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SUSTAINABILITY REPORT 2014



TIM

PRESENTATION

TIM Participações S.A. is a holding Company that provides telecommunication services – mobile, local and long distance fixed telephony and data transmission – with focus on ingenious and innovative solutions to keep its customers always connected. In 2014, TIM kept its leading position in the prepaid mobile phone sector and continued being the only company in this sector present in Novo Mercado da BM&FBovespa, considered the highest level of corporate management. The service of ultra-broadband Live TIM was pointed as the fastest and most reliable in Brazil, according to research conducted by international content providers such as Netflix and Steam. And, among the main companies in the sector, TIM was the least demanded by Procon, according to Secretaria Nacional do Consumidor (Senacon – The Consumer's National Secretariat). Those and other accomplishments throughout the last year reflect the constant pace of evolution and expansion of the company, which predicts a total investment amount of R\$14 bi on infrastructure, services and products for the triennium of 2015-17.

an increase of almost 30% over the last triennium of 2014-16.

ACCOMPLISHMENTS IN 2014 MOBILE BROADBAND EXPANSION

In the 700 MHz spectrum auction to 4G mobile technology, promoted by Anatel in September, TIM earned the right to use radio frequency on Lot 2, which will represent an investment of R\$ 2.877 billion; R\$ 1.678 billion already paid for spectrum use and R\$ 1.199 billion to be paid between 2015 and 2018 for the constitution, along with the other winning operators of the auction, of the administrator entity of redistribution and digitalization of TV and RTV process – EAD in Portuguese. The radio frequency in the range of 700 MHz is very important for the expansion of mobile data network in Brazil, by offering an even better navigation quality in the fourth generation and allowing service to reach more users.

GOOD PERFORMANCE AT THE WORLD CUP

The balance of TIM's network performance during the World Cup, in June and July in 2014, was very positive. During the 64 World Cup matches in Brazil, TIM registered a traffic of 8.6 TB, around a third of the total amount of data exchanged during the event. The largest part of network data traffic was

2014 in figures

75.7 mi

of customers, of whom 63.2 mi are prepaid users.



Present in

3,433

Brazilian cities



2.1 mi

new users of prepaid mobile telephone



12 mi

sold mobile phones, leader at the sale of smartphones among the four largest telephone service providers



117%

growth of the user base of Live TIM



55,000 km

of installed wires and optical fiber



13,565

employees



transmitted in 3G (60%), followed by Wi-Fi (26%), 4G (12%) and 2G (2%), taking into consideration TIM's total traffic at the 12 stadiums in the World Cup host cities. At the six stadiums where the Wi-Fi connection was working, 45% of the data traffic was transmitted via Wi-Fi.



TRANSPARENCY

Transparency is one of the values featured at TIM's Code of Ethics and Conduct, which includes the strengthening of internal and external relationships founded in loyalty principles and information exchange.

CORPORATE GOVERNANCE

TIM Participações S.A. is public-held company, managed by a Board of Directors and Board of Executive Officers and, still, supervised by a Fiscal Council. The Board of Directors monitors the company's performance in monthly meetings and has the support of three committees: (i) Statutory Audit Board; (ii) Compensation Board and; (iii) Control and Risk Board.

BUSINESS CONTINUITY ENVIRONMENTAL AND QUALITY CERTIFICATIONS

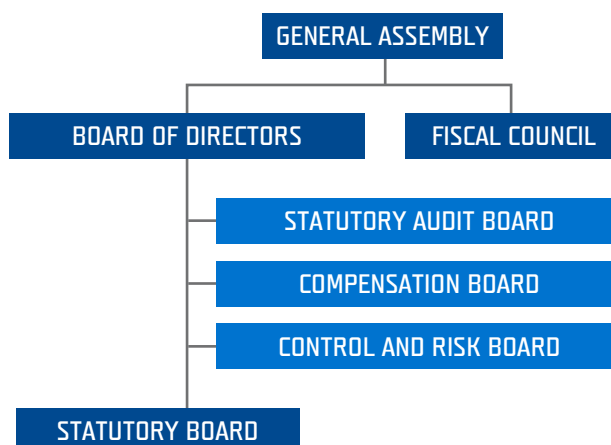
As the result of our continuous efforts aiming at the improvement of internal processes and services offered to our customers, we kept three important international certifications in 2013 and 2014, and two of them received expansion in 2012. The Certification ISO14001:2004- Environmental Management, aimed at the activities of Network Operation Management of TIM

Mobile, was extended to the states of Rio de Janeiro, Espírito Santo and São Paulo.

