

SUSTAINABILITY REPORT

Short version

2013



You, without frontiers.

FIND OUT MORE ABOUT TIM

Infrastructure investments with the lowest environmental impact

TIM Participações S.A. operates in the areas of long distance, fixed, and mobile phones, as well as data transmission. The second largest mobile phone operator in Brazil, the company maintained its leadership in the pre-paid segment and achieved a customer base of 73.4 million in 2013.

Based on its strategic lines, TIM implemented the year's priorities and achieved positive results, both operational and financial. To do this, we invested R\$ 3.9 billion in 2013, R\$ 3.5 billion allocated for modernization and expansion of our network infrastructure and IT (Information Technology).

Employing an innovative and economic approach and with the lowest environmental impact, the company has adopted the RAN infrastructure sharing model with another operator, launching TIM's 4G operation in the country. In addition to enabling reduction in initial investment costs, this initiative reduces energy consumption, and therefore GHG (Greenhouse Gas) emissions, with estimated savings of over 500 tons of material by 2016.



Você, sem fronteiras.

MISSION

To be close to customers, offering innovative possibilities of connectivity, focusing on their diversified expectations and needs and contributing as an agent of social evolution through sustainable management.

VISION

To be the customer's number one choice, offering innovative and high quality services, becoming a profitability reference in Brazil's telecommunication market.

VALUES

- Proactiveness
- Transparency
- Speed
- Professional excellence
- Focus on the customer
- Team spirit
- Innovation
- Entrepreneurial spirit



47mil

kilometers of long-distance network deployed



73.4

million customers – 4.3% growth in 2013



39

cities covered by the Fiber-To-The-Site (FTTS) project, which takes the fiber to the antenna, with 95% of phases 1 and 2 concluded

TIM IN BRASIL

TIM CELULAR

Mobile phone operator with activities across Brazil, as well as a provider of infrastructure and high performance communication solutions for the main cities in the country, TIM Celular is a leader in the pre-paid segment.

INTELIG

Provider of voice and data fixed telephony, Intelig offers integrated and customized solutions for the corporate market with national and international coverage. The company has an installed fiber optic network of 500 thousand kilometers, from North to South of Brazil.

2013 HIGHLIGHTS

INFRASTRUCTURE AND NETWORK

With a focus on expanding and modernizing the network across the country using the latest generation of fiber optics, TIM ended 2013 concluding 95% of the two first phases of the Fiber-To-The-Site (FTTS) project, which takes fiber to the antenna in 39 major Brazilian cities.

TIM INSTITUTE

In July 2013, TIM founded the TIM Institute to consolidate the company's private social investment strategy. The main goal is to create and develop strategic resources for the democratization of science, technology and innovation, promoting human development and leveraging mobile technology as one of its main enablers.

SUSTAINABILITY

Validating its search for a more sustainable business, the operator was confirmed in 2013, for the sixth year in a row, as part of the Corporate Sustainability Index (ISE), and for the fourth year it was selected to be part of the Efficient Carbon Index (ICO2), both initiatives of BM&FBovespa.

CORPORATE GOVERNANCE

Conducting business with ethics and transparency

Committed to the highest level of corporate governance, TIM is a publicly held corporation, managed by a Board of Directors and an Executive Board, and supervised by a Fiscal Council. The Board of Directors has the support of three committees: the Compensation Committee; the Control and Risks Committee; and the Statutory Audit Committee (CAE).

Since 2011, the company has maintained its position at the forefront of the industry regarding governance structure, being the only telecommunications company listed in *Novo Mercado*. This BM&FBovespa segment consists of shares of companies with voluntary commitment towards adopting best practices and reporting information beyond what legislation demands.

