

RELATIONSHIP WITH SUPPLIERS IN THE PURCHASING PROCESS

PREMISE

Definition of how should be maintained the relationship with suppliers.

ADDRESSEE

The document applies to all functions of TIM Group companies in Brazil that have relationships with suppliers, that be motivated by purchases through BSO - Purchasing, as well as sphere Delegated Purchases.

OBJECTIVE AND SCOPE

The procurement process of TIM Group companies in Brazil has the purpose of supply products and services that allow the optimization of the global cost, while ensuring competitiveness, quality, safety, social and environmental responsibility of the acquired goods requirements and continuous improvement of business relationships with suppliers.

To ensure the greatest competitive advantage for TIM Group companies in Brazil, in respect with the above principles, the procurement process should be realized as follows:

- i) By confronting technical and economic offers from qualified suppliers, according to procedures established by the companies;
- ii) Improving business ethics in conducting social and environmental issues;
- iii) Providing an adequate system of monitoring and control.

GENERAL DESCRIPTION OF PROCESS AND RESPONSIBILITIES

Without detriment of the above exposed conditions, the relationship with suppliers should be developed respecting the principles indicated below.

TRANSPARENCY OF RULES AND DECISIONS

The competition for homogeneous products and services should be promoted under equal opportunities among suppliers who present, at the discretion of the involved TIM Group companies in Brazil and by means of a qualification process, technical and organizational requirements that are essential to those companies and which are stated in their normative documents and communicated to potential suppliers.

Besides the positive verifications regarding the requirements of a technical-organizational nature, in order to be ready to participate in the competitions, the potential supplier should have previously stated to himself and to the eventual authorized subcontractors, employees

and other related people, the compliance to the ethical-behavioral principles inserted in the Code of Ethics of the TIM Group companies in Brazil.

Under Related Parties Transactions Policy, contracts with suppliers that are characterized as related parties should contain general conditions analogous or similar to those usually practiced with independent parties, for operations of a similar nature and risk. Contracts with suppliers characterized as related parties are subject to a differentiated corporate approval process and specific rules of disclosure to the market.

SEGREGATION OF FUNCTIONS

The segregation of the responsibilities in the several operational and decision-making phases of the process, added to the documental tracking of the choices made and the acts ascribed to the Purchasing functions and Delegated purchases, represent the main management instruments to guarantee transparent and correct activities, which prevent individual advantage conditions in the execution of purchasing activities. In particular:

- in the field of the purchase perimeter supply, carried out by the function BSO – Purchasing, responsibility for verifying, qualifying and managing the record of companies' suppliers is separated from the processes for beginning, negotiating and concluding the commercial pacts developed with the suppliers and with the consequential signing of the respective contractual instruments;
- In the field of delegated purchases, carried out by the functions with delegated purchases activity, the responsibility to verify, qualify and manage the suppliers register is separated from the processes of starting, negotiating and concluding, the commercial negotiations developed with the suppliers and with the consequent celebration of the respective contractual instruments;
- the responsibility for determining the amount of supply, as well as the characteristics of the products and services to be purchased/provided, belongs to the areas which will directly make use of them. Such areas should state the technical specifications of the supply in a clear, objective and complete way, describing the functionalities which will be implemented with the acquisition;

INTEGRITY

The TIM Group in Brazil only seeks competitive advantages from its suppliers which can be obtained through sound practices and it also determines to its employees that the relationships with the suppliers be ruled by objective criteria, engaging itself in the promotion of the competitiveness, legality, transparency and integrity.

Each employee of the companies of the TIM Group in Brazil is oriented to keep their own personal interests apart from those of the companies, particularly in respect of:

- requesting, accepting, offering or guarantying, directly or indirectly, any personal advantage related to the negotiation, adjudication and execution of the agreements (of supply, of services provision, among others);
- violating classified information obtained from suppliers, using them for the scope of activities not related to the exercise of its own activity;
- using confidential information from suppliers to seek competitive advantages and make use of them in such opportunist way in order to maximize the success of negotiations, in its own benefit or in the benefit of third parties;
- reporting, in its own exclusive criteria, information to other suppliers about a specific supplier or about the contents of his offer.