The second certification, ISO 9001:2008 – Quality Management, regarding the management of TIM Mobile Network, was also expanded in 2012 and maintained in 2013 and 2014. The scope now covers the whole national territory, integrating even more the company's internal processes with a focus on the customer and continuous improvement.

At the beginning of 2014, the company also presented coverage of ISO 9001:2008 in the processes of Prepaid GSM Billing Management for Mobile telephone services, in addition to the certification already existent for the Post-paid Billing Management Processes. These are actions which reaffirm TIM's commitment to the quality of services provided as well as its concern with the environment.

CORPORATIVE MANAGEMENT INSTANCES





COMMITMENT

The search for balance among the three dimensions of corporate responsibility (economic, social and environmental) contributes to directing TIM in fulfilling its Purpose.

OUR PURPOSE

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

Aiming at a more focused and assertive performance in all of its areas of interest, TIM updated its Purpose as a company in 2014. It concerns our commitment to addressing a personalized and democratic relation with our customers, staff and other segments of society.

Our Values

- Customer care
- Transparency
- Innovation
- Commitment
- Agility

OUR POLICIES

For the internal actions to be in line with our precepts of integrity and better

practices, TIM Participações and its subsidiaries count on a structure of specific policies. The full text of some of the Policies highlighted below can be accessed on the website of relations with investors (<http://ri.tim.com.br/show.aspx?idCanal=5ZFVncWehunt36yZkGeKCw==>).

- Customers' Data Protection Policy
- Social Responsibility Policy
- Occupational Health and Work Security Policy
- Environmental Policy
- Climate Change Policy
- Business Conduct Policy
- Free Market Defense Policy
- Related Parts Hiring Policy
- Relations with suppliers in TIM purchasing process
- Engagement Policy
- Marketing Communication Policy
- Corporate Risk Management Policy
- Anti-corruption Policy
- Conflict of Interest Management Policy

ORGANIZATIONAL MODEL

TIM's Organizational Model, based on Italy's Legislative Decree No. 231/01, from Anti-corruption Law No. 12.846/2013 and international norms such as Foreign Cor-

rupt Practices Act (FCPA) and UK Bribery Act must be adopted by all members of the company, in order to optimize existing control systems and prevent personal responsibility of those who commit crimes to overextend to the legal entity. Hence, it contributes to the construction of an ethical and diligent management, which ensures the preservation of business viability and the minimization of exposure to risks that could compromise its perpetuity.

TIM'S COMMITMENTS

In addition to its internal policies and processes, TIM reaffirms its commitment to social, environmental and ethical demands by participating in different initiatives and global treaties.

Global Compact

A signatory since 2008, TIM follows the ten principles of the Global Compact, initiative of the United Nations (UN) in its strategy, culture and daily operations.



Human Rights

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

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 and compulsory labour;
- 5 the effective abolition of child labour;
- 6 the elimination of discrimination in respect of employment and occupation.

Environment

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

Corruption

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

GRI

Since 2008, TIM adopted the methodology of Global Reporting Initiative (GRI), the most internationally disseminated one for the preparation of sustainability reports and which allows the comparison of companies' economical, social and environmental results.

CDP

Since 2007, TIM has responded to CDP questionnaires (the largest database about greenhouse effects in the world), regarding its greenhouse gas (GHG) emissions and its strategy concerning climate changes.

Companies for the Climate (EPC)

Since 2010, TIM is a member of Companies for Climate platform (in portuguese Empresas pelo Clima – EPC), action which aims at mobilizing business leaderships for management and reduction of GHG emissions.

Business Sustainability Index (ISE)

Since 2008, TIM integrates the Corporate Sustainability Index (in portuguese Índice de Sustentabilidade Empresarial – ISE) created by BM&FBovespa.

Carbon-efficient Index (ICO2)

Since 2010, TIM integrates the Carbon Efficient Index (in portuguese Índice Carbono Eficiente – ICO2) from BM&FBovespa.

