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INTRODUCTION

TIM develops its Sustainability Report as a gesture of transparency towards its stakeholders. This publication presents the main financial, social and environmental results based on the business activities carried out throughout the year, and highlights the Company's management approach to material issues. We welcome you to learn about TIM's achievements in 2017.

Enjoy the reading!











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CHAIRMAN'S LETTER 102-14

TIM's first 20 years of operation represent two decades of innovation in products, services and trends. The Company's leading attitude brought consistent development in 2017, marked by the attainment of excellent operational and financial results. We advance to 2018 with a focus on redesigning the customer experience towards digitalization and becoming the number one choice for consumers.

TIM continues to make substantial contributions to the economic system. In addition to investments in infrastructure amounting approximately to BRL 4 billion annually, the Company injects BRL 9 billion in the economy through the acquisition of goods and services for its operations, and another BRL 6.5 billion as tax contribution to several funds.

Within this scenario, sustainable and socially responsible management is paramount to ensuring business continuity and development. The year 2017 saw the Company setting new financial records and making significant transformations in its indicators, and represented a major milestone, as TIM secured its position as the only company in the telecommunications industry listed in B3's Corporate Sustainability Index (ISE) for the longest time – ten consecutive years.

This achievement reinforces the strong governance and transparency practices adopted by the Company, which

is also the only operator in the telecommunications industry listed on B3's "Novo Mercado". It is worth noting the actions carried out by Instituto TIM and its continuous efforts to foster the democratization of science, technology and innovation in the country, through major projects such as the Academic Working Capital – which encourages entrepreneurship among college students –, and the Instituto TIM – OBMEP Scholarship, designed to 'assist the Brazilian Mathematical Olympiad medal winners who need support to attend university.

Such recognitions and initiatives are possible only in companies that are committed to sustainable development. Our continuous quest for operational efficiency translates into a more conscious use of resources. As a signatory to UN's Global Compact since 2008, TIM adopts its principles in its Social Responsibility and Environmental Policies, and carries out its activities according to the principles set out in the Company's Code of Ethics and Conduct and in the Anti-Corruption Policy.

In 2017, we reinforced a culture of accountability, responsibility, and sense of belonging, engaging all of our human capital to operate the business as if it were their own. Such hard work produced very positive results, and I would like to thank all employees at TIM Brasil for their commitment to these achievements and many others to come.

Stefano De Angelis Chief Executive Officer at TIM Participações



We advance to 2018 with a focus on becoming the number one choice for consumers, following a period of excellent operational and financial results."







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ABOUT THIS REPORT

TIM Participações S.A. discloses its Sustainability Report on an annual basis, describing key management results and highlights related to topics considered material for the Company's business activities and sustainability practices.

102-50 102-51 102-52

This is TIM's tenth sustainability report, for the period of 2017 (January 1 to December 31), developed according to the guidelines of the Global Reporting Initiative (GRI), Standards methodology, Core option. It has been audited by PricewaterhouseCoopers (PwC) based on limited assurance.

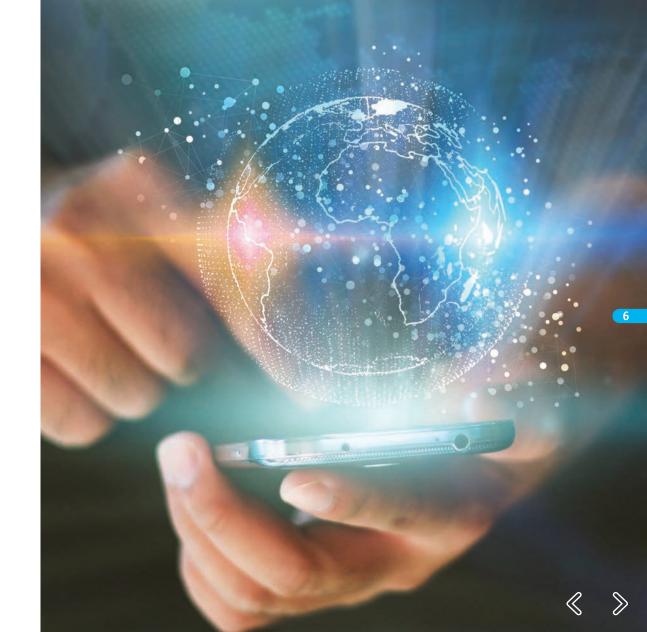
102-54 102-56

The information contained in this publication refers to TIM Participações S.A. and its two subsidiaries – TIM Celular S.A. and TIM S.A. (former Intelig) –, with the main goal of governing the activities carried out by providers of telecommunication services, including personal mobile telephony, among other services, in their coverage areas. 102-45

Queries about the content of this report must be submitted to <u>respsocialcorp@timbrasil.com.br</u>. Learn more about our sustainability initiatives at <u>www.tim.com.br/sustentabilidade</u>.

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Materiality

The Company carried out its first materiality test in 2008, and has been working since then to further improve and develop this aspect, which involves identifying critical topics that are essential for managing the business. The second materiality test was held in 2011. This included the Company's first stakeholder panel, involving consultations with representatives of the main stakeholder groups at TIM (employees, suppliers, commercial partners, customers and public authorities).

The material topics compiled in the 2017 Sustainability

Report were defined in the materiality test conducted in 2014, which also comprised consultations with the Company's main stakeholders.

The 'Relations and Impacts' face-to-face dynamics involved the participation of key personnel from 11 areas of the company, primarily resulting in the Stakeholder Map, which introduced TIM's stakeholder groups and their impacts on the business. From this map, TIM selected stakeholders to participate in the external perspective stage, which included online consultations

with customers, commercial partners and suppliers, in addition to sectoral studies and an interview with a representative of the Ministry of Communications. The process also comprised the analysis of internal policies and procedures, processes, and codes of conduct, as well as comparative studies with other companies in the industry. 102-42 102-46

The material topics were updated in 2015 and 2016, based on benchmarking studies and consultations with top management executives.

MATERIALS TOPICS

102-44 102-47

The material aspects pointed out by the Company's stakeholders are given top priority in the sustainability management process, always in line with its strategic pillars.

- Customer satisfaction and service quality
- ✓ Incentives to innovation applied to products and services
- ✓ Transparency and accountability to stakeholders
- Ethical conduct in business

- ✓ Digital inclusion
- ✓ Dialogue and communication with stakeholder groups
- Managing electronic products
- Investment in infrastructure and development of new technologies

In addition to the aspects related to the topics on the left, the Company continued monitoring and reporting other GRI aspects and indicators that are considered relevant to accountability, also aligned with the culture of transparency – one of our core values.







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Our Profile

Tim Participações S.A. – and its subsidiaries TIM Celular S.A. and TIM S.A. (former Intelig) – are part of a group of companies operating in mobile and fixed telephony, ultrabroadband internet, digital content and services, as well as sales of mobile phones and accessories. 102-1 102-2 102-3

TIM is at the forefront of 4G coverage in the country and makes continuous investments in the quality of its network, services, customer experience, innovation, and technology, to further improve its users' lives, aligned with its vision of connecting and caring about each one so that everyone is able to achieve more. Based in the city of Rio de Janeiro, the Company also invests in the expansion and improvement of its network, offering a comprehensive portfolio to keep its private and corporate customers connected at all times. 102-4

TIM Participações S.A. is a holding company, with shares traded on the São Paulo Stock Exchange – B3 (former BM&F/Bovespa). TIM Participações also has American Depositary Receipts – ADRs, level II, traded on the New York Stock Exchange – NYSE. It is controlled by TIM Brasil Serviços e Participações S.A. (TIM Brasil), a subsidiary of Telecom Italia group that holds approximately 67% of TIM Participações' share capital, with 33% of minority shareholders. 102-5





^{*} Telecom Italia S.p.A. holds one share of TIM Brasil Serv. e Part. S.A.

^{**} TIM Celular S.A. holds one share of TIM S.A.

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International roaming agreements across the six continents.

including Antarctica

600 ((%))
networks
for use of voice

in more than 200 countries

Data coverage in 151 destinations

through 413 networks









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Adjusted EBITDA¹
BRL 5.9 billion

Total Net Revenue
BRL 16.2 billion

Net Profit

BRL 1.2 billion

Net Equity
BRL 18.2 billion

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¹EBITDA (adjusted for extraordinary RBS sale transactions, temporary human resources expenses and general and administrative expenses (G&A).



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TIM invests in innovation, in the quality of its network, services and customer experience. To fulfill one of its strategic priorities – investment in infrastructure and equipment upgrade –, the Company acquired Intelig in 2009 and AES Atimus in 2011, reinforcing its commitment to quality and accessibility.

Between 2018 and 2020, TIM will invest approximately BRL 12 billion in its Brazilian operations, allocating most of the resources to expand coverage, especially the 4G technology, in a strategy aligned to expectations of increased demand for traffic data.

TIM will invest approximately BRL 12 billion in its Brazilian operations, allocating most of the resources to expand the 4G coverage.

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Purpose 102-16

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

Our vision 102-16

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

- Because we are constantly evolving and innovating in all aspects.
- Because we fulfill our promises.
- ✓ Because we take care of our customers respectfully and efficiently.
- Because we make continuous investments in a competitive and up-to-date infrastructure.
- Because we offer user-friendly and quality services and plans.
- Because we lead the transformations in the industry.
- Because we are sustainable and add value to our shareholders, customers, collaborators and stakeholders.



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Our values

102-16

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 customers' experience.
- We are proud to have a positive impact on the lives of our customers.

COMMITMENT

- We are accountable.
- We recognize we are part of a broader common project.

We collaborate by investing our talent and effort in each and every action.

TRANSPARENCY

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

INNOVATION

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

AGILITY

✓ We do "more", "better" and "faster" in an increasingly complex and dynamic world.

We plan, decide and implement quickly, making things easier for everyone around us.

Customer satisfaction and high quality service and customer service are top priorities for TIM.

Our customers are at the core of our business and their experience is our key driver in developing and launching services. The Company ensures a positive customer experience by managing and monitoring its operational indicators on a daily basis, which leads to efficient troubleshooting. 103-1

The National Satisfaction Survey on TIM and the Competition is carried out through telephone interviews every six months, through which customers will fill out a questionnaire and assess their overall satisfaction with the operator and with customer relations areas, and covers aspects such as coverage and quality of calls, mobile internet, plans and offers, account, recharge, call center, in-store assistance and website. The consultation also includes two questions to ascertain the reasons for dissatisfaction and recommendations.

Since June 2017, the survey is carried out online on an ongoing basis, with quarterly disclosure. 103-3







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Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) are part of TIM's strategy to manage its business and material topics. Some of the initiatives carried out by the company in support of such goals are listed below.





































PROJECTS DEVELOPED



TIM Multibank WTTx



Training at Instituto TIM



Expansion of the sales partner network

TIM Employment TIM Multibank



Network Development

Biosites

RAN Sharing

WTTx

TIM Lab



Flex office **Biosites**

Instituto TIM



My TIM App **RAN Sharing** Online Accounts

Recharge the Planet



Biosites RAN Sharing Flex office

Renewable Energy

Freecooling



Anti-Corruption Program

Be Compliant Trainina

Instituto TIM

RAN Sharing

TIM Multibank

17 PARTNERSHIPS FOR THE GOALS

Fundação Abring

Giulia – Talking Hands App

Partnerships for innovation













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Institutional partnerships and participation in sustainability indexes

TIM reaffirms its commitment to social, environmental and ethical demands by taking part in various initiatives and global treaties. TIM believes that engaging in these resolutions not only will broaden the visibility of important subjects, it will also allow the Company to incorporate the best practices in the market to its management.



SUSTAINABLE DEVELOPMENT

The Global Compact is a United Nations' initiative aimed at mobilizing the corporate community to operate according to essential and internationally accepted values in the areas of Human Rights, Work Relations, Environment and Anti-Corruption, (read more on

 $\underline{http://pactoglobal.org.br/10-principios/}).$

As a signatory to the Global Compact since 2008, TIM incorporates its ten principles to all of its projects and business activities.

102-12 103-205



TIM joined the Companies for Climate (Empresas Pelo Clima, in Portuguese) in 2010. This voluntary initiative – coordinated by the Center for Sustainability Studies of Fundação Getúlio Vargas (GVces) – is intended to mobilize, raise awareness, and articulate corporate leaders towards management and reduction of GHG emissions, climate risk management, and the proposition of public policies and positive incentives within the context of climate change.

102-12

CDP is the largest global database of corporate information about the subject, queried by investors, government agencies, legislators, and the academic community. Aware of the importance of fostering a low-carbon economy, the Company has answered the CDP questionnaire about its GHG emissions and its strategy regarding climate change since 2007. TIM has also adopted the GHG Protocol to interpret, quantify, and manage its GHG emissions. 102-12







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REPORTING ON SUSTAINABILITY

TIM prepares its sustainability reports according to GRI's international sustainability reporting guidelines since 2008. The main tool used for reporting of financial and nonfinancial results by organizations worldwide is also a guide to managing material topics and disclosing information with accuracy and transparency towards TIM's stakeholders. 102-12

For the 10th year in a row, TIM integrates the Corporate Sustainability Index (in Portuguese, Índice de Sustentabilidade Empresarial – ISE) created by B3. Rated for fomenting good practices, the index is composed of shares of companies renowned for their commitment to corporate and social sustainability. 102-12

To reinforce its commitment to sustainable business activities, adoption of corporate governance best practices, and quality relations with customers and employees, TIM has also been listed in the MSCI ESG (Environmental, Social and Governance) Research Global sustainability index. MSCI (Morgan Stanley Capital International) is an independent organization with 40 years of experience in governance assessments and analyzes of social and environmental indexes for the global investor community, covering more than 6,000 public companies throughout the world. 102-12

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BEST PRACTICES

TIM integrates the
FTSE4Good Emerging Index,
which depicts a real image
of assets and strategies of
the global markets,
based on an analysis of
the data disclosed by
companies and insights
on the needs of customers
worldwide.

In December 2016, FTSE
Russell launched the
FTSE4Good Emerging
Index, designed to measure
the performance of
companies engaged in
strong environmental,
social and governance
practices, covering more
than 20 developing
countries.



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PUBLIC POLICIES

In light of new technologies and the implementation of new solutions that will add further value to people and society, TIM acknowledges that public policies play a major role within this context, not only in conducting discussions between the government, companies and society, but also by proposing regulations and guidelines.

TIM actively participates in major debates conducted by the telecommunication industry as a member of the National Union of Fixed and Mobile Telecom Companies of Brazil (SindiTelebrasil) and the Brazilian Association of Competitive Telecommunications Service Providers (Telcomp). The activities carried out alongside these and other institutions are based on international laws of corporate governance, on Brazilian and North-American anti-corruption laws, on the Code of Ethics and Conduct, as well as on Internal transparency and efficiency policies (read more in Transparency).

The Company believes that having laws adapted to current needs can add security to the industry. It can also enable new solutions that will deliver largescale value to society through improved channels and accessibility to communication services and efficient allocation of resources (read more in Commitment).

103-1 103-2

TIM's participation in SindiTelebrasil and TelComp contributes towards the debate on how to adapt the laws governing the telecommunications industry to current needs, enabling new solutions that will deliver large-scale value to society.

MEMBERSHIP OF ASSOCIATIONS (102-13)

✓ National Union of Fixed and
Mobile Telecom Companies of
Brazil (SindiTelebrasil)
represents the institutional interests
of operators authorized by the
National Telecommunications
Agency (Anatel) to provide Personal
Mobile Services (SMP) in Brazil.

 Brazilian Association of Competitive Telecommunications Service Providers (Telcomp)

seeks to maintain fairness and
equity among competitors within the
telecommunications marketplace,
playing a constructive role in shaping
regulatory measures within ethical
standards while fostering social
responsibility and corporate citizenship. TIM
is a member of the Governance committee.

 Brazilian Association of Telecommunications (Telebrasil)

A national, non-profit private civil association that brings together and represents the interests and development of operators and providers of goods and services in the telecommunications and information industry.

 Brazilian National Confederation of Information Technology and Communication (CONTIC)

This entity seeks to foster competitiveness and productivity in the Brazilian economy through engagement of Brazilian citizens and connectivity between cities, companies. people and things.









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To follow the public policy agenda,
TIM also participates in major debates
related to the telecommunication
industry through work groups
organized by SindiTelebrasil.

Internationally, the Company integrates industry associations, such as the GSM Association, which brings together Latin American companies to take part in discussion forums. The Company is a corporate partner of the International Telecommunications Society (ITS) and participates in meetings, events, and debates of the International Institute of Communications (IIC).

All entities seek to contribute for the regulation of the industry using a constructive and ethical approach towards subjects that involve connectivity, quality, environment, taxation, among several other issues that affect and/or are affected directly by telecommunications operators and users of services.

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HIGHLIGHTS OF THE BRAZILIAN TELECOMMUNICATION AGENDA

In 2017, TIM monitored important agendas for the amendment of laws governing the telecommunications industry, such as the PLC 79/2016 – draft law proposing to amend the General Telecommunications Law (LGT), currently under consideration by the National Congress of Brazil; Public Consultations carried out by the Ministry of Science, Technology, Innovation and Communications (MCTIC) concerning Public Telecommunications Policy proposals; Brazil's National Plan on the Internet of Things (PNIoT); and the Brazilian Strategy for Digital Transformation (E-Digital), covered by Decree No. 9.319, of March 2018.

The discussions also addressed issues such as taxation; public safety; privacy; infrastructure expansion and sharing; competition; updates to the spectrum management policy; and improvement of the regulatory framework of consumer relations and quality of services. Within this context, TIM participated in hearings and public consultations with Ministries and Regulatory Agencies – particularly the Ministry of Science, Technology, Innovation and Communications (MCTIC) and the National Telecommunications Agency (Anatel) –, as well as with the National Congress of Brazil, in legislative assemblies, and with City Councils.

