

SUMMARY



ABOUT TIM 03

Introduction 04

A letter from the CEO 05

About this report **06**

Our profile 08



COMMITMENT 11

Institutional partnerships and participation in sustainability

indexes 14

Corporate Governance 17



TRANSPARENCY 24

Business ethics 29



4- INNOVATION AND AGILITY 21



CONNECTING AND CARING ABOUT EACH ONE 25

Taking care of business 26

Taking care of customers 30

Taking care of people 33

Taking care of society 34

Taking care of the environment 37

6

GRI CONTENT SUMMARY 39









COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

2017 Sustainability Report



ABOUT TIM

Introduction **04**A letter from the CEO **05**About this report **06**Our profile **08**







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

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!









COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

2017 Sustainability Report



CHAIRMAN'S LETTER

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."







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

ABOUT THIS REPORT

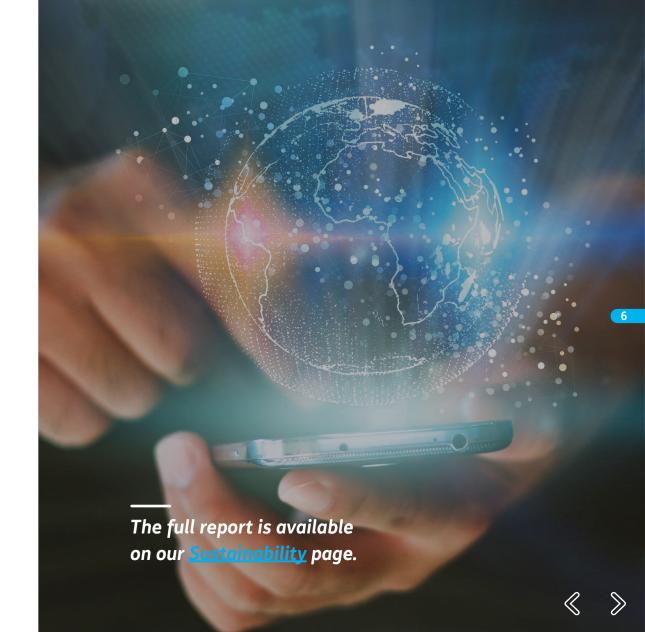
TIM Participações S.A. discloses its Sustainability Report on an annual basis, describing key management results and highlights related to topics considered material for the Company's business activities and sustainability practices.

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.

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.

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>.







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

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.

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

MATERIALS TOPICS

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.







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

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.

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.

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.









^{*} 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.

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

Approximately Brazilian cities covered

International roaming agreements across the six continents. including Antarctica

600 networks for use of voice

in more than 200 countries

Data coverage in destinations

through 413 networks











COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX









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

2017 Sustainability Report



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

10



COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

2017 Sustainability Report



COMMITMENT

Institutional partnerships and participation in sustainability indexes **15**

Corporate Governance 20







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

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.

2017 Sustainability Report



Purpose

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

Our vision

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

- 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.





COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

Our values

- ✓ CUSTOMER CARE
- ✓ COMMITMENT
- ✓ TRANSPARENCY
- ✓ INNOVATION
- ✓ AGILITY

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







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

2017 Sustainability Report



Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) are part of TIM's strategy to manage its business and material topics. The Company carries out a series of projects in support of some SDGs. Read more in the 2017 Sustainability Report.

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 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.

TIM's commitment to combating child labor, slave or forced labor, sexual or moral harassment, and

discrimination, as well as to the promotion of diversity and freedom of association, is also expressed in our Social Responsibility Policy and in our Code of Ethics and Conduct.

CLIMATE CHANGE

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.

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.





COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

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 non-financial results by organizations worldwide is also a guide to managing material topics and disclosing information with accuracy and transparency towards TIM's stakeholders.

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.

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.

2017 Sustainability Report





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.



COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

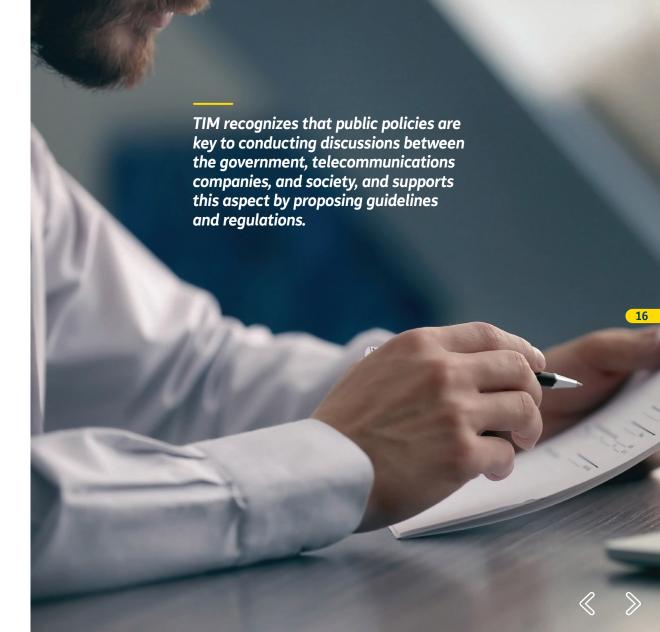
2017 Sustainability Report



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 large-scale value to society through improved channels and accessibility to communication services and efficient allocation of resources (read more in Commitment).





COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

Corporate Governance

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 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.

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.







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

2017 Sustainability Report



TRANSPARENCY

Business ethics 29







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

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).

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.

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

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.

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.









COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX



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.

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 quidelines to control such processes.

It applies to corporate bodies, directors, executives, employees and anyone doing business with TIM.

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.

TIM also applies due diligence questionnaires to identify suppliers who may pose any risks to the Company.









COMMITMENT

TRANSPARENCY

INNOVATION

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

2017 Sustainability Report



INNOVATION AND AGILITY





21



COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX 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, thereby building a competitive edge for the Company (read more in Taking care of customers).

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.

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 quest 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.

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.

VoLTE – 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.







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

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.

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.







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

2017 Sustainability Report



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.

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.





COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT FACH ONE

GRI CONTENT INDEX

CONNECTING AND CARING ABOUT EACH ONE

Taking care of business **26**

Taking care of customers 30

Taking care of people 33

Taking care of society 34

Taking care of the environment 37









COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

TAKING CARE OF BUSINESS

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.

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.

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 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.

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 1,445 cities. The Company 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, TIM 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.







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

2017 Sustainability Report





2.9 million

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

Adjusted EBITDA² BRL 5.9 billion

Profit
BRL 1.2
billion

Net

Revenue
BRL 16.2
billion

Total Net

Net Equity BRL 18.2 billion 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.

The figures highlight the effectiveness of the outlined strategy that helped the Company meet 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.





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).



COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

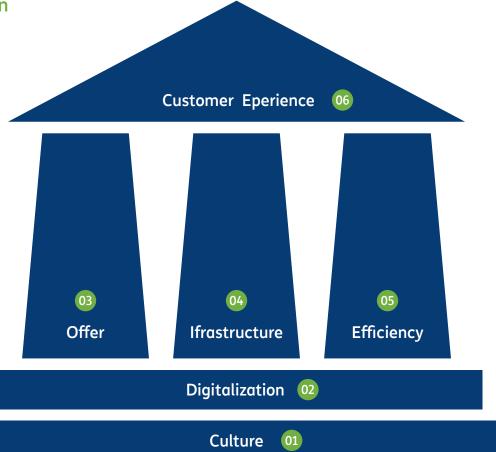
2018-2020 Strategic Plan

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 Marketplace designed to connect customers and foster partnerships

Digital Transformation





Residential ultra-broadband via the 4G network

Convergent offers and multimedia services

4**G 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







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

TIM's 2018-2020 strategic plan is based on Culture and Digitalization, with Offers as its main pillar and Customer Experience comprising the main goal. All aspects are aligned with the purpose of "Connecting and caring about each one so everyone is able to achieve more", as well as 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.

