SUSTAINABILITY
REPORT

2014

SUSTAINABILITY REPORT

2014

CHAIRMAN'S LETTER

Albert Einstein often said that the value of a man must be measured by what he is able to give, not what he is able to receive. The way I see it, this is also true for companies.

Companies that aim to change the world, improve the sectors in which they operate. They are socially responsible, not only because it is right, but because it creates economic value. Telecom Italia is one of these. For us, sustainability means creating both economic and social value, creating a shared value; long-term economic development cannot be achieved unless greater social welfare and the protection of natural resources are guaranteed at the same time.

In a globalised world, the motto "no man is an island" is becoming less of a poetic image and, with our contribution, more of a concrete, palpable and everyday experience. The world is increasingly interconnected and we contribute to designing, building and managing these connections. Telecom Italia puts people in contact, conveys our emotions, and the optical fibres are just the means by which we carry words, thoughts, music and images which, for better or worse, touch the hearts of people and enrich their lives. Our mission is, after all, to bring people closer.

"To us ethical behavior implies a strong sense of responsibility towards stakeholders: that's what we have clearly stated in our Code of Ethics, together with our steadfast commitment to the principles of the UN Global Compact and other major standards for the protection of human rights and labor, the safeguard of the environment and the fight against corruption. Our constant support to the Global Compact is confirmed by the progresses communicated in this report."

We provide the countries in which we operate with our infrastructure and technology, to support the development of an increasingly digital culture that allows us to access services which improve our collective quality of life. Our broadband and ultra-broadband coverage objectives will allow us to improve welfare and economic opportunities for the country and for current and future generations.

It is thanks to our people that our ambitions can be translated into concrete actions. For them, we have begun to implement the new People Strategy, which focuses on people's motivation and skills and the organisation underlying their working activities.

We have the vision, courage and skills required to be the protagonists of this change and all feel the responsibility to design a smarter, more inclusive and more sustainable future.

Giuseppe Recchi

#wesharethefuture

#WESHARETHEFUTURE

#wesharethefuture expresses the Corporate Social Responsibility vision of Telecom Italia, systematising all the Company's sustainability initiatives and projects.

As a pioneer in the field of corporate sustainability in Italy, Telecom Italia has established a new strategy based on creating economic and social value, developing Corporate Social Responsibility into Corporate Shared Value (CSV) with the aim of linking economic and financial results to the social progress created by responding to the needs expressed by the sectors in which it operates. This innovative process aims to guide the company's strategic decisions and measure their financial and non-financial performance in order to meet the legitimate demands of stakeholders.

Corporate Shared Value: BUSINESS VALUE & SOCIAL VALUE

SOCIAL VALUE
Projects that create social value

SHARED VALUE
Projects that create shared value

BUSINESS VALUE
Projects that create business value
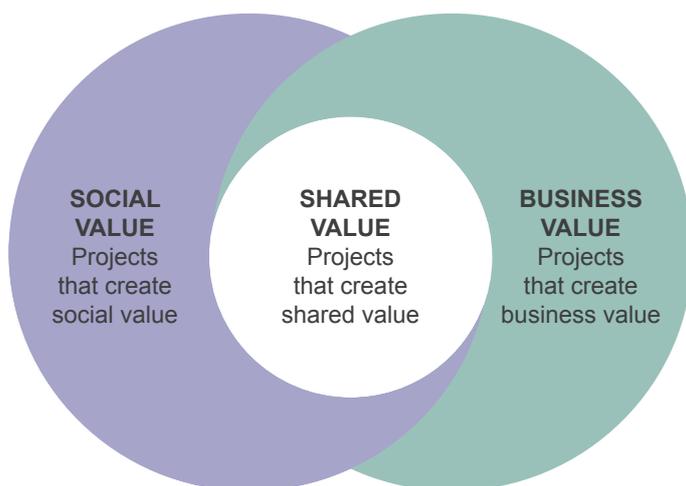
Telecom Italia's role is to allow everyone to seize the opportunities offered by the world of ICT, maintaining a balance between three dimensions:

environmental sustainability: implementing projects and initiatives aimed at reducing the environmental impact of its activities and those of its customers, in addition to promoting more "sustainable" lifestyles;

social sustainability: disseminating a digital and innovation culture as an enabling factor for the development of people and the countries where it operates;

economic sustainability: creating value, in the long term, for shareholders and stakeholders in general.