The Company believes that the new legal framework proposed by the PLC 79/2016 is paramount to the country's

development and to society, as it leverages resources to expand the telecommunications infrastructure, offering great potential for the Brazilian economy.

The Brazilian Strategy for Digital Transformation (E-Digital Decree), which sets out approximately 100 strategic actions for the digital inclusion of the Brazilian population, is expected to accelerate the country's competitiveness and productivity online, fostering connectivity, privacy, personal data protection, cyber security, and the entire digital economy.

Designed as an amendment to a Presidential Decree, the new Telecommunications Public Policy Plan places the access to broadband Internet at the core of sectoral Public Policies, in addition to prioritizing public and private investments to expand the telecommunications infrastructure and take Internet to the masses.

The Brazilian Economic Development Bank (BNDE) and the Ministry of Science, Technology, Innovation and Communications (MCTIC) kept funding the development of studies within the National Plan on the Internet of Things (PNIoT), disclosing the Final Report on the subject in October 2017. The publication describes the actions that should be undertaken to prepare the country for this new technological frontier.



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Respect for human rights 103-418

As a signatory of the UN's Global Compact since 2008, TIM believes that companies must play a major role in promoting and protecting Human Rights. In 2015, the operator reiterated this commitment by joining the Human Rights Working Group organized by the Global Compact Network Brazil. For TIM, the concept of human rights within its business activities means respecting data privacy, internet security, access to information, and freedom of speech, among others. 102-12

This commitment is aligned with internal rules governing the subject, such as Telecom Italia group's Human Rights Policy, TIM's Code of Ethics and Conduct, the Social Responsibility Policy, and the Policy for Relations with Suppliers in a TIM Purchasing Process.

Assessment of respect to human rights is performed through the due diligence process, which is improved on an ongoing basis. It comprises analysis of impacts, integration and action, monitoring, and communication and reporting processes, based on UN's Guiding Principles on Business and Human Rights, also known as John Ruggie's Principles, as well as on the German Global Compact Network's guidebooks.²

The due diligence carried out by the Company comprised an initial assessment of relevant topics, prioritizing actions towards working conditions in the supply chain; customer and employee data privacy and security; adult content; sexual abuse and exploitation of children and adolescents; and discrimination in the workplace and in recruitment. The process involved meetings with TIM areas and an evaluation of the existing policies and actions to map possible impacts and improvement actions. 103-2

Among the people most vulnerable to these impacts, we identified children and adolescents, women, the elderly, and people with disabilities. To manage and disseminate the subject of human rights in 2017, TIM developed an online course intended to increase the level of awareness and engagement among its employees. The entire team will receive training in 2018. 103-2

In 2017, eight complaints on human rights were reported through the Company's formal communication channels, three of which involved discrimination. After proper analysis, we identified three groundless complaints; three inconclusive complaints; and two justified complaints, which resulted in termination of contract with the accused parties. 103-2 406-1

In 2015, TIM also carried out a self-assessment to identify its level of engagement with human rights issues, based on the Organizational Capacity Questionnaire Assessment Instrument (OCAI), developed by the German Global Compact Network.



² Five steps towards managing human rights impacts of your business and Assessing human rights risks and impacts.



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Corporate Governance 102-18

TIM's business management model comprises best governance practices for business continuity, risk management, and promotion of a sustainability agenda focused on topics considered material for the Company. These topics are identified through consultations with representatives of its main stakeholder groups (read more in About this report).

The Board of Directors of TIM Participações S.A. is a joint deliberative body responsible for the senior management of the Company. It consists of at least five and at most 19 members, who may be elected and removed by the General Assembly. They serve a term of two years, with re-election permitted.

The Board currently comprises ten members, three of whom are independent, as per definitions applied by the "Novo Mercado" (B3) index – at least 20% of the Board members must be independent. One member is an executive (serving as CEO for the Company) and the other nine are non-executives (do not occupy any position at the Company).

It is up to the members of the Board to choose their chairman, and no member may accumulate the positions of Chairman and CEO or main executive of the Company, as set out by the Rules of the "Novo Mercado" index – where TIM's shares are traded – and the Company's Bylaws. The composition of the Board of Directors, as well as its internal regulations, are available on the web at www.tim.com.br/ri. Its members respond to a self-assessment survey on an annual basis, aimed at evaluating the Board's performance and its positioning within the Company's structure. The reporting includes all procedures adopted by the Company, thus ensuring ongoing improvement of its management processes in general and compliance with best governance practices. The Board of Directors analyzes all results submitted. 102-28

All answers are compared with the results of the previous years, in order to identify and address possible points for improvement. As for the 2017 fiscal year, the Board of Directors carried out a thorough assessment on the business performance, ensuring the integrity of financial statements and compliance with all accounting, tax, legal requirements, regulations as well as its bylaws. 102-28

The compensation for members of the Board of Directors and the Executive Board is recorded in the Minutes of the Ordinary and Extraordinary Shareholders' Meeting of the Organization, held on April 19, 2018, and available at

www.tim.com.br/ri. 102-35







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Board of Director's Advisory Committees

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The Board of Directors receives advisory support from three specialized committees: the Statutory Audit Committee (CAE), consisting of three members, the Control and Risk Board (CCR), with five members, and the Compensation Board (CR), comprising three members. These members are appointed for a two-year term, which coincides with the term of office for members of the Board of Directors, and reelection or dismissal by the Board is permitted at any time.

STATUTORY AUDIT COMMITTEE (CAE)

It is a collegiate advisory body formed by independent members and directly linked to the Company's Board of Directors. This Committee operates on a permanent basis and in accordance with the regulations issued by the regulatory bodies of the capital market. Its competencies and activities are described in the Company's Bylaws and in the Internal Rules of the Statutory Audit Committee.

COMPENSATION BOARD (CR) AND CONTROL AND RISK BOARD (CCR)

The Compensation Board and the Control and Risk Board are bodies linked to the Board of Directors and formed by

its members. The definitions of composition and activities of each Board are listed in their respective Internal Rules. Attributions include following-up and overseeing corporate social responsibility affairs, seeking sustainable development for the company.

FISCAL COUNCIL

The Fiscal Council oversees company management and provides information to shareholders on a permanent basis. It is composed of independent professionals who are renowned in the market and have no other ties to the Company. More info on the composition of TIM's governance bodies, as well as on the internal rules of the Board of Directors and its committees are available at *ri.tim.com.br.* governance > management.







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DISTRIBUTION IN THE ORGANIZATION'S CORPORATE GOVERNANCE BODIES, BY GENDER (405-1) GOVERNANCE				
2015	Men	18		
	Women	2		
	Total	20		
2016	Men	16		
	Women	1		
	Total	17		
2017	Men	17		
	Women	2		
	Total	19		

DISTRIBUTION IN THE ORGANIZATION'S CORPORATE GOVERNANCE BODIES, BY AGE GROUP (405-1) GOVERNANCE				
2015	< 30 years	0		
	De 30 a 50 years	10		
	> 50 years	10		
	Total	20		
2016	< 30 years	0		
	De 30 a 50 years	8		
	> 50 years	9		
	Total	17		
2017	< 30 years	0		
	De 30 a 50 years	11		
	> 50 years	8		
	Total	19		

Note.: The data in the tables above correspond to the composition of the governance bodies on December 31, 2017.







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Sarbanes-Oxley Act and Internal Controls

Since 2006, TIM holds certifications under the U.S. Sarbanes-Oxley Act (SOx) – a requirement established for companies listed in the American Depositary Receipts (ADRs) and in the New York Stock Exchange –, which attest to its commitment to the highest degree of corporate governance.

According to the Sarbanes-Oxley Act of 2002, section 404, this certification process requires companies to undergo an annual review held by an independent auditing firm concerning the effectiveness of internal controls over financial reporting at the end of every fiscal year. It is aimed at adding more reliability and transparency to the information disclosure process.

TIM recognizes that the internal control system has inherited limitations and can only provide reasonable assurance that the Company's goals are being met. To minimize this risk, the Company developed its system in a way to provide reasonable assurance on the integrity and reliability of financial statements. TIM also follows the criteria established by the "Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) in Internal Control-Integrated Framework", which apply to control environment, risk assessment, control activities, information and communication, and monitoring.





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Business ethics, transparency and accountability towards stakeholders are a top priority in all activities carried out at TIM. Its Code of Ethics and Conduct reinforces the Company's position in adopting solutions to prevent any stakeholders from violating the law and the principles of transparency, honesty, and loyalty, while the Conflict of Interest Management Policy defines process control guidelines and areas of concern within the organization. All information about the management of material topics and its main results are accurately described in the Company's sustainability report (read more in About this report).

103-1 103-2 103-3

Regarding processes of a collective nature, our legal board constantly gives advice to other internal areas of the Company, with the aim of mitigating possible impacts and non-compliance with legal requirements. If any legal non-compliance is identified, the board is contacted to assess potential risks and communicate the guidelines to be adopted. The other areas involved in the issue are contacted to help solve the problem and/or minimize the risks. 205-1

All employees attend face-to-face training sessions on the anti-trust legislation.

103-206

TIM condemns any anticompetitive practices, creation of monopoly or any other conduct that can be characterized as trust. The Company carries out its initiatives according to best management and governance practices, aligned with its Free Market Defense Policy, to reflect the changes made to legislation and the evolution of the competitive environment. TIM also complies with guidelines from regulatory bodies aimed at securing a competitive market and respect for consumers. 103-206

Through the Whistleblower Channel, internal and external stakeholders can report complaints concerning discrimination, moral and sexual harassment, human rights, unlawful or illegal behavior, conflict of interests, corruption, and fraud, among others (available at www.tim.com.br/ri). The Internal Audit team manages the channel, preparing reports on all complaints received and addressed, which are later disclosed in periodic meetings of the Statutory Audit Committee (CAE) and the Control and Risk Board (CCR), In specific cases, complaints can be submitted directly to the Statutory Audit Committee. Users of the channel have their identity preserved and can monitor their complaint's registration status through a protocol number. All information received is treated with confidentiality.

In 2017, TIM received 24 fraud complaints. 15 were justified – 10 of which involved corrective actions

(employee dismissal, supplier blocking, feedback/action plan) –, four were unfounded, two were inconclusive, and three are under analysis (until June 2018). Two cases concerning environmental impacts were confirmed through complaints reported to the channel. All cases were appropriately addressed (the main facts are confidential). No cases of corruption were brought against the Company or its employees during the reporting period. 205-3 102-43 103-2

TIM created the Ethics and Compliance Channel with the aim of promoting an environment where internal stakeholders can report suspected instances of non-compliance with its Code of Ethics and Conduct, its internal policies and applicable laws. Since its creation in 2015, the Company has made progress in disseminating its guidelines and engaging employees with this culture of compliance, especially in processes involving sensitive subjects, such as the distribution of gifts, donations and attendance at events. This channel does not only address reporting of complaints; it is also intended to support employees and ensure our processes will comply with internal guidelines. Stakeholders are encouraged to share information and news relating to illegal and/or criminal activities that may bring potential risks for the Company, and send suggestions to improve procedures related to the Anti-Corruption Program. 205-1 103-206







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ONLINE TRAINING ON THE CODE OF ETHICS AND CONDUCT (No. AND % OF ATTENDEES) 205-2

Stakeholders*	2015		2016		2017**	
Directors	51	98%	53	100%	45	82%
Managers	348	43%	671	99%	644	96%
Other employees	12,155	100%	9,214	96%	8,430	94%
Total	12,554	96%	9,938	96%	9,119	94%*

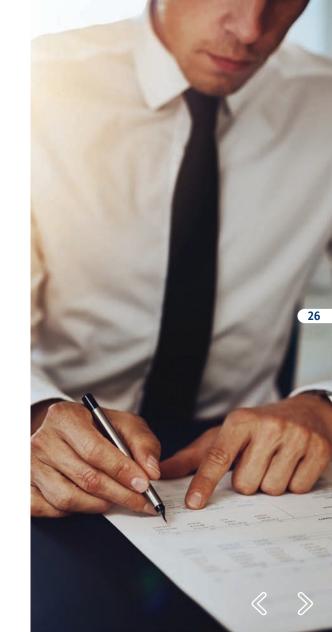
The Investor Relations area offers the Fale com RI (Speak to IR) channel, available at http://ri.tim.com.br/
FaleConosco/Fale-com-RI, to strengthen relations with potential investors and/or analysts. Queries are addressed within five working days, except for cases requiring deeper analysis. The channel also enables the submission of recommendations to the Board of Directors. The secretary receives and screens the information to be analyzed by Board members. 102-43

All operations carried out by the Company, including those contracted with related parties, are always supported by previous analyses of conditions and by TIM's strict willingness to implement them. The Brazilian Corporate Law provides that no corporate director or officer may act independently using the Company's assets and for the benefit of TIM; receive, due to the nature of its job position, any kind of direct or indirect personal advantage from any third party, unless expressly

authorized by the respective bylaws or granted by the general assembly; and intervene in any corporate transaction when it involves a conflict of interest with the Company or in other Board members' deliberations regarding such matter. 102-25



According to TIM's Bylaws, article 29, section VII, attributions of the Statutory Audit Committee (one of the Board of Director's advisory committee) include verifying, assessing and determining whether the contracts to be signed between the Company or its subsidiaries – on the one side –, and the controlling shareholder or its controlled companies, associate companies, companies subject to common control or controlled by the latter, or other related parties – on the other side –, meet the conditions adopted by the market in contracts of the same nature between independent parties. 102-25



^{*} Only active employees were considered in this analysis.

^{**}New staff that joined TIM in 2017 did not complete training by the end of the reporting period, leading to a reduction in the 2017 levels compared to the previous year.



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Policies

TIM's business model comprises a set of regulatory policies and documents that guide the Company's internal processes, in alignment with its Code of Ethics and Conduct. TIM believes that complying with such tools to fulfill the commitments undertaken with its stakeholders translates into responsible management. Some of these policies are available on the web at www.ri.tim.com.br.

TIM's policies guide its risk and anti-corruption management practices, as well as the communication with stakeholders.

SOCIAL RESPONSIBILITY POLICY

Reports our guidelines on matters such as health and safety, diversity, child labor and compulsory or forced labor, freedom of association and the right to collective bargaining, discrimination, psychological and sexual harassment, working hours, and remuneration. 103-408

ENVIRONMENTAL POLICY

Establishes principles aimed at fostering continuous improvement in environmental performance. This includes compliance with existing legislation, with the requirements of regulatory authorities and with the guidelines of the Telecom Italia Group, reinforcing the Company's commitment to sustainable development.

SAFETY AND OCCUPATIONAL HEALTH POLICY

Establishes principles to be applied to all our activities in Brazil, aimed at promoting continuous performance improvement in safety and occupational health initiatives, in compliance with applicable laws, regulatory authorities, and guidelines of the Telecom Italia Group, reinforcing TIM's commitment to preventing occupational diseases and accidents in its companies in Brazil.

RELATIONS WITH SUPPLIERS IN A TIM PURCHASING PROCESS

Provides guidelines for the purchasing process, aimed at reducing costs while improving efficiency, quality and excellence. It also addresses measures to combat child labor and compulsory or forced labor, ensuring social and environmental responsibility in the goods and services acquired.







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CORPORATE RISK MANAGEMENT POLICY 102-11

Defines methodology to enable a standardized risk management and identification process, as a reference for decision-making and planning at the Company. This policy focuses on achievement of the intended strategic results within risk management, helping increase the level of awareness, the ability to identify threats and opportunities, improving confidence while preventing or minimizing social and environmental risks and damage to the Company's reputation. It is aligned with Telecom Italia Group's guidelines and developed according to international standards (COSO)¹. 102-11 205-1

ANTI-CORRUPTION POLICY

TIM's Anti-Corruption Policy follows several global rules governing the subject – such as no payment, request or acceptance of any kind of benefit –, providing guidance on how to behave in circumstances involving one or more of these acts of corruption. It applies to all employees, Board members, and top management of the Company.

Other guidelines are available to support safety and occupational health issues, relations with suppliers, and anti-trust practices.

CONFLICT OF INTEREST MANAGEMENT POLICY

This 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 transparent behavior is expected. It applies to all TIM employees, members of the board of directors, and top management.

RELATED-PARTY TRANSACTION POLICY

This policy sets forth the guidelines and procedures to be followed by TIM companies in Brazil regarding transactions with related parties – companies or private individuals. In accordance with the law, no special favors may be granted in these operations.







¹The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a U.S. not-for-profit organization that provides corporate guidance on the prevention of fraud in internal processes and procedures. The guidelines are considered global references.



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Ethics in business

TIM is committed to running its business activities with ethics, professionalism, and transparency, and according to law. To reinforce this commitment, the Company has established an Organizational Model based on the analysis of public or private corporate relations and processes, which are sensitive to all Anti-corruption regulations. It particularly addresses Federal Law No. 12.846/2013. which rules on the administrative and civil liability of legal entities involved in harmful acts against the public/private administration, whether national or foreign. 103-419

This model is an integral part of Telecom Italia Group's Compliance Program and meets the provisions of the Italian Legislative Decree No. 231/01, the Anti-Corruption Law, as well as of international regulations on the subject, such as the Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act.