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.







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

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.

Customer Experience (CX) is at the core of TIM's strategic plan, which will guide the Company's efforts to redesign such experience to become the best value for money player, leveraging our leadership position in Ultra-Broadband services and our disruptive offer proposition.

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



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.











COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT FACH ONF

GRI CONTENT INDEX

2017 Sustainability Report



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.

TIM Black was launched in 2017 to keep up with our strategy to improve the portfolio, enhancing the postpaid offer with best-in-class service experience and new benefits.

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.





COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT FACH ONE

GRI CONTENT INDEX

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.

By the end of 2017, the Meu TIM (My TIM) application gathered approximately 4.7 million users.







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AN CARING ABOUT FACH ONF

GRI CONTENT INDEX

TAKING CARE OF PEOPLE

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.

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.

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.

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.







COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT

GRI CONTENT INDEX

TAKING CARE OF SOCIETY

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.

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.



paper consumption.

TIM was the first operator to enable

allowed these customers to increase

introduction of affordable rates for

unlimited on-net calls (TIM to TIM

calls) is one example. Also, customers

the digital inclusion of low-income

groups by offering services that

the use of voice and data. The











COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT FACH ONE

GRI CONTENT INDEX

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:// institutotim.org.br/project/).

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:

✓ 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.





COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

2017 Sustainability Report



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 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





COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT FACH ONF

GRI CONTENT INDEX



TAKING CARE OF THE ENVIRONMENT

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.









COMMITMENT

TRANSPARENCY

INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT FACH ONF

GRI CONTENT INDEX

2017 Sustainability Report



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 tCO₂/MWh; 2017 – 0.0927 tCO₂/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.

Energy

TIM's energy efficiency initiatives also mobilized energy savings. The Company believes that investing in energy efficient processes is key to leveraging its 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.

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.





COMMITMENT

TRANSPARENCY

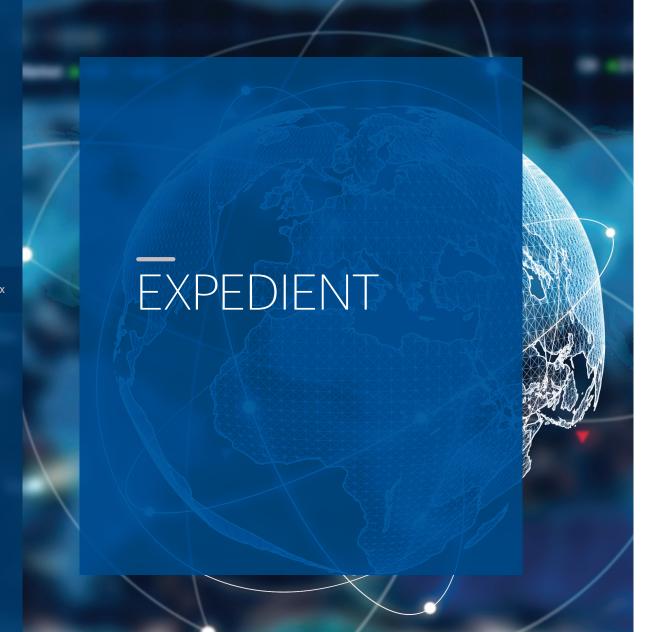
INNOVATION AND AGILITY

CONNECTING AND CARING ABOUT EACH ONE

GRI CONTENT INDEX

2017 Sustainability Report





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

Layout and graphic design

Weber Shandwick

Image bank

iStock - Getty Images / Shutterstock





TIM

www.tim.com.br









