

2015 SUSTAINABILITY REPORT



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OUR PROFILE

As the first operator in Brazil to have a nationwide presence, innovation is in TIM's DNA. The company has always driven changes and will continue along this path, as evidenced by its new portfolio launched at the end of 2015. TIM was the first to invest in new offer formats, such as charging for the use of voice and mobile Internet on a per day basis or through monthly plans paid with credit card. The company also took the lead by eliminating the differentiated charging of calls to other operators. TIM will continue working towards the expansion and improvement of its network, to provide more quality to individual and corporate customers, in addition to increasing benefits and offering more affordable rates.

TIM Participações S.A. is a holding company, with shares traded on São Paulo's BM&FBovespa and on

NYSE (New York Stock Exchange). TIM is the only company in the telecommunications industry listed on BM&FBovespa's "Novo Mercado," considered the highest level of corporate governance, and is also part of the Corporate Sustainability Index (ISE) and the Carbon Efficient Index (ICO2).

TIM is based in Rio de Janeiro and employs 13.7 thousand people in all regions of Brazil. TIM's quality-oriented services include mobile, fixed and long distance communication, as well as data transmission. The company is at the forefront of 4G coverage in Brazil. TIM also provides extensive data coverage in the country, based on a robust 3G network reaching more than 82% of the urban population. Its customers can count on more than 450 network agreements for international roaming available in almost every country across six continents.



**Leadership in
4G coverage**



**+82%
of the urban population
with 3G coverage**



**13.7
thousand
employees in all
regions of Brazil**



View the full version of the
2015 Sustainability Report

¹The fourth generation of mobile telecommunications technology.

CHAIRMAN'S LETTER

Evolving is doing things differently

The year 2015 saw a macroeconomic scenario in continuous deterioration, affecting the exchange rate, inflation and growth, both for the company and the industry. Total customer base dropped for the first time after years of continued growth. We also saw the accelerated replacement of voice service by the use of data, an increase in the use of messaging applications and reduced use of multiple chips and the community effect by customers in the prepaid segment.

Faced with this scenario, we focused on the implementation of our planning to protect TIM's financial position, despite a year of lower revenues and operating margin. We reduced the mobile device sales volume, and eliminated the differentiation between calls to other networks and in our own network. In addition, we reversed the numerical portability balance with other operators, which became positive in all offer segments. Except for interconnection revenues, which further declined due to regulated fees, we managed to stabilize the revenues generated by our customers.

As the telecommunications industry and the country go through a transition period, we intend to redefine our relationship with customers, with fewer promises and more facts: we want to hear from consumers and provide honest and reliable answers. Based on this vision of the future, we repositioned our brand and renewed our purpose as a company with regard to quality, offer innovation and customer experience.

For the 2016-2018 period, we have planned the same level of investment of the previous plan, which amounted to R\$ 14 billion. Our focus on infrastructure and efficient development is paramount to achieve growth and improve customer experience. We attained leadership in 4G coverage and featured voice and data performance indicators above the quality goals set by Anatel.

We led the process of sharing mobile communications infrastructures in Brazil, bringing efficiency gains from investments, deadlines for network development, sustainability to the industry and environmental preservation, reducing the need to build new towers.

Our work on sustainable development and social responsibility was recognized by the inclusion of TIM for the eighth year in a row in the BM&FBovespa's Corporate Sustainability Index and, for the sixth consecutive year, in the Carbon Efficient Index (ICO2).

Our Social and Environmental Responsibility Policies are based on the ten principles of the UN's Global Compact, to which TIM has been signatory since 2008. We also reinforced the principles set out in the Code of Ethics and Conduct and in the Anti-Corruption Policy. As such, this report serves as the company's Communication on Progress regarding the application of those principles.

This set of commitments and policies is part of our corporate governance structure, based on a culture of responsibility, control and accountability that has made TIM the only telecommunications operator listed on the BM&FBovespa's Novo Mercado.

I invite everyone to learn about TIM's sustainability goals and achievements described in this report. I thank our collaborators and partners who have worked hard to achieve these results.