TIM rejects and condemns unlawful and improper behaviors (including acts of corruption of any kind) aimed at attaining economic goals. Its Anti-Corruption Policy is based on the values and principles of the Code of Ethics and Conduct and the Conflict of Interest Policy, and defines the sensitive areas and guidelines to control such processes. It applies to corporate bodies, directors, executives, employees, and anyone doing business with TIM. 103-205

The Anti-Corruption Program comprises risk assessment activities that contemplate monitoring and assessment of processes involving sensitive subjects, such as the acceptance of gifts, donations and sponsorships. The Company also analyzes complaints received in the Whistleblower Channel and queries from the Ethics and Compliance Channel. In order to improve its contracting process, including the determination of potential conflicts

of interests, TIM maps all suppliers that are related to public entities. 102-11 103-205

TIM also applies due diligence questionnaires to identify suppliers who may pose any risks to the Company. This action resulted in the development of our assessment process, improving the identification of risks and mitigating legal threats, as well as threats to the Company's reputation. TIM has made improvements to compliance clauses in contracts, and conducts specific training sessions to reinforce its anti-corruption policy guidelines. 102-9 205-1 103-205

TIM recognizes the National Advertising Self-Regulatory Council (Conar, in Portuguese) as the responsible authority to oversee ethics in Brazilian advertising, and submits to the country's Advertising Self-Regulatory Code, as well as the Consumer Defense Code. The Legal area is involved in the analysis of all company media and advertising. 103-417





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Fostering innovation 33







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TIM recognizes the importance of fostering innovation in products and services. Groundbreaking and innovative offers are the cornerstone of TIM's comprehensive portfolio of personal and corporate solutions that cater for both individuals and small, medium and large enterprises. In addition to traditional voice and data services, the Company offers a fixed ultra-broadband service called TIM Live, as well as fixed broadband via mobile network using WTTx (Wireless To The x) technology. These solutions are designed to create improvements and efficiency gains and generate value for customers and the telecommunications industry, there by building a competitive edge for the Company (read more in Taking care of customers).

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The WTTx (TIM Wireless Home Broadband) solution features a rapidly developing technology with great growth potential. Since its launch in the third quarter of 2017, TIM ended the year offering the WTTx in 16 Brazilian cities across 12 different states. Among the customers who signed up for the service, 83% had no internet at home and 21% were users of pay TV. 203-2

As part of its innovation management strategy, the Company also intends to build an ecosystem of partners, including startups, to encourage entrepreneurship and strengthen the internal environment in the guest of new business models. All innovation projects receive support from TIM Lab, a space equipped with cutting-edge equipment and with engineers, researches, and technicians that create an optimum environment for testing new products. Operating as an open ground for opportunities, TIM Lab is at the forefront of innovation in the Brazilian telecommunications market, and has become a national reference in Research and Development activities.

103-1 103-2 103-3

Its infrastructure enables a full-cycle service verification process – from validation of smartphones and network platforms to checking the usage in TIM plans and renewal of services. Tests are conducted in controlled environments, such as shielded enclosures and rooms. eliminating external and internal interference and ensuring more accurate results. 103-1 103-2 103-3

TIM Lab plays a strategic role in supporting service evaluation and innovation activities. These projects foster the development of TIM's network while meeting critical business and market needs, including the assessment of next-generation networks, future Internet applications, socially responsible and eco-friendly projects, and open innovation initiatives.

TIM ranked 49th in the 2017 Valor Inovação Brasil Award.

Vol TE – a communications service that uses the 4G wireless network to provide voice calling, also known as Voice over Long Term Evolution – was one of the initiatives successfully implemented by TIM Lab. Its technology team conducted more than 180 tests to evaluate a variety of aspects, such as the quality of calls and the establishment of additional services, including call forwarding and call waiting. Proofs of concept are also being carried out to enable the operation of possible IoT business models.

TIM also joined the Telecom Infra Project (TIP), an open source hardware consortium headed by Facebook with the aim of creating a new approach to building and deploying telecom network infrastructure. TIM Lab is the first Community Laboratory dedicated to the FIP in Latin America. Some of the technologies evaluated and approved in the TIM Lab environment are considered paramount to supporting the development of the network. They include the 700 MHz LTE band, multimedia IP networks (voice over LTE, video over LTE, WiFi call services. fully defined functional blocks enabled by a multimedia subsystem (IP, or IMS, platform), network functions virtualization (NFV), 4G RAN sharing, narrowband Internet of Things (NB-IoT), DWDM, transport network, and energy saving resources and solutions, among others.



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Sign language translation technology

In 2017, TIM launched an accessibility application based on leading-edge technology that translates the Brazilian sign language (Libras) into audio messages in Portuguese, streamlining communication between people with hearing disabilities and other listeners (read more in www.projetogiulia.com.br). The Giulia – Taking Hands app was developed in partnership with Map Innovation, a developer of technology solutions for web and mobile applications and websites.

It was designed as a mobile application with artificial intelligence features, allowing users to attach the smartphone to the forearm with a clamp. A built-in sensor captures the biological signals from muscles in this region, and converts it into voice data that will be transmitted in audio to the device via Bluetooth, including display of the sign language performed by an avatar.

The app also translates the words of a conversation into sign language and is equipped with alarm clock, baby monitor, conference and emergency features. TIM customers can use Giulia without consuming their plan's data.

This initiative is intended to attract partnerships with corporate clients to use the application as a tool to

support the inclusion of this group of consumers. The app is available for free download on Google Play and the project's website offers a list of devices that support the software.

In addition to hearing-impaired users, the initiative will also benefit companies by assisting their human resource departments in hiring processes and daily communication with people with hearing and speech disabilities.

Before its launch, the application was tested in two companies in the city of Manaus (state of Amazonas), where Map Innovation is located. The experiment found that employees with hearing disabilities began to interact more with their colleagues and bosses.

This project is part of a series of initiatives carried out within the TIM Accessibility program, which supports the integration of people with disabilities in the labor market. In 2017, the operator also launched the Emoti Sounds project, featuring audio emojis that communicate the emotion of icons to users. It was developed along with the Instituto Benjamin Constant, a reference center in the field of visual impairment in Brazil.





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FOSTERING INNOVATION

The first edition of TIM Open Hackathon, an event designed to encourage collaboration for development of groundbreaking solutions, were attended by 30 professionals, including software developers, designers, engineers, marketing professionals, and entrepreneurs.

DEVELOPMENT OF IOT&ANALYTICS SOLUTIONS

TIM has invested in an operational unit dedicated to IoT & Analytics solutions in its office located in the city of São Paulo, creating an environment equipped with state-of-the-art technology to receive startups and partners to build new solutions and business models.

The initiative was implemented one year after TIM launched its Open Innovation Program, which seeks collaboration with companies offering complementary business activities.

In addition, the Company runs a program for scientific and technological exchange and cooperation with the Department of Computer Science of the Pontifical Catholic University of Rio de Janeiro (PUC-Rio). The partnership involves a series of actions and events about IoT-related topics, including development of innovative products and services and improvement of technologies with emphasis on new IoT solutions and devices.





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MENTORING AND KNOWLEDGE SHARING

Through another partnership established with Fundação Centros de Referência em Tecnologias Inovadoras (CERTI, in Portuguese), an institution associated with the Metrology Laboratory of the Mechanical Engineering Department (Labmetro) of the Federal University of Santa Catarina (UFSG), TIM will provide knowledge and guidance to approximately 60 startups developing nationwide

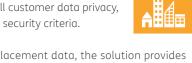
projects, in addition to exchanging experiences and best practices to foster innovation.

TIM also collaborates with Itaú Unibanco's Cubo Coworking space, a startup incubator based in São Paulo, providing guidance in a few projects as well as ultra broadband network infrastructure.

BIG DATA AT THE MOBILE WORLD CONGRESS AMÉRICAS

TIM introduced a Big Data case during the last edition of the Mobile World Congress Americas (MWCA), held in September, in the United States.

Developed alongside the Operations Center of the City Government of Rio de Janeiro, TIM's Big Data solution maps the displacement of users through voice, SMS and data traffic, with the aim of helping external partners and corporate clients manage major events. It is based on the concept of Smart Cities, and monitoring is carried out in real time and according to all customer data privacy, confidentiality and security criteria.



In addition to displacement data, the solution provides an estimate of concentrations of people in specific locations, helping in urban management-related decisions during major events.

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As part of its innovation management strategy, TIM intends to build an ecosystem of partners, including startups, to encourage entrepreneurship and strengthen the internal environment in the quest of new business models.



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TAKING CARE OF BUSINESS 103-201 103-201

TIM's 2017 financial indicators suggest that growth momentum resumed in the second half of 2016. The Company focused its efforts on implementing the designed plan, regaining a solid growth path and hitting record highs in important financial indicators such as EBITDA and EBITDA Margin in the fourth quarter, in spite of a very gradual macroeconomic recovery (read more in Macroeconomic and industry scenario).

These results stem from TIM's commitment to bringing the best customer experience, a strong increase in its value proposition and greater incentive compared to recurring offers. Added to that is the development of the largest and foremost 4G network in Brazil and an efficiency-oriented approach to all activities, combined with the early effects of the digitalization process.

The customer base transformation – with new customer profiles and subscription to other product mixes – reflects a change in TIM users' habits and increasing demand for digital services and data. Therefore, encouraging migration to a technology that can offer superior experience with these services has become critical to ensuring successful operations. For this reason, TIM has advanced its 4G migration plan, covering 27.6 million users with this technology, a 63.7% increase that represents 47.1% of the

Company's total customer base. These figures are also due to continuous efforts to equip our users with smartphones – 80.9% of customers used this type of mobile phone by the end of 2017.

In order to sustain growth, the Company invests in initiatives to develop its infrastructure and attract a high-value customer base. Its competitive advantage achieved with the 4G leadership – covering approximately 3,000 cities and 91% of the urban population –, was maintained with a smooth deployment of the 1.8 GHz frequency refarming process and delivery of widespread efficiency through the 700 MHz band.

The use of new features is also part of building the best 4G experience. TIM was the first operator in Brazil to offer voice over LTE services, now available in 1,200 cities. TIM also continued its infrastructure deployment plan at the fastest pace using the 700Hz band, which brought higher indoor coverage quality, confirming its commitment and strong leadership position in the country with over 900 cities covered with the 4G technology.

In 2017, the Company expanded its fiber optics network – surpassing the mark of 85,000 kilometers –, improved the

mobile network's performance by connecting the sites to the network, in addition to expanding the coverage for TIM Live, a fixed broadband internet service listed on top of Netflix's speed ranking and awarded by the Estadão newspaper. Such expansion enabled the preliminary launch of an ultra-broadband service via FTTH (Fiber to the Home), also set to be expanded in 2018.

In 2017, TIM carried out its actions guided by the efficiency plan, with a focus on continuous process improvement and operational development, producing BRL 659 million in savings, despite investments in infrastructure expansion and increased business efforts to attain high value customers.

TIM's main actions within the efficiency plan include adjustment and optimization of processes and systems, revision of commissioning strategies, resizing the corporate structure, tax efficiency, contract renegotiation, and developing its own infrastructure to reduce the number of leased lines.

Some of these actions also apply to TIM's digitalization process, which already saw substantial results in 2017, such as the increased utilization of customer service and sales channels run by artificial intelligence.







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2.9 million lines added to

the postpaid plan, consolidating 30% of the total customer base.

Adjusted

EBITDA²

billion

BRL 5.9

Expansion of prepaid offers

reaches 26%, a 100% increase in their share of the customer base.

ARPU (average revenue per user) grew by 12.1% over the year¹

Total Net BRL 1.2

Net

Profit

billion

Revenue BRL 16.2 billion

Net Equity BRL 18.2 billion

The figures highlight the effectiveness of the outlined strategy. By making continuous investments in infrastructure and speeding up digital transformation, the Company met all short-term targets set in the 2017-2019 industrial plan, whose strategic pillars continue to guide TIM's quest for efficiency and improved customer experience, always on the lookout for opportunities to add further value to its business models. and customers.

These strategic goals will create strong operational and financial results and raise the quality of services provided.



¹ Average revenue per user.

² EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) adjusted by extraordinary RBS sales transactions, temporary human resources expenses and general and administrative expenses (G&A).



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DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED 201-1	2015 (IN THOUSAND BRL)	2016 (IN THOUSAND BRL)	2017 (IN THOUSAND BRL)
(A) Net revenue (not including losses for doubtful accounts and discounts granted, return and others)	23,160,218	21,045,857	20,944,978
(B) Goods and services acquired from third parties	-7,522,366	-7,149,576	-7,135,728
Costs related to services rendered and goods sold	-5,163,332	-4,174,051	-4,035,789
Materials, energy, third-party services, and others	-2,359,034	-2,975,525	-3,099,939
(C) Gross added value (A - B)	15,637,852	13,896,281	13,809,250
(D) Retentions (depreciation and amortization)	-3,361,971	-3,785,172	-4,013,671
(E) Net added value (C - D)	12,275,881	10,111,109	9,795,579
(F) Transfers	2,010,723	2,449,495	942,583
(G) Added value for distribution (E + F)	14,286,604	12,560,604	10,738,162
Salaries	498,148	462,338	375,876
Social security contributions	70,207	101,102	117,732
Private pensions	18,325	11,556	13,749
Benefits	159,978	166,386	150,569
Profit sharing	103,704	86,019	123,162
Taxes, charges and contributions, deducting allowances (exemptions)	8,448,296	7,413,798	6,530,582
Interest and rents	2,902,504	3,566,262	2,186,971
Interest on own equity and dividends	468,616	148,664	265,072
Profit/loss in the year	1,616,826	601,763	969,435
Private social investment	0	2,716	5,014







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2015 2016 2017 FINANCIAL ASSISTANCE FROM GOVERNMENT 201-4 (IN THOUSAND (IN THOUSAND (IN THOUSAND BRL) BRL) Tax and fee reductions 93.123 118,250 112,493 Grants and incentives for investments, research 18.670 28.133 28,722 and development and other types

MACROECONOMIC AND INDUSTRY SCENARIO

The Brazilian economy turned around in 2017 as GDP rose 1.00 percent, marking the first positive reading in over two years, driven chiefly by domestic consumption and trade surplus.

According to Brazil's measure of consumer price inflation, the IPCA index, inflation was strictly controlled, ending the year at 2.95%, below the Central Bank's target range. The performance was backed by a decline in food prices due to super crops, in addition to decreased beverage prices. The Bank's overnight rate (SELIC) embarked on a downward path and cut to a record low of 7% at the end of the year, a significant drop of 6.75 percentage points compared to end of year figures for 2016. This trend reflects the country's slight economic recovery and lower risk of inflation.

On the exchange rate front. The Brazilian real fell 1.50% in value against the U.S. dollar. 2017 was marked by strong fluctuations in exchange rate parity, attributed to corruption charges in Brazil, its monetary policy, and the reforms proposed by the U.S. government.

Brazil's trade balance saw a USD 67 billion surplus, rising 40.49% compared to 2016. Exports reached a 17.55% increase, against an also increased rate of 9.59% in imports.

High demand for data consumption and fixed broadband internet drove the telecom industry in 2017.

The slow economic recovery experienced in 2017 has directly affected the telecommunications industry, which maintained a reduced mobile customer base, as subscribers shifted from prepaid plans to hybrid (control) and postpaid plans.

This trend developed in response to an increasing demand for access to data and content services, while operators sought to retain its customers through offers that could lead to recurrent consumption – and hence recurrent revenue –, aligned with a more-for-less value proposition.

The industry dynamics over the year reflected the increasing data consumption trend, requiring carriers to adapt their networks and overcome the challenge of delivering an increasingly robust infrastructure with less investments. Another highlight this year was the integration of digital services, in an effort by telecommunications companies to monetize their offers by adding integrated content to their portfolio.

In addition, the increasing demand for fixed broadband services consolidated the internet access as a key asset for the population, marked by a consistent migration to higher speed service offers – particularly ultra-broadband surpassing 34 Mbps.







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ECONOMIC PROFIT

Every year, TIM calculates and tracks its economic profit⁴, which is a financial indicator that takes into account the opportunity cost in the business, calculated according to the net operating profit after tax (NOPAT⁵) and the cost of capital invested.

Despite the increase over 2016, the economic profit at the end of 2017 was minus BRL 972 million, compared to minus BRL 1.5 billion in the previous year. This performance is still mainly explained by the rise in average operating capital (+3% Y/Y) – a result of successive increases in infrastructure investments. NOPAT experienced a substantial increase (+58% Y/Y), mainly shore up by an accelerated EBIT rate, which was driven by a solid EBITDA margin increase. The latter is explained by (i) rising Mobile Service Revenues, with higher contribution margins, (ii) increased revenue from fixed services, and (iii) cost control.







⁴Economic profit = operating profit after income tax in the period - (average capital invested in the period x cost of capital).

⁵Net Operating Profit After Tax



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ECONOMIC GOALS

In February 2017, TIM introduced its strategic plan for the 2017-2019 period, highlighting the 2016 turnaround and projecting strong progress in the period.

The plan established guidance through (i) mobile service revenues, (ii) EBITDA, (iii) Capex margin and (iv) (EBITDA – Capex), broken down into short and long-term targets.

At the end of 2017, the figures reported by the Company reflected a steady recovery, with emphasis on the (i) business growth path, as evidenced by higher revenues, (ii) profitability edging up with a sharp increase in EBITDA, EBITDA Margin and (Capex – EBITDA), and (iii) solid operational and network performance, strengthened by 2.9+ million net additions to mobile postpaid and 86.000+ net additions to ultra broadband, as the company remained at the forefront of 4G coverage.

In view of the valuable change in the customer base, strong competitive advantage on the back of infrastructure developments, the digital transformation spurring efficiency and customer experience, and consistent progress made with TIM Live, the Company's results by the end of 2017 surpassed the short-term targets set in the 2017-2019 industrial plan. Such achievements reflected in steady revenue growth, strict cost control and profitability at record highs.

Net Revenue from Services

+5.1% Y/Y

Net Revenue from Mobile Services

+5.1% Y/Y

Fixed Ultra-broadband Revenue

+44.6% \(\frac{1}{2}\)

in 2017

Record EBITDA¹

BRL 5.95 billion

Record EBITDA Margin¹ 36.6%

2017

Increased EBITDA¹

+13.7% \//

in 2017

NET ADDITIONS TO MOBILE POSTPAID NET ADDITIONS TO FIXED ULTRA-BROADBAND #1 in Net 445 +2.9Additions 88,000 (e.g -M2M) million 509 users of Net **Net Additions** Additions to +140% 935 4Q16 7 to the Postpaid Ultra-broadband Service in 2017 in 2017 1.028

¹Excluding non-recurring effects.