The Group is aware of the responsibilities that arise from its role as a market leader in electronic communication and therefore an enabler for improving well-being in the various contexts in which it oper-

ates. Telecom Italia is also strengthening its commitment through its active contribution to achieving the country's digitisation objectives as defined in the Italian Digital Agenda, developed by the Italian government by transposing the directives set out by the EU in the European Digital Agenda.

The macro areas stated in the Digital Agenda and main actions taken in this field by the Group are listed below:

- **Enhancing the Network** → investments in IT infrastructure (broadband and ultra-broadband).
- **Improving the efficiency of government local offices and secure use of public services online** → from investments in healthcare, justice and education digital products and solutions to digital identity and big data management solutions.
- **System continuity and respect for privacy** → investments in network and information security and safe Internet use awareness projects.
- **Developing the digital skills of people and companies** → projects to disseminate digital culture and reduce the digital divide.
- **Attractiveness of territories and good management of urbanisation** → smart solutions allowing urban spaces to be management smartly and sustainably, promoting a reduction in environmental impacts and more efficient services.
- **Growing the market and strengthening companies** → company digitisation solutions, from cloud services to mobile payment solutions.

The Group has identified three strategic areas of intervention which contribute to creating value for the Company and for the sectors in which it operates, in response to the social needs and objectives of the Italian Digital Agenda:

- Digitisation, connectivity and social innovation.
- Digital culture
- Environmental protection

Digitisation, connectivity and social innovation. In this area, the Company stands as a digital ecosystem "enabler", connecting companies, government bodies and local communities, so as to create positive synergies for development. The contribution our Group makes to developing the sectors in which it operates doesn't stop at infrastructure projects but ranges from digital solutions for government local bodies to cloud services for businesses, digital platforms for healthcare, applications for people with disabilities to technologies for reducing energy use by cities and companies. Further initiatives have been developed in this context, including projects for the digital inclusion of women, both within the Company and outside, and the crowdfunding platform that receives requests for donations and other non-profit-making financial assistance for people intending to implement environmental protection and social projects. Furthermore, Telecom Italia is a founding member of the Italian Digital Champions association. Digital Champions are innovation ambassadors appointed by each Member State of the EU to promote the benefits of an inclusive digital society and make their citizens "digital", working with communities, businesses,

[G4-1]

governments and academia. The Company is also supporting the digital innovation process of SMEs to enhance Made in Italy products, developing social education campaigns for the correct use of terminals.

Digital culture. For growth and social development to be achieved in the digital era, all citizens must be able to acquire the skills they need to make full use of the benefits offered by the Web and new technologies. In the knowledge that an effective schooling system and adequate standards of education and training play a fundamental role in the growth and socio-economic development of the country, Telecom Italia is committed to implementing projects to support digital education and schooling, including by supplying infrastructure and tools. This has led to the *EducaTI* digital education multi-project aimed at supporting innovation in Italian schools. A concrete commitment that is fulfilled by training teachers and students to use new technologies, introducing programming in schools, raising awareness about the responsible use of the Web and combating phenomena like cyber-bullying. Integration with the Group's other initiatives, including the introduction of new models and the testing of advanced and inclusive digital education platforms, in addition to initiatives to digitise traditional cultural environments, complete Telecom Italia's commitment to promoting digital education.

Environmental protection. Telecom Italia has launched both projects to improve the efficiency of its operations and initiatives aimed at reducing the environmental impacts of its customers. In 2014, Telecom Italia entered a agreement, that also cover 2015, to buy guarantees of origin which certify electricity generated by renewable sources, drastically reducing its carbon dioxide emissions. The Company continues to market energy efficiency products and services and to implement customer involvement and awareness-building initiatives, including the IORiciclo project, a programme that facilitates the transition to devices that allow next generation network services to be used and provides guidance on how to reuse or dispose of used and obsolete handsets. ICT solutions that allow the smart management of cities and productive open spaces, thanks to IoT, and limiting the environmental footprint of its customers, are examples of how social and economic value can be generated for the community and a contribution can be made to environmental sustainability.

All this takes place thanks to the 66,000 people who contribute every day to achieving the Group's strategy. In order to respond to their requirements, in addition to contributing constantly to improving people's quality of life, Telecom Italia has started to implement its new People Strategy, launching a radical review of activities and processes that involve the staff, from management to training, remuneration to organisation, involving numerous managers from all over the Company. Nine working groups were therefore set up with the aim of calibrating and shaping motivational, training and organisations techniques and processes to ensure that the Company is able to face the technological, market and financial challenges to which it is increasingly subjected.