Franco Bertone
Chairman TIM Brasil

***“We want to hear
from consumers and
provide honest and
reliable answers.”***

ABOUT THIS REPORT

This is the short version of TIM's eighth sustainability report, developed according to the guidelines of the *Global Reporting Initiative* (GRI), version G4, Core option. For the period of 2015 (January 1 to December 31), the reporting of indicators comprises activities of TIM Participações S.A. in Brazil, including its two subsidiaries –TIM Celular S.A. and Intelig Telecomunicações Ltda.

TIM discloses the sustainability report on an annual basis, as part of its sustainability practices. As in the previous year, the company's values served as the basis for structuring this report. TIM believes that this practice strengthens its mission to connect and take care of each one, so everyone is able to achieve more.

[View the full report on TIM's Sustainability page](#)

“Throughout this report, TIM aims to be accountable to society for its actions, results and commitments within economic, social and environmental aspects.”



COMMITMENT

The telecommunications industry and the country are going through a new transition period that requires new approaches to overcome its challenges. TIM aims to redefine the relationship between customers and operators, with fewer promises and more facts, by hearing the consumer's desires and wishes and responding with honesty and truth.

To this end, the company realized the need to reposition its brand based on this new context. For TIM, quality, offer innovation and customer experience were the main drivers of this change, which led the company to restate its vision of the future and renew its Purpose with regard to people.

Our mission

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

Our vision

Be the country's number one choice in telecommunications services.

Our values

- *Customer care*
- *Transparency*
- *Innovation*
- *Commitment*
- *Agility*

Principles of sustainability

TIM believes its strategies, goals and results should be aligned with its stakeholders' expectations, in order to ensure business longevity. The company groups its stakeholders in eight categories: customers, suppliers, competitors, institutions, the environment, community, human resources and shareholders.

Its sustainability initiatives are based on the triple bottom line concept, comprising economic, environmental and social aspects.

POLICIES

In addition to these principles, TIM counts on a set of regulatory policies and documents, such as the Code of Ethics and Conduct, which guide the company's practices and actions on different subjects. TIM believes that complying with such tools to fulfill the commitments undertaken with its stakeholders translates into responsible management. The full versions of some of the policies highlighted below can be found on the [*investor relations*](#) site.

- *Social Responsibility Policy*
- *Environmental Policy*
- *Climate Change Management Policy*
- *Safety and Occupational Health Policy*
- *Free Market Defense Policy*
- *Related-Party Transaction Policy*
- *Relations with Suppliers in a TIM Purchasing Process*
- *Engagement Policy*
- *Marketing Communication Policy*
- *Corporate Risk Management Policy*
- *Anti-corruption Policy*
- *Conflict of Interest Management Policy*
- *Intangible Asset Management Policy*

INSTITUTIONAL PARTNERSHIPS

TIM reaffirms its commitment to social, environmental and ethical demands by taking part in several global treaties and initiatives. TIM believes that engaging in this resolutions will not only broaden the visibility of important subjects for society, but will also allow the company to keep pace with the best practices in the market and incorporate more efficient actions to its management. Learn the company's key initiatives below.

Global Compact

TIM has been a signatory since 2008 and has incorporated the ten principles of the Global Compact in its strategy, culture and daily operations, in alignment with the key values universally accepted in the following fields: Human Rights, Labor, Environment and Corruption.

Global Reporting Initiative (GRI)

In 2008, TIM adopted GRI's international sustainability reporting guidelines, an important tool to assess results and reflect on actions taken within the three pillars of sustainability (economic, social and environmental).

Corporate Sustainability Index (ISE)

For the eighth year in a row, TIM integrates the Corporate Sustainability Index (in portuguese, Índice de Sustentabilidade Empresarial - ISE) created by BM&FBovespa. ISE was designed as a reference for socially responsible investments.

Companies for the Climate (EPC)

Since 2010, TIM is a member of this volunteer

initiative coordinated by the Center for Sustainability Studies (GVces) of Fundação Getulio Vargas. EPC is a permanent business platform, whose goal is to mobilize, engage and involve corporate leaderships in the management and reduction of GHG emissions.