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2016-2018 INDUSTRIAL PLAN

INDICATOR	DEFINITION	MEASURE	MEASURE HORIZON	SHORT-TERM TARGET	LONG-TERM TARGET	2017 RESULTS
Net Revenue from Mobile Services	Revenues after payment of taxes, sales return and accounting of discounts in mobile services.	N/A	2017, 2018 and 2019	Positive performance in all quarters of 2017	Share in Net Revenue from Mobile Services – approximately 25% in 2019	+ 5.1%
EBITDA Margin	Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) on the Total Net Revenue.	%	2017, 2018 and 2019	Positive performance in all quarters of 2017	EBITDA Margin above 36% in 2019	+13.7% EBITDA 36.6% EBITDA Margin
Capex	Medium and long-term investments in acquisition, improvement, development or expansion of infrastructure, equipment, systems and properties. Excluding the amounts invested in the acquisition of frequency licenses.	BRL	2017, 2018 and 2019	Approximately BRL 4 billion in 2017	Capex below BRL 12 billion in the three-year period	BRL 4 billion
EBITDA - Capex	minus the Company Capex, measured as a percentage of the revenues.	%	2017, 2018 and 2019	Result between 6.7% and 9.9% in 2017	Result greater than 15% of the revenues in 2019	11.1%



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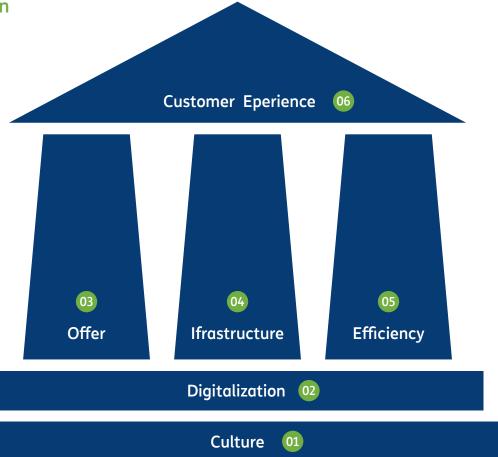
2018-2020 Strategic Plan

TIM's strategic plan for the next three-year period involves six aspects – culture, digitalization, offers, infrastructure, efficiency and customer experience, which will guide the Company's efforts to redesign the customer experience to become the best value for money player, leveraging our leadership position in Ultra-Broadband services and our disruptive offer proposition.



Digital Transformation

Digital Marketplace
designed to connect
customers and foster
partnerships





Residential ultrabroadband via the 4G network

Convergent offers and multimedia services

4G expansion in 700MHz Covering more than 90% of the urban population

Selective expansion of the FTTx network

05 Integrated channel approach to sales and customer service

More flexibility to lead market evolution

Improved Customer Experience due to advances in all other pillars







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Within the cultural aspect, the goal is to reinforce accountable behavior and sense of belonging, which is key to ensuring deep transformation in our corporate culture. By fostering the concept of accountability, TIM will enable its employees to focus their creativity and energy in finding new solutions and delivering reliable results.

The pillar of digitization aims to speed up the development and implementation of digital systems, improving customer experience while providing significant operational and financial gains.

Such operational speed and efficiency derives from the trend-following migration to versatile digital platforms using state-of-the-art technology.

In offers, TIM proposes to develop new packages on a selective basis, according to each customer's profile. Additionally, the Company intends to expand the provision of ultra fixed broadband via FTTH (Fiber-to-the-Home) and WTTx (Wireless To The x) technologies, taking a selective approach with convergent offers in specific regions.

Regarding infrastructure, TIM plans to expand the 4G coverage in 700 MHz leveraging its leading position in ultra mobile broadband coverage and excellent quality. In parallel, TIM is expanding the fiber network to enlarge the fixed broadband coverage and secure the level of quality required by customers.

All of the aforementioned strategic pillars are directly connected with TIM's commitment to delivering superior customer experience. This is the primary goal covering the entire framework proposed, which places customers at the core of the decision-making process (read more in Taking care of customers).







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STRATEGIC ACTIONS **IMPACTS BY 2020** Continued expansion of the best fixed and Best in class >4K Cities covered by 4G mobile infrastructure (4G, FTTX) to differentiate (96% of urban population) in customer engagement Improve Customer engagement through >2X growth of e-bill and e-pay increased penetration of Digital interactions penetration ~5X growth in Meu TIM App users Acceleration of Mobile growth targeting more Sustainability affluent segments (e.g., control, post-paid) Postpaid segment in TIM's Report mobile CB Mix to shift from Growth of Residential BB contribution to top-line 30% to 50% Step-change growth in SMB segment leveraging 4X growth of residential BB new Organization, go-to-market and value CB (FTTX + WTTx) Development of new and innovative revenue Cash Flow Improvement of Cash Generation ability through ≥40% EBITDA margin in 2020 "smart" Capex and Debt/Tax optimization Generation ≥20% EBITDA-CAPEX Capture of digitalization efficiency potential on revenues in 2020 "Zero-based" approach on traditional efficiency levers

TIM is committed to delivering superior experience to its customers, who are at the core of the decision-making process.

In the new 2018-2020 strategic plan, the Company classified the Capex estimates and the evolution of net revenue from mobile services and EBITDA between short-term and long-term targets. The new plan is aligned with Telecom Italia group's plan and with TIM's leading role in supporting transformations in the Brazilian telecommunications market. More info about TIM's financial performance is available at www.tim.com.br/ri.





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INDICATOR	DEFINITION	MEASURE	MEASURE HORIZON	SHORT-TERM TARGET	LONG-TERM TARGET
Net Revenue from Mobile Services	Revenues after payment of taxes, sales returns and accounting of discounts in mobile services.	N/A	2018, 2019 and 2020	Growth: 5-7% in 2018	CAGR '17-'20 at 5% to 9.9%
EBITDA Margin	Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) on the Total Net Revenue.	%	2018, 2019 and 2020	EBITDA ≥10% in 2018	EBITDA Margin ≥40% in 202
Сарех	Medium and long-term investments in acquisition, improvement, development or expansion of infrastructure, equipment, systems and properties. Excluding the amounts invested in the acquisition of frequency licenses.	BRL	2018, 2019 and 2020	-	Approx. BRL 12 billion (2018-2020) Approx. 20% on revenues
EBITDA - Capex	EBITDA minus the Company Capex, measured as a percentage of the revenues.	%	2018, 2019 and 2020	≥13% in 2018	≥20% in 2020

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TIM will invest BRL 12 billion in its Brazilian operations over the next three years, to fulfill its commitment to expand the 4G and fiber optics coverage to more than 4,000 cities and 3,000 cites, respectively, by 2020.





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TAKING CARE OF CUSTOMERS

To improve customer experience, TIM invests in infrastructure, process efficiency, and new technologies, creating bundled offers and products to cater to customers' needs and solve issues reported by users. In 2017, the Company continued to foster digital transformation by investing in the expansion of the best fixed and mobile infrastructure (3G, 4G, and FTTX) in the country.

TIM's main strategic goal consists of redesigning the Customer Experience (CX) to become the best value for money player in the market, leveraging our leadership position and competitive edge.

To achieve these goals over the year, TIM implemented a series of initiatives aimed at shifting the internal culture and promoting innovation across the business areas. More than 4,000 employees received training on customer experience, held through an average of eight sessions per month. The Company also organized 18 events and a few workshops, in addition to the CX Week, an entire week of activities dedicated to the subject.

This set of actions produced remarkable results, including a nine p.p. increase in the organizational climate survey's favorability index, 8% reduction in inbound call volumes, 111% rise in digital interactions (Meu TIM app and website), and 185% growth in sales to postpaid customers through digital channels.

Furthermore, the Net Promoter Score (NPS) survey carried out at the end of each call made to TIM's call center registered a 17-point increase in the postpaid score between January and December 2017.

Customers

58.6 million

Prepaid

40.8 million

Postpaid

17.8 millon

TIM secured its
4G leadership
position, covering
approximately 3,000
cities and 91% of the
urban population.

27.6 million 4G users



63.7% growth 47.1% of TIM's total base

TIM intends to explore and leverage its leadership position in Ultra-Broadband (4G), continuously improving customer experience to become the best value for money player in the market.



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Innovation and customer-centric products

TIM strives to cater to the needs and wishes of its users by taking a consumer-centric approach to decision-making. The product and service development process is focused on adding quality and innovation to our portfolio, extending customer lifecycle, and building loyalty through positive experiences with TIM products and services.

Besides traditional data and voice products for private customers and corporate solutions for small, medium and large enterprises, the Company also offers the TIM Live fixed ultra-broadband service, as well as fixed broadband via mobile network using WTTx (Wireless To The x) technology. 102-2

Its packages also include content and digital services, increasing the functionality of mobile devices in daily

life. In addition, custom packages and the convergent offer proposition in specific regions make TIM's the perfect all-round portfolio. 102-2

To follow-up the portfolio evolution strategy in 2017, the Company launched TIM Black and TIM Família, enhancing its postpaid offer with best-in-class service experience and new benefits. 102-2

TIM also added new features to other segments in the portfolio, being the first company to offer unlimited calls to any operator, plus data and digital services packages within the control plan. Regarding prepaid plans, TIM continues to leverage its leadership position by offering packages to attract recurring customers. 102-2





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Customer service channels

Customers can contact TIM through a number of physical and online channels. The most traditional channel is the call center, to which users can connect from their mobile by dialing *144, or from any landline by dialing 1056. 102-43

TIM reinforces its commitment to excellence in customer service and customer experience by investing in projects in the digital environment.

We began migrating our website to a new version that allows responsive behavior, ensuring a positive experience for customers using mobile browsing. The process was first implemented for prepaid customers, bringing a new interface that streamlines management of the main services used by this group of consumers, such as querying data consumption, credit balance, and recharge.

Customers can also make contact via social networks. The Company has more than 769k followers on Twitter (@ TIMBrasil (twitter.com/TIMBrasil) and more than 2.7 million followers on Facebook (facebook.com/timbrasil).

Queries about phone lines can be made via the Facebook fan page or Twitter @TIM AJUDA (twitter.com/TIM AJUDA),

from Monday to Friday, from 9 AM to 6 PM. This channel on Twitter has been exclusively dedicated to customer service since 2012. By December 2017, @TIM_AJUDA accounted for more than 278k followers and more than 199,000 tweets.

Leaning on cutting-edge Artificial Intelligence to provide responsive and tailored services, TIM also offers customers the option to make contact via Chat, by interacting with a virtual assistant. In addition, an Audible Response Unit streamlines customer service through the Speech to text technology, which enables the recognition and translation of spoken language into text by computers. 102-43

TIM also participates in consumer channels managed through the principle of conciliation, such as 0800PROCON and Consumidor.gov. All TIM services and communication channels are listed in the Company's website, in the Customer Service section. 102-43

Customer service channels are also used as sources of information about opportunities for improvement, as well as research and monitoring of systemic errors.

103-1 103-2 103-2



TIM IS RECOGNIZED WITH INNOVATION AWARD

The Meu TIM (My TIM) app won gold in the Digital/Mobile category at the 23rd edition of ABEMD's Marketing & Data award, as a recognition of TIM's innovative ideas and solutions.

With "Meu TIM" (My TIM), customers can check their balance, recharge, purchase additional packages, view bills, and talk to a consultant, among other actions. Approximately 4.7 million people were using the My TIM network by the end of 2017.





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CUSTOMER SERVICE INFORMATION	2015	2016	2017
Total calls answered by Call Center	147,454,650	123,462,695	113,741,043
Total Ombudsman contacts	4,993	5,501	4,860
Total number of complaints received			
In company	6,924,976	11,554,589	17,431,034
In Anatel	493,724	563,790	590,865
In court	152,316	113,559	69,785
Total complaints and criticism resolved			
In company	100%	101.31%*	99.91%
In Anatel	99%	99.82%	99.65%
In court	86.43%	119%*	140%*
Customer satisfaction surveys – on a 0-10 scale			
Average satisfaction rating for individual customers	7.29	7.30	6.95
Average satisfaction rating with CRC service for individual customers	7.25	7.31	7.81
Anatel's Average Quality Satisfaction Rating for Prepaid Services	6.52	6.73	6.82
Anatel's Average Quality Satisfaction Rating for Postpaid Services	6.44	6.81	7.16

Customer service channels are used as sources of information about opportunities for improvement, as well as research and monitoring of systemic errors.

^{*}Percentage considers cases opened in periods prior to 2017 and closed.







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Regarding the National Satisfaction Survey, comparison between results from November 2017 and June 2017 – when the new online measurement methodology was first implemented –, showed the overall satisfaction score for postpaid on an upward trend, while the score for prepaid offers remained practically the same. Coverage, Internet and cell phone signal quality are the main reasons for customer dissatisfaction. 102-44

Anatel's Average Quality Satisfaction Survey: To comply with relevant laws, Anatel applies annual over-the-phone surveys to measure the satisfaction and quality perceived by consumers of telecommunications services in Brazil. TIM's Prepaid and Postpaid satisfaction ratings show improvements in satisfaction.

Through its Plan to Enhance Management of the Value-added Service (VAS) Portfolio, TIM was able to migrate its content providers to a proprietary tool, ensuring greater control over its service offer. The initiative also helped reduce the number of complaints from users of these services.

TIM resolved 99.91% of complaints and criticisms submitted to its channels, with 91% resolved within five days. As for complaints filed with Anatel, 99.65% were solved.

The people & skills management cycle at TIM also covers customer experience-related aspects that support the development of guidelines, reviewing of company

policies, rules, indicators, and processes to tackle its users' needs and drive business growth.

Managerial guidelines set out in a specific policy define the customer experience management process, integrating these relevant aspects into daily operations and across the customer life cycle. 103-3

Data privacy

TIM's Customer Data Privacy Policy 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. All suppliers offering Value-added Services (VAS) must sign a non-disclosure agreement with TIM. Customer registration and telephone communication data is provided to authorities only to the extent required by law and to comply with court orders for wiretap. TIM conducts its activities based on ISO 27001 – the international standard that describes best practices for information security management –, although the Company has not yet acquired its certification.

In 2017, 29 data privacy lawsuits were brought against the Company. All involved data breach, an incident in which customer data has been accessed and/ or disclosed in an unauthorized fashion, leading to civil claims for compensation for moral and material damages. Of this total, seven cases were closed through settlement agreements or payment of compensation by TIM, and 22 are currently awaiting final judgement. Such cases are handled directly with the corporate security department, which takes all applicable measures against the offenders. 418-1





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TAKING CARE OF PEOPLE 103-401

Ensuring the development and management of employees and developing the organizational model and corporate macro-processes according to TIM's strategic goals is the main mission of the Human Resources department, which values intellectual capital as its main asset.

Adherence to the 2017 Organizational Climate Survey reached 91% of employees, surpassing last year's participation by four percentage points. TIM Participações' overall favorability index reached 71%, up 9.9 percentage points compared to 2016. The methodology identifies the factors influencing employee engagement and organizational support – one as a lever to the other – to reflect on the effectiveness of the professionals of the company. 102-43 102-44

The Company gathered Executive Board members in workshops throughout the year to raise awareness and set priorities for the subject. Second-tier leaders were invited to join work groups to suggest plans of action for implementation of organizational priorities, including Development, "How am I Working?", Level of Trust in TIM, Customer Service, and Clear Communication and Segmentation. 102-43 403-3

Business areas with the lowest scores in 2016 established specific plans of action to tackle the issues in 2017, taking targeted measures that led to a higher favorability level.

102-43 403-3





TIM has implemented the Flex Office Program, offering employees the opportunity to work remotely, balancing their personal and professional life while taking advantage of all the mobility the telecommunications technology has to offer.







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Information about employees and other workers 102-8

BREAKDOWN OF EMPLOYEES BY TYPE OF CONTRACT

2015	2016	2017
680	511	574
13,062	9,863	9,519
13,742	10,374	10,093
	680 13,062	680 511

^{*}Interns and Apprentices.

EMPLOYEES BY TYPE OF CONTRACT AND REGION 102-8

REGION	2015	2016	2017
North	346	302	258
Northeast	2,108	568	506
Midwest	434	349	366
Southeast	9,219	8,262	8,099
South	1,635	893	864
Total	13,742	10,374	10,093

BREAKDOWN OF EMPLOYEES BY AGE GROUP

102-8

	20:	15	201	.6	201	17
Up to 35 years	9,850	71.7%	6,799	65.5%	6,169	61.1%
36 to 45 years	2,877	20.9%	2,646	25.5%	2,906	28.8%
46 to 60 years	977	7.1%	897	8.6%	980	9.7%
Above 60 years	38	0.3%	32	0.3%	38	0.4%
Total	13,742	100%	10,374	100%	10,093	100%

EMPLOYEES BY FUNCTIONAL CATEGORY 102-8

	2015	2016	2017
Directors	52	53	55
Managers	801	679	681
Professionals	4,709	4,059	4,123
Sales force	612	491	482
Stores	2,342	2,127	2,042
Call Centers	4,546	2,454	2,136
Interns	278	264	300
Apprentices	402	247	274
Total	13,742	10,374	10,093

Note: TIM has no employees working part-time, except for interns and apprentices. There is no seasonal variations in employment. Significant portion of company activities carried out by third parties: approximately 11,000 call center professionals working in customer service.









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In 2017, the turnover rate decreased in comparison to 2016, then affected by the reduction in headcount in face of a challenging macroeconomic scenario. **401-1**

TURNOVER 401-1	2015	2016	2017
Overall	28.5%	51.9%	25.52%
By gender			
Men	26.5%	40.8%	24.1%
Women	30.2%	62.7%	26.9%

Note: calculation includes dismissals and terminations.