CONNECTING AND CARING ABOUT EACH ONE

TIM's old Mission was replaced by a new Purpose: Connecting and caring about each one so that everyone is able to achieve more. When mentioning “each one”, the company summarizes its performance regarding economic results, customer relationships, concern with the environment, social responsibility, people management and sustainable development.

TAKING CARE OF THE BUSINESS: ECONOMIC PERFORMANCE

Facing a scenario influenced by various macroeconomic issues, which have effects on the telecommunications industry, TIM had very positive numbers regarding its performance in 2014. There was also an increase in prepaid user base (where the company maintained its national leading position) and also post-paid telephone services. An acceleration was also perceived between database users. This operational performance leveraged the good financial result, with increased profitability and the highest EBITDA margin since 2010, favored by growth in data service and efforts on cost control. The turnaround operation in the segment of landline users had an undeniable success, with an actual growth of more than 25% throughout the year.

TAKING CARE OF CUSTOMERS

There are many channels through which our customers can send suggestions and complaints. The Customer Relations Center (CRC) counts with four own sites in capital cities (Curitiba, São Paulo, Rio de Janeiro and Recife) and seven other outsourced sites. The Customer Relationship Management system (CRM) registers all contacts (regarding contact via telephone call) and the replies are given online or within five days, for those cases which demand analysis in greater detail. Also via telephone, customers can access the Portal *144# and – with the use of the technology USSD (Unstructured Supplementary Service Data) – activate various services in an automated way, using their own mobile phone. Finally, there is still via IVR (Interactive Voice Re-

sponse) with options such as locking and unlocking lines and requesting a second copy of an invoice.

On the portal www.tim.com.br, an online chat is available for direct and real time interaction with attendants. On Twitter, the profile @TIMAjuda is another channel for clarifying customers' inquiries. The concept stores TIM Store also welcome users for post-sale services, offered by trained staff. TIM's employees can also expose customers' inquiries and problems through the channel Fale pelo Cliente (Speak for the Customer), making use of the company's intranet to address the questions straight to CRM. It's also possible to contact TIM via fax, mail or e-mail.

TAKING CARE OF THE ENVIRONMENT

TIM seeks to rise its staff's and customers' environmental awareness. TIM is also permanently committed with the mitigation of its operations' environmental impacts and with the optimization and savings in the use of natural resources and raw materials.

CONTINUOUS IMPROVEMENT AND PREVENTION OF POLLUTION

Tim always seeks the evolution of its processes and activities, aiming not only at a greater efficiency, but also at the consequent reduction of impacts on the environment.

Climate Change and Greenhouse Gas (GHG) emissions

TIM monitors its emissions of GHG annually by collecting input information and estimating its emissions based on current references. Measurement is based on GHG Protocol tools (methodology internationally disseminated for GHG estimation), and is also oriented by the guidelines and emission factors from International Panel for Climate Change (IPCC). GHG inventory results are published in different media, CDP's and Registro Público de Emissões' (Public Register of Emissions') websites and TIM's online portal.



For the year 2014, TIM's GHG inventory was assured, for the fourth time, by an independent third party, measure that guarantees more transparency and reliability to the inventory. This practice was granted, for the third consecutive time, the seal Gold from Brazilian GHG Protocol Programme (referring to 2013 GHG inventory).

Environmental impacts of products and services

TIM's radio base stations (RBS) generates impacts in two phases: first, during the construction of their structures and later, when in operation, with the emission of noise and non-ionizing radiation. All RBSs have a permit from Anatel to operate, maintained as evidence via theoretical conformity reports and measurements, which prove that the non-ionizing radiation emitted is within the limits allowed by the World Health Organization (WHO), standard adopted by Anatel itself. As a main guideline, RBSs are implemented in sites allowed by competent local authority, authorized by urban and environmental licenses (when applicable).

WASTE MANAGEMENT

TIM's Environmental Policy comprises to work on the mitigation of waste production and encourages its reuse

through selective collection, recycling and recovery of value of disposed materials. Waste Management Program addresses procedures for selective collection and disposal of material in the entire company. The selective collection of waste (paper, cardboard, plastic, aluminum and non-recycling material) is conducted in the administrative headquarters and industrial buildings. Organic waste is addressed to public collection (under the responsibility of municipalities or outsourced suppliers). The reusable and/or recyclable material is addressed to registered cooperatives or licensed suppliers for the delivery of this service. There is also a program of disposing old light bulbs correctly, with the support of licensed companies hired by TIM.