Carbon Disclosure Project (CDP)

Since 2007, TIM has responded to CDP questionnaires regarding its CHG emissions and strategies concerning climate change.

Carbon Efficient Index (ICO2)


In January 2016, TIM was selected for the sixth consecutive year to join BM&FBovespa's Carbon Efficient Index, with the commitment to measure, disclose and monitor its GEE emissions.

MSCI Global Sustainability Index

Since June 2015, TIM integrates the MSCI (Morgan Stanley Capital International) ESG Research Global sustainability index, designed to represent the most prevalent environmental, social and governance strategies.

OUR GOALS

To move forward with its Corporate Social Responsibility program, TIM sets out annual performance goals in specific subjects, based on goals and outcomes recorded in the previous year. The table below displays the performance in 2015 and the targets for 2016.

SUBJECT	INDICATOR	UNIT OF MEASURE	2015 TARGET	OUTCOME	2016 TARGET
Volunteering	One working day allowed for the employee who voluntarily participates in the Citizens Without Borders program.	% (own staff)	2	1.4  ¹	1.5
Training	Training (total hours: in the classroom + online + on the job).	No. of hours (own staff and third party) ²	900,000	1,085,614 	820,000
Training	New employees trained in sustainability issues.	% (own staff)	90	90 	90
Environment/ Batteries	Collection of end-of-life mobile phones, batteries and other accessories for recycling.	Tons	2	1.2  ³	2
Environment/ Waste	Recycling of waste generated in the office.	%	68%	19%  ⁴	25%
Environment/ Water	Limit of increase in water consumption in the offices.	%	10%	4% reduction ⁵ 	Water consumption in the offices reduced by 1%.
Energy/ Network	Limit of increase in the mobile network power consumption.	%	21% ⁶	16% 	22% ⁷
Management of suppliers	Suppliers evaluated on sustainability issues.	No. of suppliers	60	357 	200



Achieved



Not achieved

¹ The Citizen Without Borders Program is undergoing a revitalization process, in line with TIM's Key strategic pillar.

² TIM resales and outsourced call center staff.

³ The company is redesigning this process.

⁴ The goal could not be achieved due to service interruption caused by change of supplier.

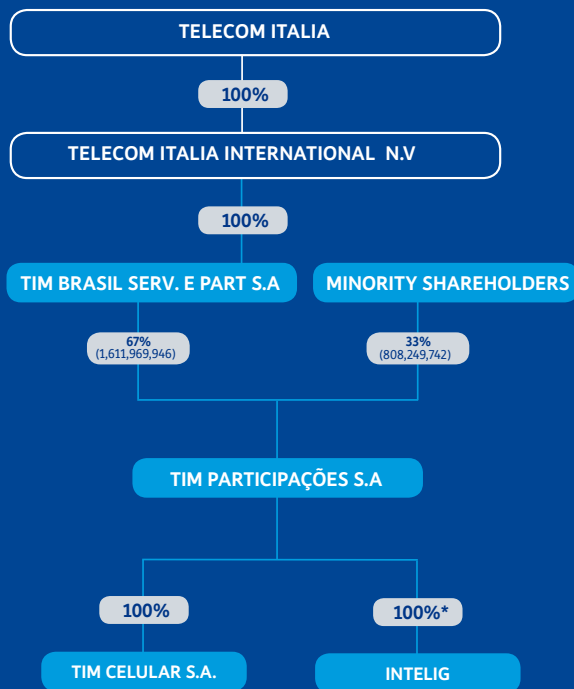
⁵ The 2015 goal was intended to limit the water consumption increase by 10% (due to construction works and increase in the number of employees). However, TIM attained a 4% reduction - see more about our saving initiatives for this natural resource in the full version of the Sustainability Report 2015.

⁶ Based on the network infrastructure expansion, the expected increase in power consumption was 23% for 2015. Our target was to limit the increase in power consumption by 21% compared to 2014.

⁷ Based on the network infrastructure expansion, TIM estimates the power consumption will increase by 24% in 2016. Our target was to limit the increase in power consumption by 22% compared to 2015.