BREAKDOWN OF EMPLOYEES BY RACE/COLOR

	20 1	15	201	16	201	7
White	8,715	63.4%	6,842	66.0%	6,623	65.6%
Black	900	6.5%	651	6.3%	605	6.0%
Mixed Race	3,831	27.9%	2,630	25.4%	2,627	26.0%
Asian	165	1.2%	116	1.1%	122	1.2%
Indigenous	48	0.3%	39	0.4%	34	0.3%
Not informed	83	0.6%	96	0.9%	82	0.8%
Total	13,742	100%	10,374	100%	10,093	100%

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EMPLOYEES BY FUNCTIONAL CATEGORY AND GENDER 405-1

		2015		2016		2017
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Directors	43		47	6	47	8
Managers	537	264	455	224	443	238
Professionals	2,820	1,889	2,476	1,583	2,509	1,614
Sales force	376	236	300	191	293	189
Stores	1,102	1,240	987	1,140	937	1,105
Call Centers	1,144	3,402	609	1,845	576	1,560
Interns	144	134	133	131	140	160
Apprentices	147	255	100	147	96	178
Total	6,313	7,429	5,107	5,267	5,041	5,052





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PROPORTION OF MEN'S TO WOMEN'S SALARIES*, BY FUNCTIONAL CATEGORY

	2015	2016	2017	2017/2016 PERCENTAGE CHANGE
Directors	1,17	0,99	1,35	36.43%
Managers	1,13	1,17	1,12	-4.37%
Professionals	1,12	1,06	1,07	1.16%
Sales force/Stores	1,11	1,02	1,04	0.89%
Call Centers	1,07	1,13	1,14	1.04%
Total	1,16	1,04	1,23	18.98%

^{*}The average salary ratio indicated corresponds to the following calculation: (men's salary/women's salary). When the ratio is equal to 1, the men's average salary equals the women's average salary. Ratios above 1 indicate that the men's average salary is higher than the women's average salary.

Note: Considering employees only.

In 2017, the ratio⁴ between the highest compensation paid by the company and the average salary of all other employees was 89.4.

TIM also carries out an initiative to broaden the service offer more quickly, including creation of direct and indirect jobs. TIM Empregos is an app that offers tips and a job search engine for people looking for opportunity, their first job or replacement.







⁴The ratio between the highest total annual compensation paid by the company and the average total annual salary of all other employees, excluding the highest paid employee.



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Safety and occupational health management 103-404

Safety & Occupational Health and Social Responsibility Policies guide the company's activities and commitment to fostering ongoing performance improvement in all its safety and occupational health and initiatives. One of the challenges is to improve our current management model by adopting an integrated management system.

Although TIM employees do not perform activities with high incidence or risk of specific occupational diseases, the Company implements the Program for Medical Control of Occupational Health (PCMSO) and the Environmental Risk Prevention Program (PPRA) on an annual basis. 403-3

The PPRA is carried out in all of its operations in Brazil, as part of the on-site safety inspection procedure, aimed at identifying risks and proposing impact prevention and mitigation measures. The Program for Medical Control of Occupational Health (PCMSO) guides employees on occupational medical examinations related to environmental risk conditions, if any. Exams are performed prior to admission, on return from leave, upon change in the job position, and as part of the layoff policy process.

403-2 103-403 403-3 205-1 102-11

Every year, TIM carries out the Internal Week for Prevention of Work Accidents (SIPAT), as part of its safety and occupational health management agenda.

It is intended to foster a safety culture among its employees, raising awareness of hazards and risks in the workplace while reinforcing all relevant preventive and mitigation measures. In 2017, the SIPAT addressed the following topics through newsletters and videos on the corporate intranet: fire prevention, selective waste collection and recycling, office ergonomics, sexually transmitted diseases, and unsafe acts and unsafe conditions. TIM also counts on Internal Commissions for Prevention of Work Accidents (CIPAs) distributed across all regional units in Brazil.

All work accident cases are filed with the Brazilian Social Security Institute (INSS) through the online Occupational Accident Communication System (CAT), and are subject to analysis and investigation, in line with the procedures set forth in the Work Accident Communication Policy, available on the company intranet. No serious accidents were registered in 2017. 403-2 103-403 403-3

In addition, TIM implements flu vaccination campaigns, provides health and dental insurance plans to employees, and stimulates healthy habits by disclosing information also via intranet. Employees also receive a Gympass benefit, comprising free pass to more than 8,000 gyms across the country, and can enjoy up to 70% off the gym monthly fee.

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OCCUPATIONAL SAFETY INDICATORS 403-2

		2015	2016	2017
Total number of employees*		13,062	9,863	9,519
Number of accidents without leave Leaves registered in the CAT (Work Accident Communication System)	No	3	2	1
Number of accidents with leave Leaves registered in the CAT (Work Accident Communication System)	No	29	13	11
Frequency rate Number of accidents with leave per million man-hours worked	Rate	0.4	0.7	0.7
Severity rate Number of days lost due to accidents per million man-hours worked	Rate	5.92	6.01	8.48
Number of days lost	No	395	111	138

*Not including interns and apprentices. Note: The 2015 and 2016 data differ from the values reported over the last two years due to recalculation.





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Skills management 404-2 103-304

TIM invests in capacity-building and professional training courses that will contribute to employee development and achievement of business goals. In addition, these programs aim to prepare the staff for future challenges and scenarios, with a focus on technological and market advances.

Employees take part in specific technical training as well as refresher courses to boost their expertise; cross training sessions build their capacity in topics that permeate all areas of the company, thus contributing with actions and insights to tackle the challenges in their areas and attain business results; TIM also conducts institutional training to pass along its organizational culture to new employees.

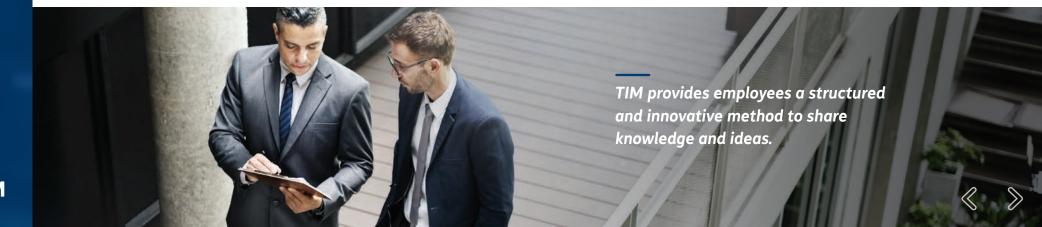
All new employees participate in courses containing guidelines on key issues for TIM – including classes about ethics, sustainability, environmental policy, safety, competence model, technical training and anticorruption practices –, the latter held at the global level across all TIM's operations.

In 2017, the Company extended the concept of Onboarding to all employees at the early stages of their careers, which involves training from day one at TIM. These employees receive onboarding, guidance, training and evaluation support throughout their first year in business. With the aim of fostering engagement and disseminating knowledge among employees, TIM also provides training and access to materials about their job

responsibilities, new skills, customer experience, as well as specific qualifications in their areas.

Relationship consultants (CRCs) are appraised on a monthly basis via the Five Star Consultant program. Employees are informed of the results of these performance appraisals, which serve to support their career development decisions. The annual average score is converted into a concept that summarizes the CR's performance, aligned with the Corporate Performance management process.

In 2017, TIM's HR department adopted new human capital management drivers, with great influence on employees, and in accordance with its organizational changes and competitive positioning in the market.









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✓ Performance Appraisal

Change to the appraisal scale, according to the group's guidelines.

✓ Career

Continued dissemination of career-related subjects through Career Workshops held by internal multipliers. This course aims to promote employee reflection, commitment and engagement with the concept of self-leadership, enhancing their level of awareness, self-appraisal and proactive approach to their career path and Individual Development Plan (IDP).

Development Plan

Dissemination of TIM's IDP governance process based on the new Skills Model, encouraging employees to become their own leader and the main actor of their professional growth.

√ 70/20/10 Learning Method

Disseminating and encouraging employees to adopt the 70/20/10 Learning Method – development will be about 70% from on-the-job experiences; 20% from feedback and interaction; and 10% from courses and reading –, which should guide their actions within the Individual Development Plan.



Multiplying Ideas Program

TIM enhanced the program in order to address behavioral issues, extending its scope beyond technical topics related to each area, also featuring a broader eligibility base.

TOPIC	INDICATOR	UNIT OF MEASURE	2017 TARGET	DEC/2017 (carried out)	2018 TARGET
Training	Training (Total hours: in classroom + online + on the job).	No. of hours (employees, interns and third parties)	450,000	559,954	764,544
Training	New employees trained in sustainability issues.	% (employees, interns and third parties)	90	89	90

In order to create a conducive learning environment, TIM has established two training targets, shown in the left table, one related to the total hours of training offered by the Company and the other concerning the percentage of employees trained in sustainability issues. In 2018, TIM intends to increase the number of training hours offered to employees by 35%, both in online and on-site courses.









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AVERAGE NUMBER OF HOURS SPENT ON TRAINING OF EMPLOYEES, BROKEN DOWN BY FUNCTIONAL CATEGORY 404-1

	2015	2016	2017
Directors	45	33	27
Managers	39	24	26
Professionals	22	15	16
Sales force	30	14	16
Stores	40	31	38
Call Centers	142	155	64
Interns	20	16	20
Apprentices	5		

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PERCENTAGE OF EMPLOYEES RECEIVING PERFORMANCE APPRAISAL, BY FUNCTIONAL CATEGORY 404-3

	2015	2016	2017
Directors	47.8%	52.6%	71%
Managers	82.2%	85.1%	96%
Supervisors (CRCs)	96%	97.3%	100%
Experts	93.4%	99.3%	100%
Analysts and Advisors	91.4%	97.3%	100%
Assistants	85.6%	93.8%	100%
Total	90.5%	94%	94.5%

PERCENTAGE OF EMPLOYEES RECEIVING PERFORMANCE APPRAISAL, BY GENDER 404-3

	2015	2016	2017
Men	91.1%	95.4%	99%
Woman	89.6%	92.6%	99.6%



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TIM

TAKING CARE OF SOCIETY 103-415

TIM believes that digital technologies can lead to important social transformations, enabling access to education, generating income and fostering social inclusion.

More importantly, technological evolution must be followed by improvements to industry-related laws, regulations, public policies, legal agreements (case law), and concepts. The Company believes that the current Brazilian telecommunications regulatory model requires adjustment to enable a new round of investment, development and inclusion.

In 2017, the Federal Government worked on various public policies that had significant indirect economic impacts on the Company and the telecommunications industry.

TIM contributed to the public inquiry into the Decree providing for Public telecommunications Policies,

We follow all UN guidelines on digital inclusion initiatives, with the aim of offering an increasing number of people the experience of communicating and accessing information through digital platforms.

highlighting the need for efficient use of innovative regulatory instruments – including Conduct Adjustment Agreements (TACs) –, as well as modifications to specific licensing schemes. The purpose is reducing social and regional inequalities through digital inclusion in a competitive environment, supported by investments in new telecommunications networks. 203-1

The Internet of Things was one of the issues at hand in the public debate. In October 2017, the Federal Government released a study gathering 75 proposals to structure, guide and enable public policies and actions on the subject, with emphasis on health, smart cities, the industrial sector, and rural areas.

As part of this digital ecosystem, TIM believes that the telecom companies' contribution to the debate goes way beyond infrastructure projects; they can help design digital platforms and solutions to support the development of smart cities, thus generating value to society. To that end, the Company created a team dedicated to developing M2M (Machine-to-Machine)/IoT solutions with a new mindset proposal and focus on the most relevant topics for the Brazilian market (*read more in Innovation and Agility*). 203-1









TIM was the first operator to enable the digital inclusion of low-income groups, offering services that allowed these customers to increase the use of voice and data. The introduction of affordable rates for unlimited on-net calls (TIM to TIM calls) is one example. Also, customers making calls to other operators are no longer charged a differentiated off-net fee.

203-1 203-2 103-1 103-2

TIM MULTIBANK CAIXA is the result of TIM's collaboration with MasterCard and Caixa, enabling TIM customers who may currently have no bank accounts or proof of residence to make and receive payments and other transactions using their cell phones. The program focuses on the unbanked of Brazil, representing a big step toward financial inclusion. Customers have the option to view their phone bills online, which brings more convenience and helps reduce paper consumption.







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Instituto TIM (TIM's Institute)

TIM believes that every child and young person has the right to science and mathematics education, one that represents the latest knowledge production in these areas; also, that technological innovation is the foundation for a new work methodology and should foster human development. Furthermore, TIM believes that people have the right to learn about the new information and communication technologies and their influence on their day-to-day decisions. Through Instituto TIM, the Company makes efforts to promote and open access to technological solutions, including distance education and

software development platforms (learn more in https://
https://
institutotim.org.br/project/). 103-3

In 2017, Instituto TIM continued developing educational and free technological solutions across the country, reaching more than 700,000 people through its initiatives since its creation. Committed to creating and strengthening resources and strategies for democratization of science, technologies, and innovation that promote human development in Brazil – with mobile technology as one of the main facilitators –, the Institute operates in the following four dimensions: 103-2

✓ 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 to support citizenship.

Instituto TIM has engaged more than 700,000 people in its projects.





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More than

70 projects

received support from the program until 2017.

Since its creation in 2013, the Institute has implemented actions in approximately 500 cities in 26 states and the Federal District, mobilizing approximately 70 municipal and state departments and three ministries – the Ministry of Education (MEC), the Ministry of Science, Technology, Innovation and Communication (MCTIC) and the Ministry of Culture (MinC). Actions were carried out in approximately four thousand public schools, benefiting more than 15,500 teachers and five hundred thousand students. Instituto TIM has engaged more than 700,000 people in its projects since its creation. Instituto







INSTITUTO TIM – OBMEP SCHOLARSHIPS

The Brazilian Public School Mathematical Olympiad was created in 2005 by the National Institute for Pure and Applied Mathematics (IMPA), with support from the Ministry of Education and the Ministry of Science, Technology, Innovation and Communications (MCTIC). Instituto TIM and IMPA established a partnership in 2015 to launch the Instituto TIM-OBMEP scholarship program, granting monthly

scholarships worth BRL 1,200.00, for a period of twelve months, renewable on an annual basis up to 48 months. Eligible students include medal winners enrolling in public universities to attend Astronomy, Biology, Computer Science, Economy, Engineering, Statistics, Physics, Mathematics, Medicine and Chemistry courses. One hundred and fifty students were selected between 2015 and 2017.

ACADEMIC WORKING CAPITAL

The Academic Working Capital program supports college students who wish to design their tech business based on their Final Assignments in the end of their undergraduate studies. Designed to foster entrepreneurship and technological innovation, the program includes financial support and tutoring for the development of prototypes. Students explore ideas to design their business by attending workshops and thematic meetings throughout the year. By the end of the year, the products are introduced to investors and experts in an Investment Trade Fair.







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THE MATH CIRCLE BRAZIL

In an effort to change the paradigm that Math is too difficult, this project brings to the country the Math Circle approach, created by Harvard professors Robert and Ellen Kaplan, according to which student participation and reflection are essential elements to build up mathematical knowledge and skills. The idea is to work on the concept: "tell me and I'll forget, ask me and I'll find out."

Targeting students from 2nd and 4th grades of public elementary schools located in underprivileged areas, the project offers Math Circle sessions as an after school activity and also provides teacher training. UNESCO recognized the success of the

project in 2016, and launched a partnership to implement the initiative in Brazil, supporting training for teachers and the production of a book about the project's best practices over the past four years.

In 2017, TIM published the results of a national survey, "The Mathematics of Children and Parents," which evidenced that the knowledge and involvement of parents in children's schooling are fundamental to their mathematical performance. The study also showed that the knowledge parents pass on to their children is comparable to one and a half year attending school.

TIM TEC

Aiming at the expansion of vocational and technological education in Brazil, the project is based on three pillars: courses, free software development and support to public education institutions that intend to install and use the software. TIM Tec offers free online courses in line with the information and communication technology axis of the National Program for Access to Technical Education and Employment (Pronatec).

Winner of the Prêmio ARede Educa 2016, which recognizes public and private experiences and initiatives towards integration of new technologies in educational environments, the project came in third in Educational Platforms for Civil Society, which evaluated distance learning and education products and solutions.

TIM Tec has become the MOOC (Massive Open Online Courses) platform whose technology and content are being shared with public education institutes from Rede e-Tec Brasil, with support from the Department of Professional and Technological Education of the Ministry of Education (SETEC/MEC). Thirteen Federal Institutes have already launched their platforms created from this software, and other ten are in the installation phase. In addition to offering the courses developed by the project, Institutions can add their own courses to the tool. Between 2013 and 2017, 30 courses were created and over 40,000 students registered in the platforms.







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CULTURAL MAPS

Instituto TIM engaged in the construction of a collaborative culture mapping and management platform, offering cultural agents, administrators and the society an opportunity to learn, share and manage the cultural production of a region in Brazil. Mapas Culturais (Cultural Maps) is a free software designed to map and disseminate cultural activities, enabling the development of networks, promoting access and

visibility to the general population, the government, and the market

In 2015, the Ministry of Culture adopted Mapas Culturais as the official tool of the Brazilian National System of Cultural Information and Indicators (SNIIC). From 2014 to 2017, the free software was installed over 30 times in dozens of cities and states across Brazil.

ZUP: PARTICIPATORY URBAN GOVERNANCE

ZUP is a free software designed to help public administrators and citizens participate in urban governance activities and operations. The initiative is aligned with the Brazilian Digital Government Policy, which guides public managers to interact with citizens, improve the internal management process and integrate with partners and suppliers.

ZUP is an important management tool that can be used by any municipality that is willing to manage their public services in a more efficient and participatory manner, offering an active role to its citizens. It comprises four modules: ZUP Cidadão (ZUP Citizen), ZUP Gestão (ZUP Management), ZUP Inventários (ZUP Inventories) and ZUP Fiscal (Fiscal ZUP), through which administrators are able to collect, analyze, organize, share and monitor information about their cities. In addition, the tool automates document flows and allows managing inventories and services provided by partner companies, among other features. The information added to the system is stored in a database that streamlines the data analysis and decision-making process.