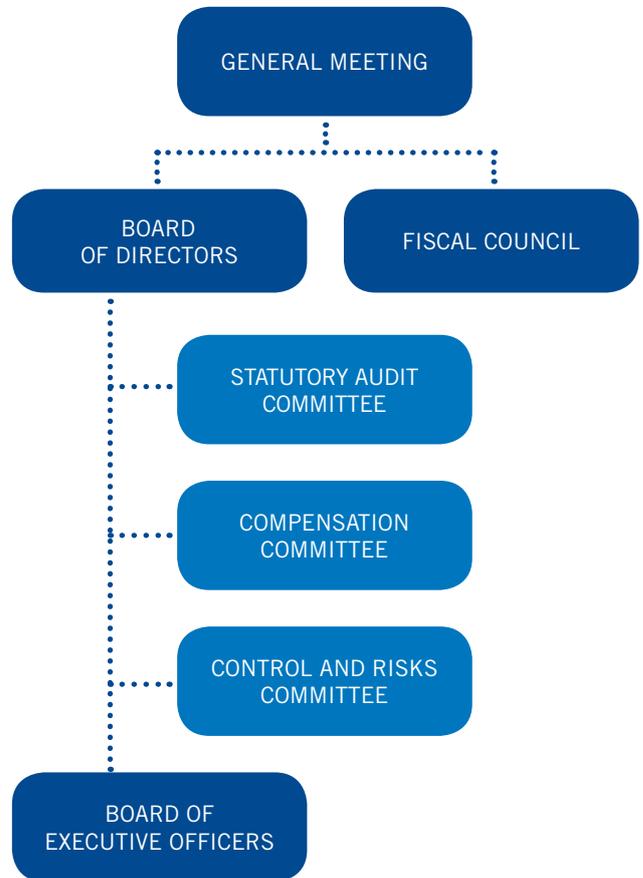
In order to be a member of *Novo Mercado*, the company converted its preference shares into ordinary shares, granting all shareholders the right to vote in general assemblies. In this manner, TIM conducts its business with ethics and transparency and is also included in the portfolios of Differential Corporate Governance Index (IGC) and the Index of Shares with Differential Tag Along (Itag).

BUSINESS LONGEVITY

The ten principles established by the Global Pact, of which TIM has been a signatory since 2008, inspired the adoption of codes and policies by the Telecom Italia Group and by the company. This set of directives contributes to guide an ethical and responsible management, reinforcing the commitment towards issues in the areas of human rights, environment, labor and anti-corruption.

In May 2013, the Board of Directors (CDA) approved the new TIM Code of Ethics and Conduct, which expresses the company's fundamental values: transparency, honesty, and loyalty. The code is designed for shareholder bodies, employees, executives, and service providers of TIM, as well as collaborators and third parties who have business relationships with the company.

INSTANCES OF CORPORATE GOVERNANCE



Also in 2013, the following documents were published: the Policy for Contracting Stakeholders, the Customer Data Privacy Policy and the Policy for Management of Corporate Risks. Other codes and policies established internally by the company to ensure quality and efficiency in its operations (available for download at TIM's site) include:

- Business Code of Conduct;
- Social Responsibility Policy;
- Engagement Policy;
- Climate Change Policy;
- Environmental Policy;
- Supplier Relationship Policy;
- Competition Defense Policy;
- Communication and Marketing Policy.

CERTIFICATIONS

Always seeking continuous improvement in its internal processes and in the services provided to its customers, TIM maintained two important international certifications, which were expanded in 2012: ISO 9001:2008 and ISO 14001:2004, validating, respectively, the quality of the services provided in network and invoicing, and the environmental preservation in the management and operation of the TIM Celular network.



ENGAGING AUDIENCES

TIM believes that by communicating with its stakeholders it can establish and strengthen an engagement process. In addition to creating the Engagement Policy in 2012, a new materiality analysis was conducted in the beginning of 2014. This process featured the involvement of collaborators, suppliers, business partners, customers and government representatives, and was aimed at identifying the most relevant topics for the company, according to the perception of impact among the audiences that have a relationship with the company.

Seeking to continuously improve the way it serves its customers, TIM conducts monthly satisfaction assessment surveys through specialized external institutes. In addition, two semestral surveys and one annual survey are conducted with a national scope, in which users evaluate all relationship areas of the company. In 2013, the average satisfaction rate for service was 7.47, and the overall satisfaction with the company was 7.92 (on a scale from 0 to 10).

In 2013, TIM also adopted the concept of multi-channeling, which consists of alternative contact channels to expand and facilitate answering user demands, while at the same time improving existing channels. They are offered on the *Portas Abertas* (Open Doors) website, on the customer service section, in the form of applications for smartphones, online chat and constant improvement.

