, including independence requirements, and perform our engagement to obtain limited assurance that the information related to sustainability included in the Sustainability Report for 2014, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with the Brazilian standard NBC TO 3000 and ISAE 3000 mainly consists of making inquiries of management and other professionals of the Company involved in the preparation of the information related to sustainability, as well as applying analytical procedures to obtain evidence that allows us to issue a limited assurance conclusion on the information, taken as a whole. A limited assurance engagement also requires the performance of additional procedures when the independent auditor becomes aware of matters that lead him to believe that the information related to sustainability taken as a whole might present significant misstatements.

The procedures selected are based on our understanding of the aspects related to the compilation and presentation of the information related to sustainability included in the Sustainability Report for 2014, other circumstances of the engagement and our analysis of the areas in which significant misstatements might exist. The following procedures were adopted:

(a) planning the work, taking into consideration the materiality and the volume of quantitative and qualitative information and the operating and internal control systems that were used to prepare the information related to sustainability included in the Sustainability Report for 2014.

(b) understanding the calculation methodology and the procedures adopted for the compilation of indicators through interviews with the managers responsible for the preparation of the information.

(c) applying analytical procedures to quantitative information and making inquiries regarding the qualitative information and its correlation with the indicators disclosed in the information related to sustainability included in the Sustainability Report for 2014.

(d) comparing the financial indicators with the financial statements and/or accounting records.

(e) obtaining evidence for the most significant GRI – G3.1 indicators included in the Sustainability Report for 2014 and disclosed by category, as follows:

- Economic (EC1, EC2, EC4, EC8);
- Environmental (EN3, EN4, EN5, EN6, EN11, EN12, EN16, EN17, EN18, EN19, EN22, EN26, EN27, EN28, EN30);
- Labor Practices and Decent Work (LA1, LA2, LA7, LA8, LA10, LA12, LA13, LA14);
- Human Rights (HR2, HR4, HR6, HR7);
- Society (SO1, SO2, SO3, SO4, SO5, SO6, SO7, SO8);
- Product Responsibility (PR5, PR6, PR7, PR8).

The limited assurance engagement also included the application of procedures to assess compliance with the criteria and guidelines of the Global Reporting Initiative (GRI-G3.1) applied in the preparation of the information related to sustainability included in the Sustainability Report for 2014.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

## Scope and limitations

The procedures applied in a limited assurance engagement are substantially less detailed than those applied in a reasonable assurance engagement, the objective of which is the issuance of an opinion on the compilation and fair presentation of the information related to sustainability included in the Sustainability Report for 2014. Consequently, we were unable to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement, the objective of which is the issuance of an opinion. If we had performed an engagement with the objective of issuing an opinion, we might have identified other matters and possible misstatements in the information related to sustainability included in the Sustainability Report for 2014. Accordingly, we do not express an opinion on this information.

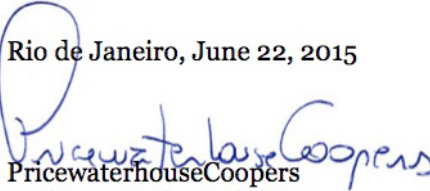


Non-financial data are subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate and estimate these data. Qualitative interpretations of the relevance, materiality, and accuracy of the data are subject to individual assumptions and judgments. Furthermore, we did not consider in our engagement the data reported for prior years, nor future projections and goals.


## Conclusion

Based on the procedures performed, described herein, no matter has come to our attention that causes us to believe that the information related to sustainability included in the Sustainability Report for 2014 of Tim Participações S.A. has not been compiled and fairly presented, in all material respects, in accordance with the guidelines of the Global Reporting Initiative (GRI-G3.1).