ZUP operates in the cities of São Bernardo do Campo (São Paulo), Boa Vista (Roraima), Rio de Janeiro (Rio de Janeiro), and Cascavel (Paraná). In 2016, the unit in Rio de Janeiro was upgraded with a specific module for management of major events, used for the first time during the Olympic Games.







OUT-OF-SCHOOL

Instituto TIM and the United Nations Children's Fund (Unicef) have teamed up to develop the technological solution Busca Ativa Escolar [Active School Search], which will help and stimulate municipalities to actively search for approximately three million children and teenagers who are out of school. The goal is to offer public managers an innovate approach to this active search using Information and Communication Technologies (ICTs).

The platform was officially launched in 2017. More than 800 cities have joined the program, and administrators and other relevant players received training on how to use the tool. The participating cities form local teams with professionals from different departments within the city government (health workers, social workers, educators etc.), with support from Guardianship Councils, NGOs or other institutions to bring children and adolescents back to school. To learn more about the Busca Ativa Escolar program, go to www.buscaativaescolar.org.br.







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Private Social Investment



TIM's social investment initiatives comprise donations, projects developed by the Instituto TIM, and sponsorship of social initiatives, such as the partnership with Fundação Abrinq, whose actions are focused on children. In 2017, the Company donated to the following institutions: Casa de Passagem, Escola Técnica Redentorista, and the National Institute for Pure and Applied Mathematics (IMPA). 103-413



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PRIVATE SOCIAL INVESTMENT (IN THOUSAND BRL)¹

TURNOVER	2015	2016	2017
Donations	686	487	230
Instituto TIM projects	13,859	18,199	3,855
Education	7,195	9,358	1,713
Applications	1,306	2,904	506
Labor	3,329	2,156	849
Inclusion	927	1,557	257
Others	1,102	2,224	530
Initiatives in the community2e ²	18,968	1,278	1,063
Sports sponsorship	3,750	80	809
Cultural sponsorships	15,218	698	134
Others	0	500	120
Total	33,513	19,964	5,148

¹ The 2017 Private Social Investment amount (BRL 5,148,000.00) differs from the amount stated in the Added Value Statement [DVA] (BRL 5,014,000.00), on **page 38**, since the latter comprises investments using TIM's own funds, not tied to mandatory social contributions laid down in contracts with financial institutions, nor to sponsorships based on the tax incentive law. In 2017, TIM made no investments tied to mandatory social contributions.

² Tax incentives are included in the total amounts invested in that category and, in 2017, accounted for approximately 13% of the investment in Initiatives in the Community (in 2016, 48% and 2015, 46%).



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Stakeholder Engagement

The Company addresses the need to engage stakeholders through the principles set forth in its Engagement Policy, which guides and encourages participative relations among its employees.

TIM is also intended to maintain trustworthy, inclusive, ethical and mutually beneficial bonds, fostering dialogue among all stakeholders involved in projects and initiatives that comprise its Business model.

Therefore, we seek to develop transparent communications with all stakeholders, starting with the employees, by building a corporate environment that will encourage them to voice their ideas and share experiences. Our purpose and values are widely disseminated and put into practice.

The corporate intranet is the primary content channel, providing institutional information and internal news,

as well as access to daily work tools and systems. Internal corporate TVs are also available in common areas of the administrative buildings, with internal programming tailored to each region. Employees receive weekly newsletters featuring the highlights of the week via e-mail.

In addition, TIM takes part in ongoing dialogue about labor relations with the unions. Communication actions also contribute to engage employees with strategic issues.

All new employees go through an onboarding process and join guided visits to call centers and stores to experience TIM's customer service.

TIM reinforces transparency towards its financial and non-financial performance by disclosing its main indicators in the Sustainability Report.

TRANSPARENCY TOWARDS STAKEHOLDERS

TIM takes a coherent stance towards external stakeholders, maintaining consistent and transparent communication with shareholders, investors and financial analysts. The Company releases its financial results on a quarterly basis, and makes conference calls to journalists and analysts to disclose its three-year industrial plan, including strategies and targets, among other information. The financial results for the year are disclosed in the Shareholders' meeting. Investors and analysts have access to applications about the Company. All information about TIM's financial performance, such as disclosure of results, press releases, relevant facts, and stock quotes including institutional info – are available on the website www.tim.com.br/ri. and on Twitter www.twitter.com/tim ri Stakeholders can also ask questions, send suggestions and messages to the email <u>ri@timbrasil.com.br</u>, and subscribe to receive our e-mails with newsletters.







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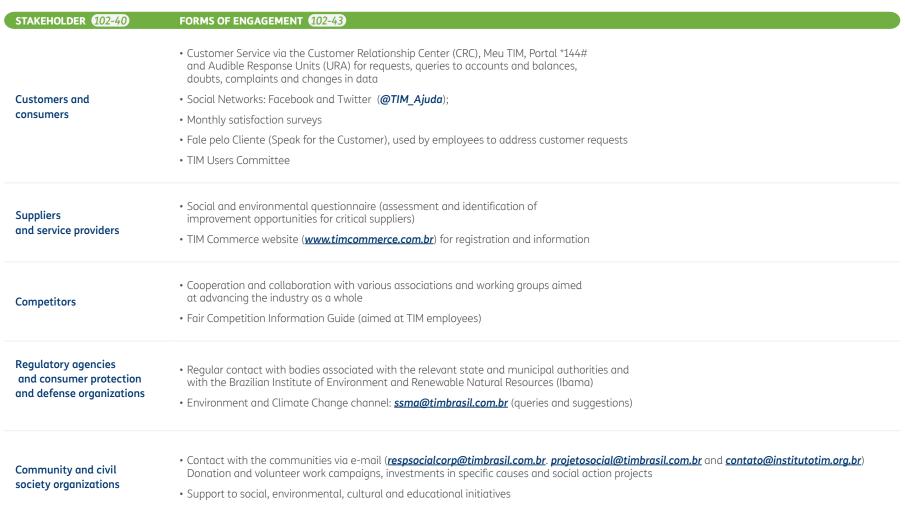
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STAKEHOLDER 102-40 FORMS OF ENGAGEMENT 102-43 Corporate intranet • Internal corporate TV • E-mails with newsletters • Safety and Occupational Health Channel (ssma@timbrasil.com.br) **Employees** • Induction week for new employees • Organizational Climate Survey • Speak to Human Resources Channel • Ethics and Compliance Channel • IR website (www.tim.com.br/ri) with relevant information and integrated and complementary services **Shareholders** • Speak to IR channel, to resolve doubts and provide information **Business partners** • Information about offers and campaigns via Mundo TIM (intranet), Sales Business Newsletter (e-mail), SMS messaging and email marketing • Social Networks: Facebook, LinkedIn, and Twitter (@TIM_Ajuda); Todos os públicos • Whistleblower Channel (available on the IR website) • Contact with the Corporate Social Responsibility department via email - respocialcorp@timbrasil.com.br.

Anatel created the Users Committee in an effort to strengthen relationships between operators, mobile phone users and members of consumer defense entities. This initiative not only stimulates citizen participation in the provision of services by operators, but also contributes to creating a more engaged society. A series of tutorials with guidance on the main consumer rights and responsibilities is available on TIM's website.







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RELATIONS WITH SUPPLIERS 414-1

TIM's value chain comprises suppliers of telecommunications network equipment and products (mobile phones, modem, etc.), technology service providers, electric utilities, as well as providers of services to other areas that support our business purposes, including consulting firms, audit companies, communication agencies, among others.

The supplier registration process requires all applicants to sign a statement representing that they have acknowledged Telecom Italia Group and TIM's commitment to comply with the Company's Code of Ethics and Conduct and with the Ten Principles of the UN Global Compact, thereby undertaking to implement and disseminate such principles and values in its activities across their business chain, where applicable. Agreements signed by suppliers generally include clauses requiring compliance and fulfillment of the Code of Ethics and Conduct and the Global Compact's Principles, such

as respect for labor and human rights, environmental protection and anti-corruption. 103-414 103-308

In 2017, TIM continued assessing social and environmental impacts across the supply chain. All suppliers with contracts over one million Brazilian reais are subject to social and environmental assessments during the qualification stage, responding to questions regarding ethical principles, child labor and forced labor, occupational health and safety, freedom of association and collective bargaining rights, harassment and discrimination, and management of environmental impacts. Those who are still considered critical shall commit to implement an action plan. In 2017, we overachieved our goal to assess suppliers on social and sustainability issues, with 620 suppliers evaluated. This corresponds to approximately 40% of qualified suppliers in the period. The increased number of suppliers assessed in 2017 is explained by a restructuring of the purchasing process, which led to a change in the previously set target. The target for 2018 is 350 suppliers. 308-1

ТОРІС	INDICATOR	UNITY OF MEASURE	2017 TARGET	DEC 2017 (CARRIED OUT)	2018 TARGET
Supplier Management	Suppliers assessed in social and environmental aspects	No. of suppliers	250	620	350









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SPENDING ON LOCAL SUPPLIERS 204-1

OCAL PURCHASES (IN THOUSAND BRL)	2015	2016	2017
Local suppliers	8,226,002	6,624,563	6,494,324
Network Infrastructure	3,239,383	3,166,998	2,969,974
Trade products	2,154,926	1,133,742	986,893
Information Technology	761,616	811,678	716,052
Professional technical services	1,632,134	1,118,046	1,070,856
Energy purchase	137,739	141,383	123,41
Others	300,205	252,716	627,13
Foreign suppliers	146,121	134,002	111,16
Network Infrastructure	32,721	45,335	9,95
Information Technology	101,894	82,226	47,17
Professional technical services	11,505	6,441	54,04
Total	7,902,754	4,841,055	6,605,48
Percentage of the budget spent on local suppliers	97%	98%	989

Note: By local supplier, the company means one that is located in the same country of TIM's headquarters (Brazil).

TIM makes use of competitive methods to select its suppliers, always seeking the best commercial agreement and the best technical service quality. Although its purchasing procedures and policies do not contain guidelines for prioritizing local suppliers, TIM seeks to build relationships with those located in Brazil, whenever possible.

To control compliance with labor rights, the Company checks the suppliers' reputation on the websites of the Business Pact for Integrity and Against Corruption and the Brazilian National Pact to Eradicate Slave Labor. Suppliers found to be using child and or compulsory labor or appear in any of the two lists may not be qualified. Among the suppliers who responded to the social and environmental questionnaire, the Company did not identify risks for occurrence of forced, compulsory or child labor.

103-405 408-1 103-409 409-1 103-406

Suppliers are also required to fill out a due diligence questionnaire, with the purpose of collecting information to verify compliance with national and international anti-corruption laws, as well as with internal rules.

TIM also requires its suppliers to comply with a specific clause under the terms and conditions of the purchase order, providing that no products purchased by TIM contain conflict minerals⁵. In the document, suppliers agree to abide by the rules and regulations established by the Securities and Exchange Commission⁶, adopting a reasonable and appropriate due diligence conduct to ensure their products do not contain these minerals.



⁵ Minerals extracted in armed conflict zones and in violation of human rights, which may be used to perpetuate fighting through the purchase of weapons. Affected countries include the Democratic Republic of Congo, Central African Republic, South Sudan, Zambia, Angola, Republic of the Congo, Tanzania, Burundi, Rwanda and Uganda.

⁶The Securities and Exchange Commission of the United States created by the U.S. Congress to regulate the securities markets and protect investors.



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TAKING CARE OF THE ENVIRONMENT

103-301 103-302 103-303 103-305 103-306 103-301 103-307

In order to minimize environmental risks, TIM monitors the daily operational aspects of the sites, establishing processes and measures to prevent, manage and mitigate impacts. Through these initiatives, TIM also intends to achieve higher quality, efficiency and security in its operations.

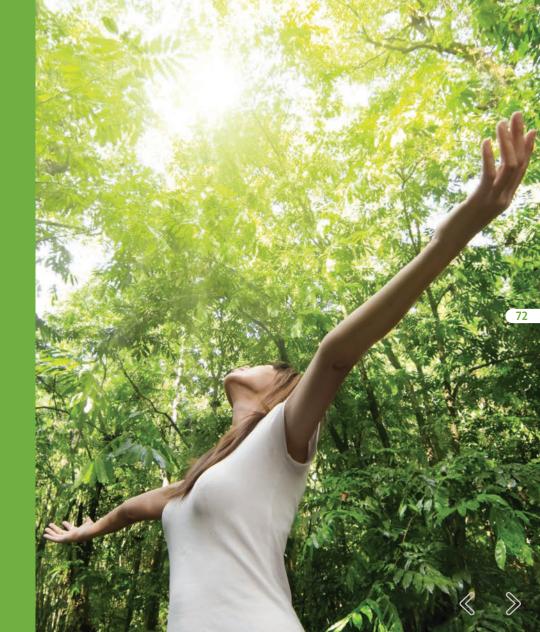
With regard to enforcement of environmental laws relating to its Radio Base Stations (RBSs), the Company counts with an interdisciplinary team within the Network area, backed by representatives of Legal, Institutional, Quality and Compliance. To prevent new non-compliance events from occurring, TIM has a licensing committee composed of various areas of the company, responsible for addressing environmental legislation matters and evaluating compliance issues to mitigate and resolve any problems.

102-11 103-1 103-2 205-1

SIGNIFICANT FINES AND TOTAL NUMBER OF NON-MONETARY SANCTIONS APPLIED DUE TO NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS (307-1)

	2015	2016	2017
Number of fines	54	430	195
Total sum of fines received (thousand BRL)	500	65,586	1,411
Total number of infraction notifications	89	442	230

Sianificant fines amounted to BRL 500.000.00 in 2017.





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Climate change

In 2017, TIM's direct emissions dropped 5%, while emissions from electricity consumption increased by 32% compared to 2016. The national grid emission factor rose 13% (emission factors: 2016 – 0.0817 tCO_2/MWh ; 2017 – 0.0927 tCO_2/MWh).

This factor is provided by the Ministry of Science and Technology, which takes into account the Brazilian energy matrix and its supply via the Sistema Interligado Nacional (SIN). During the same period, there was a 16% increase in the total consumption of electricity. 305-2

SCOPE 305-1 305-2 305-3	TYPE OF EMISSION
	1. Consumption of fuel in own fleet.
Scope 1 (direct emissions)	Consumption of diesel oil to generate energy.
Scope I (unect emissions)	3. Fugitive emissions from gases used in refrigeration and fire-fighting equipment.
	5. Tagrave emissions from gases asea in reingeration and the fighting equipment.
Scope 2 (indirect emissions associated with energy generation)	Consumption of purchased energy.
	1. Fuel consumed in:
	employee air travel
	employee commuting between work and home
Seene 2	third-party fleet and sales reps' vehicles
Scope 3 (other direct emissions)	cargo transported by air.
	2. Waste management.
	3. Production of inputs purchased.
	4. Production of energy inputs (fuel)
	5. Electricity transmission and distribution losses.



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EMISSIONS BY TYPE 305-1 305-2

	2015	2016	2017
Scope 1	10,152	4,992	4,719
	tCO ₂ e	tCO ₂ e	tCO ₂ e
Seens 3	562,952	619,930	718,359
	MWh	MWh	MWh
Scope 2	70,055	50,638	66,616
	tCO ₂ e	tCO₂e	tCO ₂ e

To offset its direct emissions under scope 1 (4,719 tCO₂e), the Company purchases carbon credits in the 'Electric Power Generation from Renewable Sources' project, which comprises four small hydroelectric plants in Minas Gerais http://www.vcsprojectdatabase.org/#/project_details/1294). TIM's third purchase of carbon credits amounted to 10,000 tCO₂e, with 5,280.96 tCO₂ e left for future offsets.

EMISSIONS DISCRIMINATED BY SCOPE AND TYPE (tCO₂e) 305-1 305-2

	2015	2016	2017
Scope 1	10,152	4,992	4,719
Own fleet	867	634	566
Generators	546	770	550
Fugitive emissions – coolants	1,512	1,834	1,620
Fugitive emissions – fire extinguishers	7,227	1,754	1,983
Scope 2	70,055	50,638	66,616
Electricity consumption ¹	70,055	50,638	66,616
Scope 1 and 2	80,207	55,630	71,335
Scope 3	42,266	32,173	35,513
Cat. 1 - Production of inputs purchased	2,697	820	838
Cat. 3a - Production of energy inputs	384	348	426
Cat. 3c - T&D losses	14,779	12,739	15,956
Cat. 4 - Transportation and distribution (upstream)	11,600	9,442	10,103
Cat. 5 - Waste disposal	848	732	593
Cat. 6 - Air travel + Taxi trips	4,493	1,925	1,947
Cat. 7 - Employee commuting	7,367	6,073	5,573
Cat. 9 - Transportation and distribution (downstream)	98	94	77







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YEAR	SCOPE 305-3 905-4 305-5	EMISSIONS BY CUSTOMER (KgCO _{,e} /CUSTOMER)	EMISSIONS BY EMPLOYEE (KgCO _, e/EMPLOYEE)	EMISSIONS RELATED TO THE NET OPERATING (kgCO ₂ e/Thousand BRL)
	1	0.08	467,6	225,3
2017	2	1.14	6,600,2	3,180,5
	3	0.61	3,518,6	1,695,6

Acknowledging the strategic nature of this issue, TIM implements actions according to the Climate Change Management Policy, striving to monitor and reduce its carbon footprint in the various stages of its activities, including operation of equipment, transportation of products, and commuting.

The Company conducts periodic mapping of the sources of emissions in all of its activities and manages this issue through the Greenhouse Gas (GHG) Inventory. This inventory is prepared on an annual basis in accordance with the guidelines of the GHG Protocol (which establishes global standardized frameworks to measure and manage greenhouse gas emissions). TIM also refers to 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 platform, Brazil's Public Emissions Registry, TIM's website (Sustainability section), and the Sustainability Report.