Over the past year, a survey was carried out of CSV projects that meet the demands of the Digital Agenda and the country's key Social Needs, as shown in the following diagram and discussed in detail in the final chapter.

EDUCATION AND TRAINING
"EducaTI" and "Scuola Digitale"

RESEARCH AND INNOVATION
Open Labs, Working Capital Big Data

QUALITY OF SERVICES
Products, services and offers promoting inclusivity

SECURITY
Digital Identity, Privacy Protection Solutions

INNOVATIVE AND SECURE IT INFRASTRUCTURE
Investments in broadband and ultra broadband

PROTECTION OF THE ENVIRONMENT AND THE LANDSCAPE
Energy Efficiency solutions and Environmental Impacts (IORiciclo)

TELECOM ITALIA GROUP

ECONOMIC WELL-BEING
Network infrastructure, enabling factor of a digital ecosystem

INNOVATION CULTURE
School technological innovation

EFFICIENCY AND TRANSPARENCY
Real time data and information

HEALTH
Digital healthcare

QUALITY OF WORK
Telework, Nurseries

■ **IT PROJECTS, PRODUCTS AND SERVICES** ■ **FONDAZIONE TELECOM ITALIA**
■ **CORPORATE SOCIAL RESPONSIBILITY DEPARTMENT**

Complementing the Group's commitment, the **Fondazione Telecom Italia** renewed its mission throughout the year, in line with the Company's activities, by promoting a culture of change and innovation and acting according to three guidelines for the development of projects in the fields of:

- education
- innovation culture
- social empowerment

The Foundation's renewal and revitalisation process includes launching a pool of consistent projects that strongly enhance innovation culture. In fact, according to a recent study on foundations[1] in Italy, for the value of a foundation to benefit the group to which it belongs, strong synergy and cohesion has to exist between the two entities. Foundations are considered to be an important component of Corporate Social Responsibility: activities must be synergistic to be effective.

Marcella Logli

Head of Telecom Italia Corporate Social Responsibility Dpt.

Director General Fondazione Telecom Italia

---

1   Ipsos "Corporate Social Responsibility according to Italians: knowledge and opinions", February 2015.
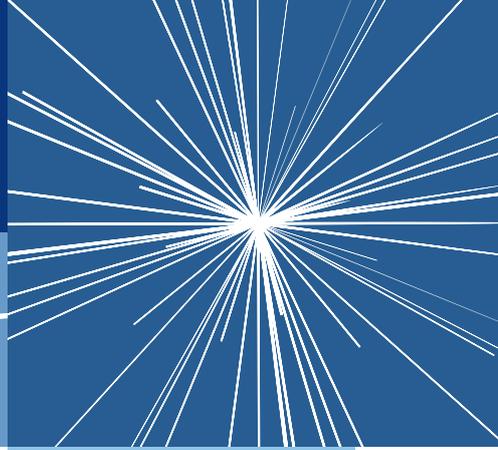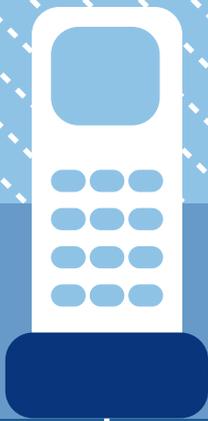
INDEX

TELECOM ITALIA GROUP

PROFILE OF TELECOM ITALIA GROUP

[G4-3] Telecom Italia Group provides fixed and mobile communication services as well as ICT solutions[1].

In Italy, the Group operates the largest fixed voice and data infrastructure, which runs through each corner of the country, and provides one of the most extensive and advanced mobile network platforms. [G4-6] In addition to its domestic leadership, the Group has a significant international presence in South America, particularly in Brazil. For details of the countries where Telecom Italia operates see Note 46 of the Group's consolidated financial statements, which also lists [G4-17a] the Group companies, subdividing them by consolidation method. [G4-13], [G4-22] No significant changes in operations and in the consolidation scope took place during 2014. For details of the changes that did take place, see Notes 1 and 3 of the Group's financial statements. The main changes that have taken place over the past three years include the Sofora – Telecom Argentina Group being recorded among discontinued operations, the sale of operations run by La7 S.r.l. and the shareholding in the MTV Group.