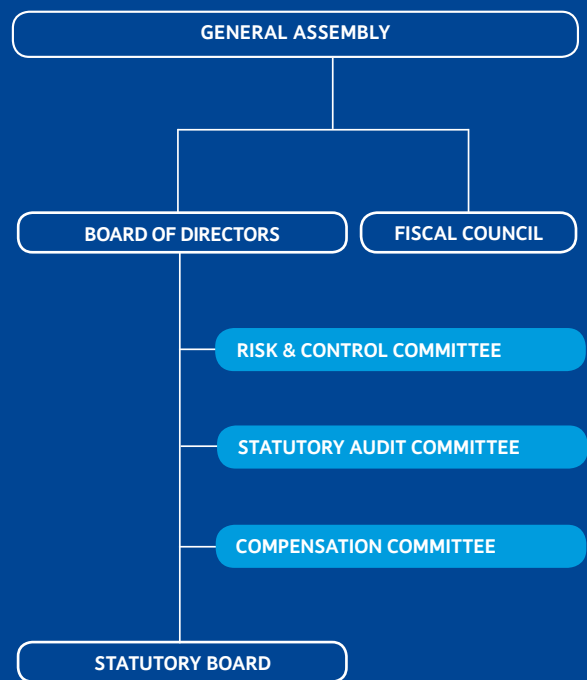
CORPORATE GOVERNANCE

SHAREHOLDER STRUCTURE



* TIM Celular S.A. owns one share of Intelig Telecomunicações Ltda.

TIM PARTICIPAÇÕES MANAGEMENT STRUCTURE



TIM's Board of Directors is a joint deliberative body composed of ten members (three of whom are independent) that are responsible for the senior management of the company. TIM complies with the rules of the "Novo Mercado" index, establishing that the Board must have at least five members, of which at least 20% must be independent.

To increase its corporate performance, the Board counts on three specialized committees with defined goals: Control and Risk Control Committee (CCR), Statutory Audit Committee (CAE) and Compensation Committee (CR).

ETHICS AND TRANSPARENCY

According to TIM's anti-corruption policy, ethics is paramount for conducting the business. The values and principles of the Code of Ethics and Conduct are the foundation of its activities. TIM rejects and condemns unlawful and improper behaviors (including acts of corruption of any kind) aimed at attaining economic goals.

“TIM has adopted an organizational model that details guidelines and lays down procedures to avoid fraud and corruption”



Unified *Whistleblower Channel* for internal and external stakeholders



96%

is the percentage of completion of online training on the Code of Ethics and Conduct



In 2015, TIM created the internal Ethics and Compliance Channel

PUBLIC POLICIES

The telecommunications sector has conducted major debates that gave rise to important public policies for society. The 2015 agenda comprised subjects such as the Civil Rights Framework for Internet Use (in Brazil) and the New Regulatory Model for Telecommunications.

CONNECTING AND CARING ABOUT EACH ONE

TAKING CARE OF THE BUSINESS

Economic performance

We had a challenging year, with the Country's macroeconomic conjuncture in continuous deterioration, which brought a negative impact on growth, inflation and unemployment. Faced with this scenario, TIM focused on the implementation of its strategic plan and goals for the medium and long term, particularly the heavy investments on infrastructure. For the 2016-2018 period, the company is holding the same level of investment of the previous plan (R\$ 14 billion), and quickly repositioned its portfolio to match the structural changes in the industry. TIM enhanced efficiency measures, which helped to protect the financial results of the company and, despite a year of lower revenues, expand its operational margin and the EBITDA² margin (to a lesser extent).

These investments allowed TIM to end the year with 411 cities covered with 4G, that is, 59% of the country's urban population. TIM became the leader in 4G coverage in Brazil, both in the number of cities served and the percentage of the urban population covered. In addition, the company brought the 3G to more than 500 new cities, implementing over 70 thousand kilometers of its own fiber optics, which will enable a rapid growth in its high capacity data infrastructure – critical for TIM's current and future competitive positioning. Also worthy of note is the fact that, from the total investments made in 2015, TIM allocated R\$ 2.7 billion to information technology and network alone, in order to expand coverage and capacity to support the growth of voice and data traffic.