To meet the targets set by the Paris Agreement, countries undertake to achieve their own goals, based on the so-called Nationally Determined Contributions (NDC). The Brazilian NDC aims at the absolute reduction of 37% of emissions below the 2005 levels for the year 2025 (read more about the Paris Agreement at https://nacoesunidas.org/acordodeparis/). 102-11

The National Policy on Climate Change (PNMC, in Portuguese), which was established through Law 12187 of December 2009 and regulated by Decree No. 7390, of December 9, 2010, also confirms Brazil's alignment with international initiatives aimed at reducing the impact of climate change. At the state level, there is a trend for even stronger restrictions on emissions. In some Brazilian states, specific laws on climate change issues are already in place for sectors with the biggest carbon footprint.

Most GHG emissions quantified in TIM's inventory is associated to energy consumption (particularly by the





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network infrastructure). Therefore, policies that apply to the energy industry tend to raise the operating costs of services, causing the energy price increase to be passed on to consumers, and influencing TIM's operating costs.

Similarly, rules that affect TIM's suppliers may result in increased cost for products and services acquired by the Company. The removal of subsidies levied on the price of fossil fuels and/or the imposition of emission reduction targets in this sector can also affect TIM adversely. 201-2

For the telecommunications industry, the opportunities arising from climate change are mainly related to the development of solutions to mitigate emissions from operators and customers and to allow better adaptation to severe climate change. 201-2

Meanwhile, to prevent a scenario of scarcity in energy offering, caused by long periods without rain, TIM promotes initiatives aimed at reducing consumption of electricity in its services and installations (*read more in Energy*).

The company believes that strategic carbon management combined with transparent practices is an opportunity to attain more customers in an increasingly demanding consumer market. TIM also considers that its telecommunication services may be used to reduce emissions resulting from people commuting. They serve as basis for optimizing production processes and logistic flows in various sectors, helping customers reduce their emissions as well. 201-2

Climate change can influence the behavior of investors, who prioritize companies that are open about how they manage their emissions. 201-2 In this sense, in November 2017, TIM was confirmed for the ninth year in a row as part of the Corporate Sustainability Index (ISE), a portfolio of the São Paulo Stock Exchange (B3).

TIM participates in CDP Investors since 2007 and responds to the CDP Supply Chain questionnaire upon customer request. With this, TIM also provides information that contributes to the sustainable development of its value chain.







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Efficiency-driven management

TIM complies with specific certification requirements to ensure continuous improvement of its internal processes and services. The Company has also identified opportunities to reach higher standards of excellence by implementing the Environmental Management System (EMS) and the Safety & Occupational Health (SGSST) system in administrative offices and sites in Rio de Janeiro (Rio de Janeiro), São Paulo (São Paulo), Belo Horizonte (Minas Gerais), Curitiba (Paraná), Recife (Pernambuco), Brasília (Distrito Federal) and Belém (Pará).

All areas of the Company meet on an annual basis to perform a qualitative evaluation of the positive

and negative social and environmental externalities generated by TIM's activities, products and services. Through a multidisciplinary discussion, the areas pinpoint the existing social and environmental impacts and opportunities, and disseminate their commitment to sustainability. Our risk monitoring process covers environmental accidents. Internal controls are used to monitor the impacts associated with Radio Base Stations (ERB), which include the implementation, as well as the emission of nonionizing radiation as they come into operation. All radio base stations of TIM Brasil have a license to operate issued by the National Telecommunications Agency (ANATEL). 304-2 102-11

TIM seeks continuous improvement of its internal processes and services







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CERTIFICATION	CERTIFIED AREA	SCOPE
ISO 9001:2015 Quality Management Certification Acquisition: since 2000	Management of the TIM Celular Network.	National. Operational Units where the processes are carried out: Minas Gerais, Rio de Janeiro, São Paulo, Pará, Paraná, Pernambuco and Brasília.
ISO 9001:2015 Quality Management Certification Acquisition: since 2005	Management of the Pay-as-you-go and Postpaid billing of TIM Celular and TIM S.A. (former Intelig).	National. Operational Units where the processes are carried out: Rio de Janeiro and São Paulo.
ISO 14001:2015 Quality Management Certification Acquisition: since 2010	Management and Operation of the TIM Celular Network	Rio de Janeiro, São Paulo and Espírito Santo.
SMP Quality Regulatory Certification Acquisition: since 2004	Method for collection, consolidation and reporting of quality indicators of the Personal Mobile Service (SMP).	National
STFC Quality Regulatory Certification Acquisition: since 2014	Method for collection, consolidation and reporting of quality indicators of the Switched Fixed Telephone Service (STFC).	National
SCM Quality Regulatory Certification Acquisition: since 2015	Method for collection, consolidation and reporting of quality indicators of the Multimedia Communication Service (SCM).	National



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TIM monitors and analyzes the electromagnetic emissions from its RBSs, remaining within the limits established by the World Health Organization (WHO). The Network Area also provides that all RBSs must be installed in sites authorized by the relevant local authority, and should have urban and environmental licenses, where applicable. 304-2

Another environmental impact generated in TIM's operations is electronic waste, mainly comprising end-of life batteries from network equipment and lubricating oil from generators. In the administrative areas, organic waste represents the largest volume.

To manage these materials, TIM follows the guidelines of the Brazilian Solid Waste Policy. Its Waste Management Program provides guidance on sustainable waste management practices aimed at minimizing environmental impacts. According to TIM's Environmental Policy, these practices also include mitigation of waste production and incentives to selective collection, recovery and recycling. 306-2

Disposal of solid and liquid waste is performed by appropriate waste collection and disposal companies,

according to TIM's guidelines, whose compliance is validated by internal and external audits (ISO 14001). Collection of recyclable materials is handled by cooperatives or suppliers enabled to provide this service, while organic waste is selected and made available for public collection carried out by municipal bodies of each location. Burned bulbs are collected and disposed by partner companies. 306-2

TIM recycled 16% of the total wasted generated in its offices by December 2017, surpassing the 10% target set for the period. Our goal for 2018 is to recycle 13% of the total waste generated in the offices. 306-2

Through Programa Recarregue o Planeta (Recharge the Planet Program), TIM encourages customers to place disused mobile handsets, batteries, cables and other accessories into special bins available in its stores. All materials are sent to proper disposal sites (read more at http://www.tim.com.br/sp/sobre-a-tim/sustentabilidade/ambiental). TIM fell short of its target to recycle two tons of devices and accessories, collecting only 800 kg by December 2017. Our goal for 2018 is to recycle 1,000 kg.





The Programa
Recarregue o Planeta
(Recharge the Planet
Program) encourages
customers to place
disused mobile handsets,
batteries, cables and
other accessories into
special bins available at

TIM stores (read more at http://www.tim.com.br/sp/sobre-a-tim/sustentabilidade/ambiental).









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HAZARDOUS WASTE DISPOSAL (tons) 306-2

	2015	2016	2017
Recycling	208.48	48.58	8.62
Others	15.40	25.67	0.58
Total	223.88	74.25	9.20

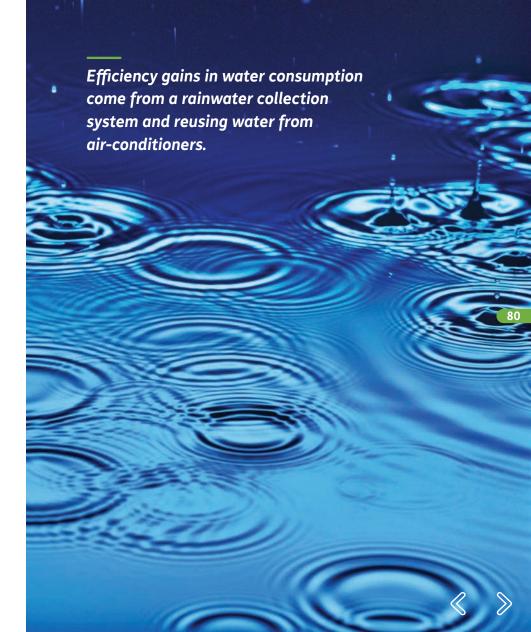
NON-HAZARDOUS WASTE DISPOSAL (tons) 306-2

	2015	2016	2017
Recycling	133.66	99.75	64.33
Landfill	426.49	371.53	298.40
Total	560.14	471.28	362.73

MATERIALS USED BY WEIGHT OR VOLUME (Kg) 301-1

	2015	2016	2017
Paper - billing	592,020	526,870	615,0741
Paper – internal use	37,579	22,678	20,310
Paper – marketing	1,877,527	22,200	42,537
Cardboard	178,425	194,758	141,757
Total Paper/Cardboard	2,685,551	766,506	819,678

¹Expansion of the postpaid client base.





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TIM also follows guidelines to reduce energy consumption in its operations. Both the air-conditioning and the lighting systems are managed towards efficient use and reduced consumption. The company has replaced the regular bulbs for energy-efficient LED light bulbs, in addition to reducing the number of bulbs in its facilities. 201-2

Efficiency gains also come from initiatives aimed at managing water consumption. In the unit located in the

neighborhood of São Cristóvão, in the city of Rio de Janeiro, the Company reuses water from the air-conditioning water (condensation). The building was equipped with a 1,000L box that collects and stores the water produced by the air-conditioning, which can be used to clean the patio, water plants, and flush toilets. 303-3

A system developed in the São Paulo office captures rainwater that can be used to clean patios and irrigate gardens. The Rainwater Collection system captures rainwater from the roofs and rainwater galleries, including physicalchemical treatment for reutilization in the toilets, through a box with total capacity to store 680 cubic meters of water. 303-3

Regarding effluents from the administrative buildings, all the volume produced by the Company goes to public sanitation grids, which are responsible for controlling the effluent treatment process as per applicable laws. The Company does not perform disposal with high environmental impact and no water body is significantly affected by the effluents generated at TIM. 306-1

TOTAL WATER CONSUMED, DISCRIMINATED BY SOURCE (CUBIC METERS) 303-1

	2015	2016	2017
Other water sources (artesian well, water truck, rainwater collection)	27,108	36,823	24,454
Water supplied by the municipal grid or other companies	167,855	154,117	125,761
Total	194,963	190,940	150,215
Percentage of the volume extracted compared to the previous year (%)	-22%	-2%	-21%

RECYCLED AND REUSED WATER (CUBIC METERS)* (303-3)

	2017
Water recycled and reused by the company	8,677
Water consumed	150,215
Percentage of recycled and reused water (%)	6

^{*}TIM started monitoring the amount of recycled water in 20:

TIM exceeded the 1% target to reduce water consumption in the offices over 2017, reaching the 3% mark. For 2018, the goal is to reduce water consumption by 1%.

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Energy

As for the energy consumed by its mobile network, which accounts for 80% of the total energy consumed in the Company, TIM set the target to limit growth in 12%, compared to 2016. At the end of 2017, the total mobile network power consumption was 9%, within the set target, the absolute leader in 4G. For 2018, that limit is set to 11%.

Its energy efficiency initiatives also mobilized energy savings. TIM believes that investing in energy efficient processes is key to leveraging the company's competitiveness and to fulfilling its Environmental Policy. Its guidelines provide for the development of actions aimed at reducing the waste of energy and materials, ensuring sustainable use of natural resources and of primary ecosystem services.

TIM achieved savings of 8,500 MWh in 2017, as a result of initiatives to drive energy efficiency. Such initiatives

include upgrading lightning and air-conditioning systems in the buildings; temporary or permanent shutdown of idle equipment; Free cooling – which consists of a ventilation system for equipment containers, where a cooler is installed in shelter-type sites (enclosures) to reduce the use of energy and refrigerant gases in air conditioning equipment; and decommissioning – shut-down or removal of equipment from the site in order to bring energy savings and clear space for new projects. The equipment removed is segregated and reused in other projects, or treated for disposal due to technological obsolescence in accordance with current laws.

TIM also has biosites installed across the country, which is an unprecedented technology comprising a structure similar to a pole that can accommodate all telecommunications equipment (2G, 3G and 4G), as well as public lighting and security cameras. The Company had 528 biosites in operation by the end of 2017.





ENERGY CONSUMED IN THE ORGANIZATION 302-1

2015	2016	2017
39,671	27,012	26,115
-	736	164
1,525	1,096	1,088
7,855	11,131	7,941
2,026,627	2,231,750	2,597,960
2,075,678	2,271,724	2,633,105
	39,671 - 1,525 7,855 2,026,627	39,671 27,012 - 736 1,525 1,096 7,855 11,131 2,026,627 2,231,750

*Ethanol consumption was included in the report in 2016.

7 Since TIM is expanding its natwork, it is impossible to







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TIM's RAN sharing agreement for the 4G network, which enables sharing the RBSs with other operators, continued to maximize the use of resources and minimize urban impacts related to the telecommunications infrastructure.

The first agreement approved by Anatel was signed between TIM and Oi in 2013. In addition to reducing costs (that are now split among TIM, Oi and Vivo), sharing infrastructure also reduce energy consumption, as it eliminates the need to build new stations.

From the sustainability standpoint, RAN Sharing brings benefits within economic, environmental and social aspects.

The 290,000 MWh reduction in 2017 corresponded to cost savings of approximately BRL 140,000,000 (Opex). Another achievement was the prevention of approximately 27,000 tons of CO_2 equivalent emissions, which would otherwise have been released if the power had been consumed in new non-shared towers. Also in the environmental aspect, the initiative reduced the demand for equipment (which may be reduced by 50%) and fuel for tower maintenance activities, optimizing the flow of operators. Lastly, resources that would be invested in the construction of new radio base stations can be reverted to other projects.

TIM's efficiency-driven initiatives achieved savings of BRL 11 million, corresponding to approximately 800 tCO₂e of emissions avoided. 305-5



Renewable Energy

TIM is committed to finding new green energy sources to reduce the environmental impact associated with the consumption of electricity by thousands of sites throughout the Brazilian territory, which are responsible for transmitting its network signal. At the end of 2017, the Company leased five Hydroelectric Generating Centers (CGHs) to meet the energy demand of approximately 1,200 sites.

In addition to this initiative, TIM installed 40 photovoltaic panels in RBSs, which resulted in savings of 134.5 kWh and BRL 18,000.

Solar panels are a clean source of energy and provide greater stability to the network, compensating for potential power outages in the utility company. TIM uses the power generated by the solar panel during daytime, after which the power consumed will come from the utility.

Aware of the potential of Brazilian renewable energy sources, TIM will continue to make green investments, fostering sustainable development and the low-carbon economy. 302-4







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GRI Content Index 102-55

ORGANIZATION	IAL PROFILE			
GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
	ORGANIZATIONAL PROFILE			
	102-1 Name of the organization	8		
	102-2 Activities, brands, products and services	8		
	102-3 Location of headquarters	8		
	102-4 Location of operations	8, 9		
	102-5 Ownership and legal form	8		
	102-6 Markets served	9		
	102-7 Scale of the organization	10		
iRI 102: ieneral	102-8 Information on employees and other workers	53		8
isclosures 017	102-9 Supply chain	29		
	102-10 Significant changes to the organization and its supply chain	There were no significant changes during the reporting period. The Company provides services nationwide. Its coverage area and the distribution of shops across the country is subject to change. There were no significant changes in the coverage area, despite the Company's effort to improve the quality of services, especially via the 4G network. The share capital and the shareholding structure remained unchanged. There were no changes in supplier location and/or supply chain.		
	102-11 Precautionary principle or approach	28, 29, 56, 72, 75, 77		
	102-12 External initiatives	15, 16, 19		
	102-13 Membership of associations	17		







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	STRATEGY			
GRI 102: General disclosures 2017	102-14 Statement from senior decision maker	5		
	ETHICS AND INTEGRITY			
GRI 102: General disclosures 2017	102-16 Values, principles, standards and norms of behavior	12, 13		16
	GOVERNANCE			
	102-18 Governance structure	20, 21		
-	102-25 Conflicts of interest	26		16
GRI 102: General - disclosures 2017	102-28 Evaluating the highest governance body's performance	20		
	102-35 Remuneration policies	20		8
	STAKEHOLDER ENGAGEMENT			
	102-40 List of stakeholder groups	68, 69		
GRI 102: General disclosures 2017	102-41 Collective agreements	100% of employees at TIM are covered by collective bargaining agreements and 431 employees are members of a trade union. Employees are free to join the Telecommunications Workers Union (SINTTEL), and all employees are represented by other worker's Unions. In compliance with Brazilian laws, TIM has negotiated a collective bargaining agreement providing for a two-year profit sharing plan with the 27 unions through two trade union federations, with annual review of financial clauses and targets.		8
	102-42 Identifying and selecting stakeholders	7		
	102-43 Approach to stakeholder engagement	25, 26, 49, 52, 68, 69		
	102-44 Key topics and concerns raised	7, 51, 52		





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	REPORTING PRACTICE			
	102-45 Entities included in the consolidated financial statements	6		
	102-46 Defining report content and topic boundaries	7		
	102-47 List of material topics	7		
	102-48 Restatements of information	No restatements of information were made in the reported data.		
	102-49 Changes in reporting	There were no significant changes from previous reporting periods in the Scope and Aspect Boundaries.		
GRI 102: Divulgações	102-50 Reporting period	6		
gerais 2017	102-51 Date of most recent report	6		
	102-52 Reporting cycle	6		
	102-53 Contact point for questions regarding the report	6		
	102-54 Claims of reporting in accordance with the GRI Standards	6		
	102-55 GRI Content Index	85		
	102-56 External assurance	6		



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	ECONOMIC PERFORMANCE			
GRI 103:	103-1 Explanation of the material topic and its Boundary	31, 61		
Management approach 2017	103-2 The management approach and its components	31, 61		1, 5, 8, 16
	103-3 Evaluation of the management approach	31, 62		
CDI 201.	201-1 Direct economic value generated and distributed	38		2, 5, 7, 8, 9
GRI 201: Economic performance	201-2 Financial implications and other risks and opportunities due to climate change	76, 81		13
2017	201-4 Financial assistance received from Government	39		
	INDIRECT ECONOMIC IMPACTS			
GRI 103:	103-1 Explanation of the material topic and its Boundary	31, 61		
Management approach 2017	103-2 The management approach and its components	31, 61		
	103-3 Evaluation of the management approach	31, 62		
GRI 203: Indirect	203-1 Development and impact of Infrastructure investments and services offered	61		2, 5, 7, 9,11
conomic mpacts 2017	203-2 Indirect economic impacts	31, 61		1, 2, 3, 8, 10, 17