In February 2013, TIM launched the *Portas Abertas* (Open Doors) website, which enables consumers to track the evolution of the company's network and improvement actions, reinforcing the commitment towards quality and transparency. Through the portal, the company announces coverage maps and investment indicators for the whole country, while also addressing user

Launched in 2013, the *Portas Abertas* (Open Doors) website, allows customers to track the network's evolution and the improvement actions in many areas, reinforcing TIM's commitment towards quality and transparency. More than 1 million visits were registered in the year

comments through a specific site and a mobile application for smartphones. Throughout the year, over 400 thousand contributions were received, with over 1 million visits to the platform.

CALLS ARE NOT DROPPED ON PURPOSE

On May 2013, TIM received the final report from National Telecommunications Agency (Anatel), confirming that there is no evidence of purposeful dropping of customer calls in the Infinity plan. This fact proves that the claims precociously disclosed in the media at the end of 2012 were wrong. Guided by ethics in its relationships, the company investigated the call dropping cases through two independent institutions, which confirmed that there was no evidence at the Telephone Centrals and the Ericsson Intelligent Network Solution indicating purposeful or intentional ways of disconnecting calls at the Personal Mobile Service (SMP) network.

STRATEGIES AND OUTLOOKS

Investments in network quality aimed at higher efficiency

Infrastructure was the main priority of TIM in 2013, focused mainly on improving the network quality. The company takes part in the LT Amazonas consortium, and in August it concluded the stretch from Tucuruí (PA) to Manaus (AM). More than 1.7 thousand kilometers of optic fiber were deployed in this step of its investment plan in the North region, which received R\$ 200 million.

TIM has invested over R\$ 700 million in IT (Information Technology) systems to support new processes and produce benefits, such as improving service speed and quality. The new CRM platform (Customer Relationship Management), for instance, will increase the capacity of immediate response for customer calls at the call center.

Other important projects were developed, such as pilots for small-cells (small antennas, important to ensure the quality of the new 4G network) and Wi-Fi, which was made available on 22 airports of 13 states, with a broader coverage in São Paulo.

The Mobile Broadband (MBB) Plan ended the year with 39 cities. And the Fiber-To-The-Site (FTTS), which takes the fiber to the antenna, closed the year having concluded its second phase at 95% of sites, in approximately 40 cities. By 2016, over 200 cities will be supported.

According to the Improvement Action Plan, approved by the Anatel in 2012, the company will invest R\$ 10.9 billion to improve service and network quality until the end of 2014.

TIM COMMITMENTS

GLOBAL COMPACT

The Global Compact is a United Nations (UN) initiative aimed at mobilizing the corporate community to adopt, in their business practices, essential and internationally accepted values in the areas of human rights, work relations, environment and anti-corruption. TIM joined in 2008 the Global Compact, which is formed by ten principles, part of the organization's strategy, culture and daily operations.



HUMAN RIGHTS

- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 Ensure companies do not participate in violations of these rights.

LABOR

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

ENVIRONMENT

- 7 Companies should support a preventive approach regarding environmental challenges;
- 8 Develop initiatives to promote better environmental responsibility;
- 9 Encourage development and dissemination of environmentally friendly technologies.

ANTI-CORRUPTION

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

GLOBAL REPORTING INITIATIVE (GRI)

It is a non-governmental organization developing directives for the preparation of sustainability reports. Adopted by TIM since 2008, it is the most widely accepted international standard.

CORPORATE SUSTAINABILITY INDEX (ISE)

For the sixth year in a row, TIM was included in the ISE portfolio, created by BM&FBovespa together with organizations like the Ethos Institute and the Ministry of the Environment. ISE has the goal of being a reference for socially responsible investments.

CDP

It is a non-governmental organization that built the largest global database of corporate information about climate change. Since 2007, the company has answered the CDP questionnaire about its GHG (Greenhouse Gas) emissions and its strategy regarding climate change.

COMPANIES FOR CLIMATE (EPC)

Since 2010, TIM has participated in the Companies for Climate (EPC). The volunteer initiative, coordinated by the FGV Sustainability Studies Center (GVCes) has the goal of mobilizing, raising awareness and integrating corporate leaderships for the management and reduction of GHG emissions.