R\$ 14 billion
in investments in the
three-year period of
2016-2018



+500
new cities
gained 3G coverage



+70,000
kilometers of
TIM's own fiber optics



R\$ 2.7 billion
invested in information
technology and network

TAKING CARE OF CUSTOMERS

Transparent communication

The main asset of TIM's business is its base of users, which totaled 66 million customers by the end of 2015. TIM invested in 4G with the aim to offer innovation and quality service, and managed to end the year with the broadest national coverage with this technology. The company seeks to understand its customers' needs,

embrace their opinions and solve any issues. Customer experience not only is one of TIM's values, but will also be at the core of its new positioning. TIM believes that no other operator have stood out for providing satisfactory customer experience. TIM wants and must take that position.

²Earnings Before Interest, Taxes, Depreciation and Amortization.

TAKING CARE OF PEOPLE

Managing our human capital

TIM believes that achieving growth across the company requires the development of its main capital – the people. The human resource department (People Value) has the task of ensuring productivity and performance improvement, by continuously helping collaborators develop their skills, enhancing their talents and creating an inspiring and challenging work environment.

In 2015, TIM's workforce comprised 13.7 thousand employees – 54% women and 46% men – most predominantly in the Southeast region.

One of People Value's management cornerstone is to enable the self-development of collaborators through training programs. The area also plays a major role in encouraging employees to seek success, motivating them to achieve their goals. To get everyone aligned with the company's strategy, TIM offers integrated communication, fostering the organizational culture, in addition to recognizing every collaborator's dedication and performance.

Diversity

TIM recognizes the importance of promoting diversity in all its relationships, both as a value and a practice. As described in its Social Responsibility Policy, the company does not allow any expression or form of discrimination, whether based on sexual orientation; ethnic origin; gender; disability; age, among others.

Health & Safety

TIM's priority is to foster ongoing performance improvement in all its safety and occupational health initiatives. Safety & Occupational Health and Social Responsibility Policies guide its activities and its commitment to managing any potential risks to the physical safety and health of its collaborators, contractors and visitors in the workplace. The company has also implemented mandatory measures for prevention of work-related accidents and occupational diseases in all its operations.



TAKING CARE OF SOCIETY

Generating value

TIM recognizes that a company not only can generate and distribute value through its activities, but also cause indirect economic impacts. The Brazilian telecommunications industry accounts for 5 to 6% of the GDP, generating significant municipal, state and federal tax revenues. In this scenario, TIM believes its activities contribute towards the country's economic growth, and that its services are critical to society.

The company was the first operator to adopt affordable rates for unlimited on-net calls (TIM to TIM calls), allowing the inclusion of low-income citizens, access to connectivity and information, and introduced innovation once again by eliminating charges for calls between different operators. Its business also help corporate and industrial clients to seek technological innovations, providing increased efficiency and competitiveness, in addition to enabling the creation of new jobs.

Instituto TIM

Instituto TIM (TIM Institute) is committed to creating and strengthening resources and strategies for democratization of science and innovation that promote human development in Brazil, with mobile technology as one of the main facilitators. The institute operates in four dimensions:

Education

Creating and democratizing resources and strategies for teaching science and math.

Applications

Investing in technological solutions that will improve people's lives.

Work

Creating and democratizing teaching resources and strategies to foster a productive technological inclusion of young people.

Inclusion

Disseminating new information and communication technologies that will help spread this knowledge.

Since 2013, the Institute has implemented actions in 350 cities, in 26 states and the Federal District, mobilizing 49 education departments, three ministries – the Ministry of Education (MEC), the Ministry of Science, Technology and Innovation (MCT) and the Ministry of Culture (MinC) – and over two thousand public schools, benefiting 8,900 teachers and 383,000 students.

Learn more about Instituto TIM's projects and initiatives at institutotim.org.br



Suppliers

Business ethics, transparency and commitment towards sustainability comprise the guidelines for Relations with Suppliers in a TIM Purchase Process. To strengthen such commitments, all agreements include clauses requiring compliance and fulfillment of TIM's Code of Ethics and Conduct and the Principles of the Global Compact, such as respect to labor and human rights, environmental protection and anti-corruption.