TRACEABILITY OF ACTIONS IN THE PURCHASING PROCESS

The purchasing proceedings, the technical specification of products and services, the purchasing plan and the rules to the suppliers' control (qualification and vendor rating) should be always present and considered in the purchasing activity, which should be traceable by function BSO - Purchasing or Function with activity Purchasing Delegates, and maintained available for internal control activities.

For each agreed product or activity involved on purchasing process, the respective documentation, which supports the integrity of operations and the choices made, should be kept along with the respective functions.

Similarly, within the competent functions, there should be documents proving the success of the activity, control and verification of the delivered or given products and services, installed by suppliers, whose success should be subject to payments.

COMMITMENT WITH THE SUSTAINABILITY

The effort of the TIM Group companies in Brazil in respect to the environment, the protection of the human rights, the national and international working standards and the anti-corruption is indicated in the Code of Ethics and in the Control organizational Model.

Coherently with such values, the TIM Group companies in Brazil require from their suppliers and promote in relation to the same, including the subcontractors, the compliance to the following principles, according to the Brazilian laws in force.

WORKERS 'RIGHTS

- Child Labor and Exploitation: The TIM Group companies in Brazil participate in apprentice programs, following the rules there established. Considering that this is the only initiative in this aspect, there is not any other kind of support for the employment of people under eighteenth years old. TIM's Code of Ethics also provides for a commitment to combat all forms of exploitation of children and adolescents.

- Forced Labor: it is expressly forbidden any kind of non-volunteer labor or service, which may have been gotten under threat or as a way to annul a debt. Moreover, the TIM Group companies in Brazil do not require, under any circumstances, that their employees leave any kind of deposit during the work relation kept.
- Health and Safety: the total respect to legislative predictions, in all means, is assured in terms of health and safety, aimed to prevent possible work accidents and any harm to health related to the use of the working activity. There is the assignment of a responsible representative for health and safety and who is also responsible for the implementation of measures aimed to guarantee them. Each employee is informed about the policies and procedures regarding health and safety at work at the moment of his hiring.
- Freedom of Association and Right to Collective Negotiation: it is assured to the workers their right of constitution and/or joining trade-union organizations for the protection of individual and collective interests. The TIM Group companies in Brazil recognize to a great extent the role of the workers' representative trade-union.
- Discrimination and Harassment: It is expressly forbidden any form of discrimination related to employment contract, compensation, access to formation, promotion, termination of employment or retirement, related to race, social and/or economical class, nationality, religion, disability, sex, gender identity, sexual orientation, trade union affiliation, politics and age. It is not allowed any kind of coercive, threatening, offensive sexual behavior or that aims at the individual exploitation.
- Disciplinary Procedures: The TIM Group companies in Brazil do not execute and do not allow the utilization of physical punishment, mental and physical coercions and verbal abuse.
- Diversity Valorization: The TIM Group companies in Brazil recognize that the diversity is a value and a practice to be promoted in all their relationships with suppliers, not executing or allowing any expression or form of negative and constraining discrimination in all areas of their chain of value. The TIM Group companies in Brazil stimulate the adoption of an attitude of respect and valorization of differences, as well as the recognition and the opposition to unfair situations against historically less favorable groups due to facts such as sexual orientation, ethnical origins, gender, deficiency condition, age group, among others. The TIM Group companies in Brazil believe in the diversity as a way to keep a healthy work environment and a competitive organization to the market.
- Working Hours: the whole organization of working hours is accomplished according to the labor law in force in Brazil and the agreements determined with the trade-union organizations under the subject, including those ones referring to the weekly rest and the execution of extraordinary labor.
- Compensation: the compensation given to own employees is in compliance with the collective agreement predictions, related to the minimal values and to the modalities of

distribution. Eventual deductions upon the compensation, predicted as disciplinary sanctions are also in conformity with the labor law in force and with the predictions of the applied collective agreement. The items which compound the compensation are described, in details, in the payroll given to the workers. It is not allowed the utilization of types of agreements contrary to the determinations of the laws or that are meant to avoid the prohibitions and the predicted duties under the current rules.