[G4-8], [G4-9] All the Group's activities are encompassed in the following business units[2]:

• the **"Domestic" Business Unit** operates primarily in the field of fixed and mobile voice and data services for end customers (retail) and other operators (wholesale), as well as in the domestic Information Technology products and services sector. Internationally it includes activities related to the development of optical fibre networks (international wholesale) in Europe, the Mediterranean and South America;

• the **"Brazil" Business Unit** (TIM Brasil Group) provides mobile telecommunications services. Furthermore, as a result of the acquisition of a number of fixed line operators, it also offers optical fibre data transmission and residential broadband services;

• **Media** operates as an Italian domestic network operator through Persidera S.p.A.;

• the **"Other Activities"** include the financial companies and other minor companies not strictly connected with the Group's "core business".

THE GROUP'S MAIN BRANDS

[G4-4], [G4-8] The main brands market voice/data and information technology products and services for residential and business customers, public administration, national and international operators. The Group also provides transmission capacity and technological solutions for TV sector operators.

In particular, within Italy, the **Telecom Italia** brand guarantees fixed telecommunications products and services for residential customers and integrated solutions for business customers and public

---

1 **[G4-3]** For information concerning the general form of the Group, see the Telecom Italia Group Consolidated Financial Statements, Note 1.
2 Business Units are aggregation of homogeneous operations.

administration, as well as services for telecommunications operators.

TIM is the Telecom Italia commercial brand for mobile telephony and mobile Internet services, as well as entertainment and combined fixed-mobile service bundles in Italy. The TIM brand is also present in Brazil, where it markets mobile services, mobile Internet and fixed line services.

Through the **Telecom Italia Sparkle** brand, the Group offers international voice, data and Internet solutions to fixed and mobile telecommunications operators, ISPs/ASPs, content and media players and multinational companies.

The **Olivetti** brand markets information technology products and services for residential and business customers. Finally **Persidera** offers terrestrial digital transmission capacity and high quality technological solutions to leading TV networks operating in the domestic market.

MAIN SHAREHOLDERS OF TELECOM ITALIA S.P.A.

[G4-7] Telecom Italia is a joint-stock company organised under the laws of the Republic of Italy[3], **[G4-5]** where the parent company has its headquarters. **[G4-7]** The main shareholdings as of December 31, 2014 were those of Telco S.p.A. with 22.30% and the Findim Group S.A. with 4.97% of the ordinary capital, **[G4-13]** which had remained almost stable for the preceding three years[4]. The structure of the Equity and the number of shares in circulation are shown in Note 15 of the Group's Consolidated Financial Statements. For further information relating to reports made to Consob regarding significant shareholdings, see the Report on Operations of the Telecom Italia Group.

KEY ECONOMIC PERFORMANCE DATA
AND ECONOMIC VALUE GENERATED AND DISTRIBUTED

The Telecom Italia Group aims to achieve a balance between the three dimensions of sustainability:

- environmental sustainability: maintaining the functionality of ecological systems while ensuring a balance between the use of natural resources and the company's activities;
- social sustainability: promoting the principle of fairness among generations and within the same generation;
- economic sustainability: maintaining and increasing capital.

[G4-9] The Group reports on what it does to achieve this balance through the sustainability report, which focuses primarily on environmental and social sustainability, as well as on aspects that are both of a social and economic nature (e.g. customer care and innovation management), and through the Annual Financial Report, which discusses the Group's economic performance in detail. In order to give a comprehensive view of the Group's sustainability, we have provided some summary data of economic performance below, which are drawn from the Annual Report.

---

3 **[G4-7]** Also see the Telecom Italia Group Consolidated Financial Statements, Note 1.
4 **[G4-7]** For details, also see the Report on Operations of the Telecom Italia Group, Information for Investors, and **[G4-13]** chapter on Shareholders of this report.

Telecom Italia Group – Main consolidated economic and financial data

(million euros)	Revenues			EBITDA			Industrial investments			Headcount at year-end (units)		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Domestic	15,303	16,388	18,109	6,998	7,746	8,676	2,783	3,031	3,075	53,076	53,377	54,002
Brazil	6,244	6,945	7,477	1,774	1,812	1,996	2,195	1,349	1,500	12,841	12,140	11,622
Media	71	124	222	25	(2)	(45)	6	20	57	89	84	735
Other activities	-	-	62	(12)	(15)	(37)	-	-	7	19	22	22
Adjustments and eliminations	(45)	(50)	(111)	1	3	(8)	-	-	-	-		
Consolidated total	**21,573**	**23,407**	**25,759**	**8,786**	**9,540**	**10,525**	**4,984**	**4,400**	**4,639**	**66,025**	**65,623**	**66,381**

[G4-9] The distribution of revenues by product and service is shown in Note 26 of the Telecom Italia Group's consolidated financial statements.