Rio de Janeiro, June 22, 2015



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



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

# 2014 SOCIAL BALANCE SHEET

Indicators		2014 (January to December)				2013 (January to December)			
Code	Description	Amount	% of payroll	% of operational income	% net revenue	Amount	% of payroll	% of operational income	% net revenue
<b>1</b>	<b>Calculation base (in 000's of R\$)</b>								
	Net revenue	19,498,165				19,921,291			
	Ebitda <sup>1</sup>	5,538,268				5,206,744			
	Operational income – EBIT	2,485,689				2,438,873			
	Gross payroll	1,027,977				873,079			
<b>2</b>	<b>Internal social indicators (in 000's of R\$)</b>								
	Food	72,099	8.26		0.36	63,258	7		0
	Mandatory social charges	358,771	41.09		1.80	304,365	35		2
	Private pensions	14,875	1.70		0.07	7,921	1		0
	Health	66,850	7.66		0.34	53,883	6		0
	Occupational health and safety	2,237	0.26		0.01	3,840	0		0
	Education	5,388	0.62		0.03	4,467	1		0
	Culture	0	0.00		0.00	-	0		0
	Professional training and development	15,755	1.80		0.08	14,517	2		0
	Nursery or nursery allowance	7,108	0.81		0.04	3,852	0		0
	Profit share or bonus	123,529	14.15		0.62	91,904	11		0
	Others	13,575	1.55		0.07	18,383	2		0
	Total - Internal social indicators	680,191	77.91		3.41	566,395	65		3
<b>3</b>	<b>External social indicators (in 000's of R\$)</b>								
	Education	10,231		0.42	0.05	13,223		1	0
	Culture	24,378		1.00	0.12	25,945 <sup>2</sup>		1	0
	Health and sanitation	99		0.00	0.00	94		0	0
	Sport	1,249		0.05	0.01	10,515 <sup>2</sup>		0	0
	Combating hunger and food security	-		0.00	0.00	-		0	0
	Others	5,187		0.21	0.03	5,834		0	0
	Total contributions to society	41,144		1.69	0.21	60,701		2	0
	Taxes (excluding social charges)	-		0.00	0.00	-		0	0
	Total - external social indicators	41,144		1.69	0.21	60,701		2	0
<b>4</b>	<b>Environmental indicators (in 000's of R\$)</b>								
	Investments related to company production/operation	77		0.00	0.00	46		0	0
	Investments in external programs and/or projects	471		0.02	0.00	9		2	0
	Total investments in environment	548		0.02	0.00	56		2	0
	Regarding the establishment of annual targets to reduce waste, overall consumption in production/ operation and increase efficiency in the use of natural resources, the company (%):								
				( ) does not have targets				( ) does not have targets	
				( x ) fulfils from 51% to 75%				( x ) fulfils from 51% to 75%	
				( ) fulfils from 0% to 50%				( ) fulfils from 0% to 50%	
				( ) fulfils from 76% to 100%				( ) fulfils from 76% to 100%	

Employee indicators		2014	2013
Code	Description		
<b>5</b>	<b>Indicadores do corpo funcional</b>		
	Nº of employees at end of period	12,860	12,167
	Nº of admissions during period	5,215	4,886
	Nº of interns	276	306
	Nº of employees aged over 45 years	921	772
	Nº of women working in the company	6,959	6,889
	% of supervisory positions occupied by women	41	42
	Nº of black people working in the company	4,208	3,849
	% of supervisory positions occupied by black people	16	14
	Nº of people with disabilities or special needs	39	33
<b>6</b>	<b>Relevant information regarding corporate citizenship</b>		
	Ratio of highest to lowest remuneration in the company (number)	50	87
	Total number of work accidents (number)	25	27
	The social and environmental projects developed by the company were defined by:	( ) directors ( x ) directors and managers ( ) all the employees	( ) directors ( x ) directors and managers ( ) all the employees
	The standards of safety and hygiene in the work place were defined by:	( x ) directors and managers ( ) all the employees ( ) all + Cipa	( x ) directors and managers ( ) all the employees ( ) all + Cipa
	With respect to freedom of association and the right to collective bargaining and worker representation, the company:	( ) does not get involved ( x ) follows ILO standards ( ) encourages and follows ILO	( ) does not get involved ( x ) follows ILO standards ( ) encourages and follows ILO
	The private pension plan covers:	( ) directors ( ) directors and managers ( x ) all the employees	( ) directors ( ) directors and managers ( x ) all the employees
	The profit share or bonus plan is for:	( ) directors ( ) directors and managers ( x ) all the employees	( ) directors ( ) directors and managers ( x ) all the employees
	In selecting suppliers, the same standards of ethics and social and environmental responsibility adopted by the company:	( ) are not considered ( ) are suggested ( x ) are required	( ) are not considered ( x ) are suggested ( ) are required
	Regarding the participation of employees in the company's volunteer work programs, the company:	( ) does not get involved ( ) supports it ( x ) organizes and encourages it	( ) does not get involved ( ) supports it ( x ) organizes and encourages it
	Total number of consumer complaints and criticisms:	in company 6,175,552 in Procon 52,207 in court 93,782	in company 6,458,631 in Procon 49,979 <sup>3</sup> in court 87,174
	% of complaints and criticisms addressed or resolved:	in company 99.94 in Procon 80.7% (CIPs)/ 74.5% (RF) in court 106.51% <sup>4</sup>	in company 98.17% in Procon 87.17% in court 63.49%
	Total added value for distribution (in 000's of R\$):	13,017,017	12,249,975
	Distribution of Added Value, in %:	67.94 government; 6.01 employees; 2.82 shareholders; 14.17 third-parties; 9.06 retained	70.01 government 5.60 employees 2.92 shareholders 12.10 third-parties 9.37 retained

<sup>1</sup>Line included by company. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization).

<sup>2</sup>Amount restated to maintain comparability [GRI 3.10]

<sup>3</sup>The 2013 number was altered to include Procon service via 0800 toll free number. Amount reported previously: 5,540

<sup>4</sup>Total complaints and criticisms addressed or resolved during the year, regardless of data of filing

## CREDITS

---

### COORDINATION

TIM PARTICIPAÇÕES S.A. – REGULATORY, INSTITUTIONAL  
AND PRESS RELATIONS AREA.

### GRI CONSULTING AND COPY

REPORT SUSTENTABILIDADE

### GRAPHIC DESIGN AND LAYOUT

REPORT SUSTENTABILIDADE