MANAGEMENT OF ENVIRONMENTAL IMPACTS

The TIM Group companies in Brazil consider the respect to the environmental rules as one of the mandatory criteria in the agreement with their suppliers, and do not establish or keep commercial relations with those who hold sanctions in terms of environmental issues from the competent regulatory entities.

The TIM Group companies in Brazil seek to promote the improvement of environmental performance of their own suppliers and the adoption of solutions which allow to improve the environmental profile of provided products and services, such as: the optimization of energy consumption, reduction of used dangerous materials, reduction of gas emissions, the use of recycled or recovered materials and the management of generated waste discards.

CONTROL SYSTEM

The integrity and the transparency in the pre-agreement and agreement relationship that the companies have with their suppliers should be assured, besides of what has been mentioned above, by a net of controls to be executed in the area of qualification and purchasing process and also in the delivery of goods and services.

During the qualification phase, the meeting of all requirements predicted in the companies' procedures for the registration in the suppliers' record should always be compared to the objective and documental verifications.

The whole purchasing process should be integrated to the internal assessment activity directed to:

- verify the compliance with the general purchasing principles;
- compliance with applicable legislation;
- periodical accountability regarding the purchasing activity, for the internal entities (E.g.: internal audit, SOx, among others); and
- monitor the service level in the relationship between the suppliers and the internal clients.

With respect to a risk evaluation model, measured through specific aspects (e.g.: technological complexity, innovation, amount of purchasing, safety, environmental impact, social impact, among others), the provisions of products and services considered at risk are:

- those ones accepted by means of the success of conformity controls executed by the internal employee; and
- those ones submitted to a control of vendor rating which evaluates, in a broad way, the quality of the agreement relationship (technical quality, commercial quality and administrative quality).

The conformity controls, as well as those ones predicted in the monitoring of vendor rating area, should also predict the verification of requirements related to the management of the environmental impact (E.g.: treatment and elimination of waste, respect to human rights and safety at work, among others). Such verifications contribute to the broad evaluation of suppliers and, in case this evaluation is inferior to the average stated in the agreement, they determine the adoption of contractual measures (E.g.: application of penalties and restrictions, reduction of the amount of contracted supply, among others) and, in critical cases, the termination of the respective agreement and the exclusion of the company suppliers' record.

The possibility of indicating eventual violations of the above reported principles and procedures is assured to suppliers. The competent entity to receive such indication is the Denunciation Channel (http://www.tim.com.br/canal-denuncia/?origin=RI&language=pt_BR). The communications, which will be handled with the appropriate secrecy, should be verified and demonstrated in due course, by means of adequate description of facts and people involved, or by means of the presentation of documents which show the violation.

Eventual data communicated by suppliers and that are related to identified or identifiable people should be used by the company only with the purpose of responding to suppliers' questions and will be communicated to third parties only if it is authorized in advance and necessary to such purpose.

GLOSSARY

- **Award:** Formal acceptance of a supplier's proposal by the company.
- **Delegated Purchasing:** Purchasing process authorized by the function BSO – Purchasing to the other TIM Group functions, respecting the internal rules related to the purchasing process.
- **Out of Scope Purchasing:** Trading process outside the scope of the function BSO - Purchasing, realized under the responsibility of other TIM Group functions.
- **Contractual Instrument:** The concept of Contractual Instruments includes, without limitation, the following: Agreements in general; Non-Disclosure Agreement (NDA); Additions; Authorization of Use; Letters of intent; Contracts in general; Agreements and Partnerships; Cancellations/Complaints/Terminations; Memoranda and Protocols of Understanding; Notifications and counter notifications related to the Agreement; Service orders; Administrative pieces; Proposals/Commercial Project; Regulation; Terms of Use.



- **Vendor Rating:** Supplier Performance Evaluation Process applied by BSO - Business Processes Support & Reporting.

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