EFFICIENT CARBON INDEX (ICO2)

The company is part of the Efficient Carbon Index (ICO2) from BM&FBovespa since its creation in 2010, with the commitment to measure, disclose and monitor its GHG emissions.

GREENHOUSE GAS PROTOCOL (GHG PROTOCOL)

TIM develops its emissions inventory according to the directives of the GHG Protocol, a global methodology that enables mapping the main points for improvement in emission management.

SERVICES, PLANS, AND PRODUCTS

MOBILE PHONES

Leveraging the two main service platforms offered by TIM – Infinity (pre-paid) and Liberty (post-paid) – the company presented concepts that restructured national telecommunications. In 2013, TIM launched a unique offering for customers of control and pre-paid plans, Infinity Web+Torpedo, which combines SMS and unlimited Internet for R\$ 0.75 per day of use. Infinity Web and Infinity Torpedo are still individually available. Another highlight in service offerings was the launch of TIM Music, which ended the year with 250 thousand users and over 32 million tracks downloaded.

FIXED ULTRA BROADBAND (LIVE TIM)

Launched in 2012 in the states of São Paulo and Rio de Janeiro, the Live TIM ultra broadband ended the year

of 2013 with over 60 thousand users at homes and offices. Most customers have the 35 Mb plan, and the rest use the 50 Mb plan. At the end of 2012, Live TIM had over 9,500 connected buildings, with a coverage area of approximately 1.1 million homes.

MOBILE INTERNET

TIM added new data plans to its portfolio, following the growth of demand for mobile Internet. Therefore, the company launched Liberty Web 1GB and Liberty Web 3G, ideal for users with the latest generation of devices and also compatible with the 4G technology, which started operating in 2013. Meanwhile, for the Liberty Express customers, TIM launched Liberty Express 600 Mb, Liberty Express 1 GB and Liberty Express 3 GB. The success of the 4G operation is reflected on the customer base achieved in 2013: 405 thousand users.

CORPORATE SOLUTIONS

Live TIM launched at the end of 2013 a new offering for the business segment, Live TIM Empresas. The service ensures high speed browsing, providing a unique experience with the most competitive price in the market. The company also launched the Liberty Empresa Controle plan, which helps control telecommunication service costs, avoiding surprises with high amount invoices.

SMARTPHONE PORTFOLIO

In 2013, TIM was the operator that sold the most smartphones and tablets in the market. The company also launched the highly expected Apple devices in Brazil: iPhone 5S and iPhone 5C. Also, the launch of Samsung Galaxy Note 3 was marked by events at TIM stores. TIM also launched in the fourth quarter the new LG smartphone, LG G2. It is worth noting that all devices sold by TIM are unblocked and don't have loyalty agreements (without a subsidy policy).





SUSTAINABILITY

Management committed towards a sustainable development

TIM understands that the search for a more sustainable management brings transparency and efficiency to company processes, while also enabling the deployment of businesses connected to society demands and its target audiences.

The sharing of access to the 4G network (RAN sharing), the small-cells pilot project, the virtual weather stations (which use information collected by the mobile phone network to create a virtual weather map), and the monitoring of rains through installation of rain gauges at TIM antennas – these are all initiatives that in 2013 contributed to the development of innovative alternatives, created with the company’s expertise and aligned to our search for a more sustainable operation.

The creation of the TIM Institute is also worthy of notice for having integrated the company’s private social investment strategy with the three pillars at the core of its business: science, technology and innovation.

ENVIRONMENTAL MANAGEMENT

CLIMATE CHANGE

The issue of climate change is strategic for TIM in its business. On account of that, the company monitors its GHG emissions as a way of predicting the challenges that the topic presents and preempting growing societal demand.

Since 2008, the operator has been preparing its GHG emissions inventory, an important internal management tool, based on the guidance of the GHG Protocol and the directives of the Intergovernmental Panel on Climate Change (IPCC).

In 2013, TIM’s GHG inventory was validated by the analysis of an independent provider, a measure that ensures higher transparency and reliability for the information and yielding, for the second consecutive time, the GHG Protocol gold seal.

ELECTROMAGNETISM

The Radiobase Stations (*ERBs*), structures needed for operation of the mobile phone service, generate environmental impact in their deployment and through emission of electromagnetic radiation. However, studies conducted by the World Health Organization (WHO) point out that there is not sufficient evidence to prove that the use of cell phones represents a health danger, as long as the limits and precaution rules are respected.