TAKING CARE OF THE ENVIRONMENT

Impact management

The environmental impacts linked to our business are considered impacts of low magnitude. They relate to the implementation and operation of Radio Base Stations (RBS or antennas) connecting client mobile phones to TIM's fixed stations. There are two types of RBS – Greenfield, which is installed on the ground, and Rooftop, a tower built on the roof of the buildings.

As described in its Environmental Policy, TIM is committed to controlling the operational aspects of the sites, ensuring compliance with internal standards, and legal and regulatory requirements aimed at minimizing environmental risks.

Energy

Electric power is TIM's primary input, crucial for the operation of its Radio Base Stations (RBS). The company seeks competitive advantage by investing in new power sources and increasing efficiency.

TIM achieved savings of 1,760 MWh, as a result of initiatives to drive energy efficiency, which were reinforced in 2015. RAN sharing, for example, consists of sharing the RBS for the 4G network with other operators.

With RAN sharing, TIM estimates its power consumption was reduced by 120,000 MWh, corresponding to cost savings of approximately R\$ 68 million (Opex), through sharing of around 4,500 stations between TIM and Oi by the end of 2015. In addition to these gains, another important environmental advantage was the prevention of CO₂ equivalent emissions (approximately 15,000 tons), which would otherwise have been released if the power had been consumed.

Water

Even though TIM's activities do not involve heavy use of water – the largest consumption takes place in its headquarters – the company developed several initiatives to reduce consumption of this dwindling resource. TIM's efforts have produced results as the company managed to reduce water intake by 22%. The water consumed at TIM comes mainly from the urban supply networks, but the São Paulo office also consumes water from an artesian well.

Efficient use of natural resources

TIM is permanently committed with the mitigation of waste produced in its operations and the efficient use of resources. Its environmental policy is guided by the continuous improvement and prevention of pollution. TIM always seeks the evolution of its process and activities, aiming not only at a proactive approach and greater efficiency, but also at the consequent reduction of impacts on the environment.

Climate change

As stated in the company's Climate Change Management Policy, TIM recognizes its share of contribution to global impacts. Several stages of TIM's activities - operation of equipment, transport of products and employee commuting - involve power and fuel consumption, which consequently result in direct or indirect Greenhouse Gas (GHG) emissions. For TIM, this is a strategic issue for business longevity and value creation, while the implementation of mitigation and adaptation measures is vital for social welfare.

TRANSPARENCY

LEGAL COMPLIANCE

TIM has implemented tools for monitoring and following-up legal requirements. With regard to the enforcement of environmental laws relating to its Radio Base Stations (RBS), the company counts with an interdisciplinary team within the Network area, backed by representatives of Legal, Institutional, Quality and Compliance. Its Environmental Management System includes a tool that tracks the issuance or amendment of existing legislation and forwards the matters to internal areas.

ANTICOMPETITIVE PRACTICES

TIM condemns any anticompetitive practices, creation of monopoly or any other conduct that can be characterized as trust. For this reason, the company takes several measures to ensure compliance with the competition guidelines, as set out in its Free Market Defense Policy (available on TIM's *intranet*). TIM also complies with guidelines from regulatory bodies aimed at securing a competitive market and respect for consumers.

INNOVATION AND AGILITY

One of the cornerstones of TIM's new positioning, innovation will remain a top priority for the company, whether addressing new plans, offers, partnerships or technologies. TIM operates in an ever-evolving industry, and keeping up with this evolution requires the development of new technologies and devices, as well as strategic

guidelines and partnerships that will leverage new business models aligned with its strategic plan.

TIM's budgetary plan for 2016-2018 provides for the investment of R\$ 30 million in the area of innovation, including the construction of an Innovation Center in the state of Rio de Janeiro.



3G

4G*

2014

10.4k

3.7k

2015

12.4k

7.7k



**Fiber
optic
network**

**55,000
km**

**70,000
km**



**Mobile
broadband**

**125
cities**

**194
cities**

* Including Ran SHARING (OI e VIVO) sites

EXPEDIENT

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Evoluir é fazer diferente

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