CONSUMPTION OF RESOURCES

In 2014, TIM continued to invest in actions to reduce waste of natural resources and other raw materials, which decreases its operations' impacts and contributes to cost reductions, aiming at conscious consumption of water, electricity and other types of materials.

TIM undertook many initiatives to increase energy efficiency in 2014. With the modernization of the access network (swap 2G), new and modern equipment substituted old transceiver base stations (BTS 2G), with an increase in capac-

ity and decrease in consumption. Over two thirds (68,3%) of the 2G network were modernized; the same was done to 92,3% of the 3G network. Biosites implementation project, an innovative model of antenna responsible for lower environmental impacts and reduced energy consumption, accounted for a total of 23 activated biosites by the end of 2014. The agreement of RAN sharing for the 4G network, negotiated with Oi and approved by Anatel at the beginning of 2013, reduced the effort of maintenance and operation, and expanded its efficiency, with the responsibility of implementation shared equally by TIM and Oi.

TAKING CARE OF SOCIETY

Taking care of each one is also to take care of society as a whole. In 2014, TIM undertook many successful initiatives in fields such as education, science, social transformation, always aiming at innovative ways to promote human development. The Social Responsibility Policy presents the guidelines followed by TIM regarding issues such as health and security, valorization of diversity, child and forced or compulsory labor, freedom of association and right to collective bargaining, moral and sexual discrimination and harassment, working hours and remuneration.



With regard to volunteering, the program Cidadão Sem Fronteiras (Citizen Without Borders) encouraged individual commitment of employees with actions which benefited children, young people, the elderly and entire families, providing support to social institutions. All employees can take a day off per year to dedicate to volunteering activities.

TIM INSTITUTE IN 2014

With the mission of creating and developing resources and strategies for democratization of science, technology and innovation, in order to promote human development in Brazil, with mobile technology among its main enablers, TIM Institute was founded in 2013. Nowadays, it maintains more than 60 partnerships with city councils, state secretariats of Education, ministries (Science and Technology, Culture, Education) and other organizations, to which the institute contributes in order to enable projects in education, culture, promotion of citizenship and social inclusion. The investments of TIM Institute added up to over R\$15 mi in 2014, having a positive impact on around 70 thousand people in more than 250 cities in Brazil. Learn more about TIM Institute's actions on the website www.institutotim.com.br.

TAKING CARE OF PEOPLE

At the end of 2014, TIM counted on 13.565 employees. The company invests in permanent programs of learning and professional training, including undergraduate programs (supporting 162 Higher Education employees), international education and technical and specific institutional training programs, designed to improve operational performance and full adaptation to new challenges and working conditions. In 2014, the company invested a total amount of R\$14,300 thousand in training programs for employees. Another R\$961 thousand were invested on formal education courses (such as undergraduate, MBA and international education).

STAKEHOLDERS ENGAGEMENT

In addition to the initiatives regarding contact and rapport with customers, employees, local communities and society in general as mentioned before, TIM also keeps regular contact with its stakeholders, following the precepts defined in its Engagement Policy, which assumes dialogue and greater involvement with its main stakeholders.

For customers, the main forms of engagement are the service channels – Customer Relationship Center (CRC), My TIM, Portal * 144 # and IRV – in which

requests, queries, questions, complaints and personal data changes can be made; social networks (Twitter – @timtimportitim and @TIM_Ajuda); monthly satisfaction surveys, and the Speak for the Customer channel, used by employees to address requests.

In addition, one of the highlights of our transparency policy with customer is the website Portas Abertas (Open Doors – <http://portasabertas.tim.com.br>), a relationship portal through which it is possible to follow the progress of antenna installations, network extension and coverage expansion.

As for the relationship with stakeholders, the main ways of engagement are the website RI (<http://ri.tim.com.br>), which contains relevant information and provides integrated services to capital providers, and the channel Fale com RI (Speak with RI), aimed at clarifying on queries and sending information.