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	PROCUREMENT PRACTICES			
GRI 103:	103-1 Explanation of the material topic and its Boundary	61		
Management approach 2017	103-2 The management approach and its components	61		
	103-3 Evaluation of the management approach	61		
GRI 204: Procurement practices 2017	204-1 Proportion of spending on local suppliers in significant locations of operation	71		12
	ANTI-CORRUPTION			
GRI 103:	103-1 Explanation of the material topic an its Boundary	15, 29		
Management approach 2017	103-2 The management approach and its components	15, 29		
	103-3 Evaluation of the management approach	15, 29		
	205-1 Operations assessed for risks related to corruption	25, 28, 29, 56, 72		16
GRI 205: Anti-corruption 2017	205-2 Communication and training about anti-corruption policies and procedures	26		16
	205-3 Confirmed incidents of corruption and actions taken	25		16







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	ANTI-COMPETITIVE BEHAVIOR			
CDI 102.	103-1 Explanation of the material topic and its Boundary	25		
GRI 103: – Management approach 2017	103-2 The management approach and its components	25		
	103-3 Evaluation of the management approach	25		
GRI 206: Anti-competitive behavior 2017	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	By the end of 2017, TIM has been faced with 12 legal actions for potential anti-competitive behavior related to previous years.		16
	MATERIALS			
GRI 103:	103-1 Explanation of the material topic and its Boundary	72		
Management approach 2017	103-2 The management approach and its components	72		
	103-3 Evaluation of the management approach	72		
GRI 301: Materials 2017	301-1 Materials used by weight or volume	80		8, 12



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MATERIAL ASPE	ECTS			
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	ENERGY			
GRI 103:	103-1 Explanation of the material topic and its Boundary	72		
Management approach 2017	103-2 The management approach and its components	72		
	103-3 Evaluation of the management approach	72		
GRI 302:	302-1 Energy consumption within the organization	82		7, 8, 12, 13
Energy 2017	302-4 Reduction of energy consumption	83		7, 8, 12, 13
	WATER			
GRI 103:	103-1 Explanation of the material topic and its Boundary	72		
Management approach 2017	103-2 The management approach and its components	72		
	103-3 Evaluation of the management approach	72		
GRI 301:	303-1 Total water withdrawal by source	81		6, 7
Water 2017	303-3 Percentage and total volume of water recycled and reused	81		6, 8, 12





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	BIODIVERSITY			
RI 103:	103-1 Explanation of the material topic and its Boundary	72		
anagement proach 2017	103-2 The management approach and its components	58		
	103-3 Evaluation of the management approach	72		
RI 304: odiversity 17	304-2 Significant impacts of activities, products, and services on biodiversity.	77, 79		6, 14, 15
	EMISSIONS			
	103-1 Explanation of the material topic and its Boundary	72		
RI 103: anagement proach 2017	103-2 The management approach and its components	72		
	103-1 Evaluation of the management approach	72		
	305-1 Direct (Scope 1) GHG emissions	73, 74		3, 12, 13, 14, 15
	305-2 Energy indirect (Scope 2) GHG emissions	73, 74		3, 12, 13, 14, 15
RI 305: nissions 2017	305-3 Other indirect (Scope 3) GHG emissions	73, 75		3, 12, 13, 14, 15
	305-4 GHG emissions intensity	75		13, 14, 15
	305-5 Reduction of GHG emissions	75, 85		13, 14, 15







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	EFFLUENTS AND WASTE			
iRI 103:	103-1 Explanation of the material topic and its Boundary	72		
lanagement pproach 2017	103-2 The management approach and its components	72		
	103-3 Evaluation of the management approach	72		
GRI 306: Effluents And	306-1 Water discharge by quality and destination	81		3, 6, 12, 14
Vaste 2017	306-2 Waste by type and disposal method	79, 80, 81		3, 6, 12
	ENVIRONMENTAL COMPLIANCE			
	103-1 Explanation of the material topic and its Boundary	72		
iRI 103: Management Ipproach 2017	103-2 The management approach and its components	72		
	103-3 Evaluation of the management approach	72		
GRI 307: invironmental ompliance 2017	307-1 Non-compliance with environmental laws and regulations	In 2017, TIM received a BRL 500,000.00 fine for breaching environmental permitting regulations. The Company also paid BRL 20,000.00 to the Municipal Environmental Fund of São Luiz do Anauá, in the state of Roraima, and BRL 30,000.00 to the Municipal Environmental Fund of Boa Vista, also in the state of Roraima. TIM has three Conduct Adjustment Agreements (TACs) underway in the states of Amazonas, Ceará and Roraima. Its environmental law department monitors all TAC-related judicial and administrative proceedings underway, which mainly concern environmental licensing of structures and equipment. (p. 72).		12, 13, 14, 15, 16









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	SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 103:	103-1 Explanation of the material topic and its Boundary	70		
Management approach 2017	103-2 The management approach and its components	70		
	103-3 Evaluation of the management approach	70		
GRI 308: Supplier environmental assessment 2017	308-1 New suppliers that were screened using environmental criteria	70		
	EMPLOYMENT			
	103-1 Explanation of the material topic and its Boundary	52		
GRI 103: Management approach 2017	103-2 The management approach and its components	52		
	103-3 Evaluation of the management approach	52		
GRI 401: Employment	401-1 New employee hires and employee turnover	54		5, 8
2017	401-3 Parental leave	52		5, 8





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MATERIAL ASPI	ECTS			
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	OCCUPATIONAL HEALTH AND SAFETY			
GRI 103:	103-1 Explanation of the material topic and its Boundary	56		
Management approach 2017	103-2 The management approach and its components	56		
	103-3 Evaluation of the management approach	56		
GRI 403: Occupational health and safety 2017	403-1 Workers representation in formal health and safety committees	TIM counts on Internal Commissions for Prevention of Work Accidents (CIPAs) distributed across all company units, as required by Ordinance 3.214/78, Regulatory Standard No.5, with the aim of "Preventing work-related accidents and diseases to make the work permanently compatible with the preservation of life and the promotion of workers' health," NR5.1. All actions are carried out along with the Occupational Health, Safety & Environment (OHSE) area. CIPA commissions are formed by company representatives and employees, the latter chosen by their peers through secret ballot while the company makes one referral.		8
Surcey 2017	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	56, 57		3, 8
	403-3 Workers with high incidence or high risk of diseases related to their occupation	52, 56		3, 8





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	TRAINING AND EDUCATION			
GRI 103:	103-1 Explanation of the material topic and its Boundary	56		
Management approach 2017	103-2 The management approach and its components	56		
	103-3 Evaluation of the management approach	56		
	404-1 Average hours of training per year per employee	60		4, 5, 8
GRI 404: Training and education 2017	404-2 Programs for upgrading employee skills and transition assistance programs	58		8
2017	404-3 Percentage of employees receiving regular performance and career development reviews	60		5, 8
	DIVERSITY AND EQUAL OPPORTUNITIES			
	103-1 Explanation of the material topic and its Boundary	71		
GRI 103: Management approach 2017	103-2 The management approach and its components	71		
	103-3 Evaluation of the management approach	71		







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MATERIAL ASPECTS				
GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
	DIVERSITY AND EQUAL OPPORTUNITIES			
GRI 405: Diversity and equal opportunities 2017	405-1 Diversity of governance bodies and employees	Information regarding employee race/color is obtained by self-declaration via form during the admission process. No data is updated during the year. There are no formal initiatives in place to ensure or enhance diversity, or the participation and representation of the various social groups in TIM's governance groups; however, the Company recognizes and believes that a diverse environment promotes exchange of ideas and equal opportunities to all. This culture is disseminated through internal communication and articles posted on the intranet. Thus, TIM supports different talents, experiences and the individual qualities of its employees as a way to foster innovative thinking, promoting a workplace where all people regardless of their race, religion, gender, physical or social condition, etc. can flourish. (p. 22, 54)		



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MATERIAL ASPECTS				
GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
	NON-DISCRIMINATION			
GRI 103: Management approach 2017	103-1 Explanation of the material topic and its Boundary	19		
	103-2 The management approach and its components	19		
	103-3 Evaluation of the management approach	Information regarding employee race/color is obtained by self-declaration via form during the admission process. No data is updated during the year. There are no formal initiatives in place to ensure or enhance diversity, or the participation and representation of the various social groups in TIM's governance groups; however, the Company recognizes and believes that a diverse environment promotes exchange of ideas and equal opportunities to all. This culture is disseminated through internal communication and articles posted on the intranet. Thus, TIM supports different talents, experiences and the individual qualities of its employees as a way to foster innovative thinking, promoting a workplace where all people regardless of their race, religion, gender, physical or social condition, etc. can flourish.		
GRI 406: Non-discrimination 2017	406-1 Incidents of discrimination and corrective actions taken	In 2017, the Company received three complaints involving cases of discrimination, one of which was justified, resulting in termination of contract with the reported person.		5, 8, 16



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MATERIAL ASPECTS				
GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
	CHILD LABOR			
GRI 103: Management approach 2017	103-1 Explanation of the material topic and its Boundary	19		
	103-2 The management approach and its components	19, 27		
	103-3 Evaluation of the management approach	19, 27		
GRI 408: Child labor 2017	408-1 Operations and suppliers at significant risk for incidents of child labor	71		8, 16
	FORCED OR COMPULSORY LABOR			
GRI 103: Management approach 2017	103-1 Explanation of the material topic and its Boundary	19		
	103-2 The management approach and its components	71		
	103-3 Evaluation of the management approach	71		
GRI 409: Forced or compulsory labor 2017	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor, slave	71		8





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MATERIAL ASPECTS				
GRI Standard	Disclosure	Page/URL	Omission	Sustainable Development Goals
	LOCAL COMMUNITIES			
GRI 103: Management approach 2017	103-1 Explanation of the material topic and its Boundary	66		
	103-2 The management approach and its components	66		
	103-3 Evaluation of the management approach	66		
GRI 413: Local communities 2017	413-2 Operations with significant actual or potential negative impacts on local communities	TIM has identified no significant actual or potential negative impact on local communities.		1, 2
	SUPPLIER SOCIAL ASSESSMENT			
GRI 103: Management approach 2017	103-1 Explanation of the material topic and its Boundary	70		
	103-2 The management approach and its components	70		
	103-3 Evaluation of the management approach	70		
GRI 414: Supplier social assessment 2017	414-1 New suppliers that were screened using social criteria	70		





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MATERIAL ASPECTS GRI Standard Disclosure Page/URL Omission **Sustainable Development Goals PUBLIC POLICY 103-1** Explanation of the material topic 61 and its Boundary **GRI 103:** Management 103-2 The management approach and its 62 approach 2017 components 103-3 Evaluation of the management approach 62 No financial contributions may be made to political parties, and GRI 415: Public 415-1 Political contributions politicians, as explicitly described in the Code of Ethics and Conduct, 16 policy 2017 in the Organizational Model as well as in the NGO Funding Policy. MARKETING AND LABELLING **103-1** Explanation of the material topic 29 and its Boundary **GRI 103:** Management 103-2 The management approach and its 29 approach 2017 components 103-3 Evaluation of the management approach 29 In 2017, three representations were filed against the Company with CONAR. Two were made by a competitor. The third was initiated by CONAR. Both representations made by the competitor have been concluded (one through a settlement agreement and the other through a recommendation for change). As for the representation initiated by Conar, the Council decided to close the case. All Incidents of non-compliance concerning marketing communications representations were dismissed. TIM was also asked to provide clarification about the quality of the services provided in two Brazilian **GRI 417: 417-3** Incidents of non-compliance concerning cities. In April 2017, a hearing was conducted at the House of Marketing and marketing communications labelling 2017 Representatives of the City of Içara (state of Santa Catarina) to discuss the quality of service in the city. A Public Hearing was also conducted in Campo Mourão (Paraná) to address the quality of mobile telephone service in the city, whereupon the Company had the opportunity to disclose the investments made in recent years as well as the investment plan for 2017.



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MATERIAL ASPECTS Page/URL **Sustainable Development Goals GRI Standard** Disclosure Omission **CUSTOMER PRIVACY 103-1** Explanation of the material topic 19 and its Boundary **GRI 103:** Management 103-2 The management approach and its 19 approach 2017 components 103-3 Evaluation of the management approach 51 **GRI 418: 418-1** Substantiated complaints regarding Privacidade do breaches of customer privacy and losses of 29 16 cliente 2017 customer data SOCIOECONOMIC COMPLIANCE **103-1** Explanation of the material topic 29 and its Boundary **GRI 103:** Management 103-2 The management approach and its 29 approach 2017 components 103-3 Evaluation of the management approach 29 In 2017, TIM received a BRL 500,000.00 fine for breaching environmental permitting regulations. The Company also paid BRL 20,000.00 to the Municipal Environmental Fund of São Luiz do Anauá, and BRL 30,000.00 to the Municipal Environmental Fund of Boa Vista, both in the state of Roraima. TIM has three Conduct Adjustment Agreements (TACs) underway in the 16 GRI 419: 419-1 Non-compliance with laws and states of Amazonas, Ceará and Roraima. Its environmental law 16 Socioeconomic regulations in the social and economic area department monitors all TAC-related judicial and administrative compliance 2017 proceedings underway, which mainly concern environmental licensing of structures and equipment.







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SUSTAINABLE DEVELOPMENT GOALS

1	No poverty
2	Zero hunger
3	Good health and well-being
4	Quality education
5	Gender equality
6	Clean water and sanitation
7	Affordable and clean energy
8	Decent work and economic growth
9	Industry, innovation and infrastructure
10	Reduced inequalities
11	Sustainable cities and communities
12	Responsible consumption and production
13	Climate action
14	Life below water
15	Life on land
16	Peace, justice and strong institutions
17	Partnerships for the goals







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TIM

Limited assurance report issued by independent auditors on the sustainability information disclosed in the 2017 Sustainability Report

To the Board of Directors and Shareholders of TIM Participações S.A. Rio de Janeiro - RJ

INTRODUCTION

We have been engaged by TIM Participações S.A. (TIM or the "Company") to apply limited assurance procedures on the sustainability information disclosed in the 2017 Sustainability Report of TIM Participações S.A., related to the year ended December 31, 2017.

RESPONSIBILITIES OF TIM'S MANAGEMENT

The Management at TIM is responsible for properly preparing and presenting the sustainability information in the 2017 Sustainability Report in accordance with the Global Reporting Initiative (GRI) guidelines (GRI-STANDARDS), as well as the internal controls deemed necessary to ensure this information is free from any material misstatement resulting from fraud or error.

INDEPENDENT AUDITORS' RESPONSIBILITY

Our responsibility is to express a conclusion about the information in the 2017 Sustainability Report, based on a limited assurance engagement carried out in accordance with Technical Communication CTO 01 - "Issuance of an Assurance Report related to Sustainability and Social Responsibility", issued by the Brazilian Federal Accounting Council (CFC), based on the Brazilian standard NBC TO 3000 - "Assurance Engagements Other than Audit and Review", also issued by 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). These standards require us to comply with ethical requirements - including independence requirements -, and to conduct the engagement to provide limited assurance that the information disclosed in TIM's 2017 Sustainability Report, 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 consists mainly of questions and interviews with TIM's management members and other professionals of the Company involved in the preparation of the information, and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the information, taken as a whole. A limited assurance engagement also requires additional procedures in the event the independent auditor acknowledges issues that may lead them to believe that the information disclosed in the 2017 Sustainability Report, taken as a whole, could present material misstatement.

The selected procedures were based on our understanding of the aspects related to the compilation and presentation of the sustainability information disclosed in TIM's 2017 Sustainability Report, and on other engagement circumstances, as well as on our considerations regarding areas where relevant





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misstatement could exist. The procedures consisted of:

- (a) Engagement planning, considering the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that were used to prepare the information in TIM's 2017 Sustainability Report;
- **(b)** Understanding the calculation methodology and the procedures adopted for the compilation of indicators through interviews with the managers responsible for preparing the information;
- **(c)** Application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the 2017 Sustainability Report;
- **(d)** Comparison of financial indicators with the financial statements and/or accounting records.

The limited assurance engagement also included tests to assess compliance with the guidelines of the Global Reporting Initiative (GRI- STANDARDS) applied in the

preparation of the information disclosed in TIM's 2017 Sustainability Report.

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

SCOPE AND LIMITATIONS

The procedures applied to a limited assurance engagement are substantially less extensive than if applied to a reasonable assurance engagement, which aims to issue an opinion on sustainability information disclosed in the 2017 Sustainability Report. Therefore, we cannot provide reasonable assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement. Had we conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information disclosed in the 2017 Sustainability Report. Thus, we express no opinion regarding this information.

Nonfinancial data is subject to more inherent limitations than financial data, due to the nature and the diversity of

methods used to determine, calculate or estimate such data. Qualitative interpretation of the data's materiality, relevance and accuracy are subject to individual assumptions and judgments. Additionally, we have not examined data related to targets and future projections.

CONCLUSION

Based on the procedures carried out, as described earlier in this report, we have not identified any relevant information that leads us to believe that the information in TIM Participações S.A's 2017 Sustainability Report is not fairly stated in all material aspects, in accordance with the Global Reporting Initiative (GRI-STANDARDS).

Rio de Janeiro, June 29, 2018

PricewaterhouseCoopers

Accountant Public

CRC - 2SP023173/O-4

Marco Antonio Rizzo Couto Accountant CRC - 1SP256460/O-5









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TIM BRASIL

Coordination

TIM Participações S.A. – Regulatory, Institutional and Press Relations – Corporate Social Responsibility

GRI consulting, editorial supervision, content and project management

Report Sustentabilidade

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