In spite of this, TIM constantly monitors ERB radiation emissions, ensuring the safety of these structures for society. The calculations and measurements consider the shared station cases, in which technical parameters for transceivers and antennas of other operators are evaluated. In this manner, the company's emissions of electromagnetic radiation follow the safety level regulated by Anatel.

MANAGEMENT OF RESIDUES

TIM seeks to minimize the production of residues and encourages differentiated collection, recovery and recycling in its activities. The Residue Management Program (PGR) covers the whole organization, and one of its initiatives is the selective collection of residues. Cell phones, their accessories and the portable batteries discarded, as well as batteries, are collected and sent for proper disposal, through the Recharge the Planet and Battery-Eater programs.

In 2013, the residues generated by the company went to landfills and recycling. During the year, 709.8 tons of waste was generated by the company, of which 314.08 tons (44.9%) was hazardous waste and 395.70 tons (55.75%) was non-hazardous waste. All of the generated material (100%) is picked up and transported by specialized companies from the collection point to its final destination.

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ENERGY

The energy consumed by TIM is essentially obtained from the electricity grid, representing 96,4% of the total energy consumption, with the remainder consumed by its fleet and energy generators. In order to reduce energy consumption, the company develops educational measures to raise awareness of the internal audience in administrative offices, while conducting building maintenance actions, such as reduction of operation hours for the cooling and elevator equipment.

Another action to reduce consumption is the improvement of operation capacity, through which TIM continued the Modernization and Swap project in 2013. It consists of the replacement of access equipment with more modern and efficient models, with 60% of the network having been modernized. TIM's RAN sharing agreement also enables energy reduction, estimated at 37%, among other environmental benefits.

SOCIAL PERFORMANCE

TIM invests in education and qualification programs, in order to ensure the preparation of its collaborator staff and considering future challenges and scenarios, as well as technological and market advances. The main initiatives are:

- Graduation Program, offering college-level education for up to 120 collaborators;
- International Training, offering overseas experiences to collaborators;
- Specific technical training, focused on technical qualifications and updates for performing assigned functions;
- Institutional training, supporting integration of the collaborator in the company.

In 2013, R\$ 14.5 million was invested in corporate education programs offered to employees. In addition, TIM supports 479 collaborators with financing of formal education, totaling an investment of R\$ 703.6 million.

At the end of 2013, the company's employee headcount included 12,870 collaborators, of which 12,167 were direct employees, 381 apprentices, 306 trainees and 16 outsourced.

PRIVATE SOCIAL INVESTMENT: TIM INSTITUTE

Founded in July 2013, the TIM Institute was created to consolidate the company's private social investment strategy, with a focus on science, technology and innovation. Its operations are defined based on four pillars: teaching, applications, inclusion and work.

The TIM Institute invests in innovative projects, promotes the training of teachers in the public school network, supports museums and science and technology centers, and creates and democratizes strategies and didactic resources, contributing to the teaching of sciences and mathematics for children and the technical education of youngsters. The Institute's investments in 2013 reached 288 cities and approximately 100 thousand people.

The main projects include: The Math Circle in Brazil, TIM Does Science, TIM TEC, Participative Urban Governance (ZUP), Cultural Maps, Agents of Transformation, Science without Borders and *Pastoral da Criança*.

To learn more about TIM Institute and its projects, access www.institutotim.org.br.



MAIN RESULTS ACHIEVED BY TIM IN 2013



GSM

95%

of Brazil's urban population covered by GSM technology, in 3.4 thousand cities

R\$ 3.5 BI

invested in infrastructure and network

39.6 million new lines (gross addition)

3G

78%

of the urban population in Brazil is covered by 3G technology

4G

27%

of the urban population in Brazil is covered by 4G technology

12k

points of sale across the country



100%

of data coverage with GPRS

R\$ 5.2 bi



Ebitda reached R\$5.2 million, a 4% rise in the year to year comparison

12,167

DIRECT EMPLOYEES

5,278

MEN

6,889

WOMEN



2.1 million hours of training

SELO FSC

COORDINATION TIM Participações S.A. - Department of Regulation and Institutional Affairs and Press Relations
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