The community and the organizations of civil society are also contemplated by various actions, including contact channels via email (respsocialcorp@timbrasil.com.br, projetosocial@timbrasil.com.br and ssma@timbrasil.com.br) and local offices, in addition to donation campaigns, volunteering and investment in social causes and social projects, including the support to social, environmental, cultural and educational initiatives.



INNOVATION AND AGILITY

TIM seeks the best technologies and solutions to guarantee the best service to its customers. With investment and strategic partnerships for research and development with a focus on mobile internet, the company's actions in this segment have shown satisfactory results in the last years.

In 2014, the company's efforts were addressed by four basic pillars: expansion (increase in the capacity of existing antenna, installation of new antennas and expansion of optical fibre), network optimization (equipment and processes adjustments to minimize noise and interference), resilience (actions to prevent service failures) and customer support services (expansion and improvement of customer support services).

PRODUCTS AND SERVICES

Mobile telephone

Two different platforms, which allow the customer to be prepaid (Infinity) or post-paid (Liberty). In the former, the customer is not charged per minute, but per phone call. There are also specific plans for tourists who look for a service only for their stay in Brazil. The user base of this platform grew 3.4 % in 2014. Liberty plans also offers calls for any TIM mobile at a fixed monthly amount.

Ultra-broadband Landline (Live TIM)

Offered since 2012, Live TIM reached 130 thousand users in 2014, a growth of 117% in comparison with the previous year.

Mobile internet

The plans of mobile internet data showed a significant increase with the expansion of 4G technology to more than 15 Brazilian cities.

Corporate solutions

Launched in 2013, Live TIM Empresas counts on the differential of being a broadband internet service with competitive prices. In 2014, TIM entered the data security market with the anti-DDoS service. The audience consists of large companies which have high data traffic in various sectors.

Smartphones and tablets

In addition to being an effective strategy in terms of expanding data use plans, the sale of mobile phones and tablets at competitive prices is also an important tool for the increase in customer base. In 2014, there was an increase of 6.3% in sales. The devices which are commercialized are not blocked and do not have a fidelity contract.

INVESTMENTS

The investment aimed at bringing innovation to the network coverage is one of the main responsible factors for the positive operational results of the year - with the record of 34 mi of data users, reached in 2014.

The number of 4G sites almost doubled in comparison with 2013, a leap from

1900 to 3700 sites at the end of the year. The growth of 3G network was proportionally smaller (14%) and reached 10.400 sites. The investments in infrastructure allowed the expansion of the optical fibre network (metropolitan and LD) to 55 thousand km.

The project of implementation of bi-sites, new generation of multifunctional antenna and of a smaller environmental impact, started in Curitiba and Rio de Janeiro and is expanding to Brasília, Manaus, São Luís and Natal. The Mobile Broadband Project (MBB), focused on the improvement of data transmission, reached 125 cities at the end of 2014.

Leader in the mobile market in the State of São Paulo (DDD code 11), the company also reinforced the 3G coverage in the 900 MHz spectrum, reaching 75% of Sao Paulo's population and its surrounding metropolitan area. In eight months, TIM doubled the quantity of antennas which made use of that band in the region.

An important objective of the year was met with the participation in the auction of the 700 MHz spectrum, in line with the strategy of expanding the broadband mobile service in Brazil. TIM was the winner of the second batch of the government procurement, of a national extension, investing R\$2.85 bi in its acquisition, with a premium of 0.67% over the initial total cost of the batch.

As for 2015, TIM predicts more than five thousand new equipment items for access network, in order to improve the experience of customers' navigation, through the delivery of a faster speed and a greater capacity. The investments in MBB are estimated at R\$3.2 bi between 2015 and 2017; added up to the investments in optical fibre, that have the objective of reaching over 66 thousand kilometers of fibre all over Brazil.

A milestone for TIM and all Brazilian telecommunications industry was reached in December 2014. The company successfully completed the first high definition voice and video call based on IP Multimedia Subsystem (IMS). The technology allows voice transmission over the 4G network, from a smartphone to another. In partnership with Huawei, TIM Brazil is pioneer in the development of this solution in South America. It is an important step to provide the best voice and video call experience. The VoLTE is based on multimedia telephone service (MMTel); this means that voice calls are treated as data and circulate entirely inside the LTE standard. Few operators around the world have implemented the VoLTE.