Telecom Italia Group – Other consolidated economic and financial data

(million euros)	31.12.2014	31.12.2013	31.12.2012
Total net equity	21,699	20,186	23,012
- attributable to Parent Company Shareholders	18,145	17,061	19,378
- attributable to minority Shareholdings	3,554	3,125	3,634
Profit (loss) for the financial year attributable to Parent Company Shareholders	1,349	(674)	(1,627)
Profit (loss) for the financial year attributable to Minority Shareholdings	610	436	350
Net financial accounting debt	28,021	27,942	29,053

[G4-9] The trend in the Group's capitalisation and debt is shown in the Report on Operations of the Telecom Italia Group.

[G4-9] The following table shows one of the Group's key management data figures: the trend in fixed and mobile telephone service access lines.

Telecom Italia Group – Main operational data by Business Unit

(thousands)	31.12.2014	31.12.2013	31.12.2012
DOMESTIC FIXED			
Physical connections at year end	19,704	20,378	21,153
Broadband connections in Italy at year end	8,750	8,740	8,967
DOMESTIC MOBILE			
Number of lines at year end	30,350	31,221	32,159
BRAZIL			
Number of lines at year end	75,721	73,431	70,362

[G4-EC1] The economic value generated and distributed to stakeholders is shown below[5]. Since 2008, the method of presentation recommended by the Global Reporting Initiative (GRI) has been adopted, with appropriate adaptation.

Telecom Italia Group – Economic value generated and distributed

(million euros)	2014	2013	2012
Direct economic value generated			
a) Total revenue and operating income	21,974	23,731	26,044
b) Interest payable and dividends paid	228	149	167
c) Net gains (losses) on disposals of non-current assets	29	(82)	52
d) Direct economic value generated (a+b+c)	**22,231**	**23,798**	**26,263**
Economic value distributed			
e) Operating costs	9,951	10,976	12,067
f) Employee costs	3,119	3,087	3,333
g) Shareholders and providers of capital	2,259	2,508	3,047
h) Taxes and duties	852	961	988
i) Economic value distributed (e+f+g+h)	**16,181**	**17,532**	**19,435**
Economic value retained (d-i)	**6,050**	**6,266**	**6,828**
Wages and salaries	2,202	2,183	2,386
Social security costs	801	788	847
Other expenses	116	116	100
Employee costs	**3,119**	**3,087**	**3,333**
Purchases of materials and services	9,430	10,377	11,289
Other operating costs(*)	1,057	1,190	1,355
Change in inventories	52	(48)	4
Internally generated assets	(588)	(543)	(581)
Operating costs	**9,951**	**10,976**	**12,067**
Dividends distributed	319	595	993
Interest payable	1,940	1,913	2,054
Shareholders and providers of capital	**2,259**	**2,508**	**3,047**
Income tax	734	833	869
Indirect taxes and duties	118	128	119
Taxes and duties	**852**	**961**	**988**
- regarding Domestic BU	724	826	824
- regarding the Brazilian BU	122	126	177
- regarding activities abroad/other	6	9	(13)

(*) Mainly includes write-downs and charges connected to the management of non-financial credits of 375 million euros (380 million euros in 2013), accruals for risks of 84 million euros (100 million euros in 2013), and contributions and fees for the performance of TLC activities of 449 million euros (482 million euros in 2013) net of "Other taxes and duties" of 118 million euros (128 million euros in 2013) included in the item "Taxes and duties".

---

5   The economic value distributed to the Community stakeholder is not shown. See the chapter on Community for these data.

TELECOM ITALIA:
A GROUP OF STRATEGIC RELEVANCE

[G4-EC7a], [G4-EC7b], [G4-EC8a], [G4-EC8b], [G4-DMA Indirect Economic Impacts]

IMPORTANCE OF THE GROUP IN ITALY

Telecom Italia contributes to producing approximately 0.7% of the added value of Italian GDP[6]. The Group's activities generate direct employment for around 50,000 people in Italy. This means that for every 225 employees in the private sector, one belongs to the Telecom Italia Group. The Group's relevance becomes even more significant when one considers the indirect employees, i.e. the ones working on projects connected with the activities of Telecom Italia. A total of around 100,000 people, corresponding to around 1% of employees in the whole private sector[7], are either directly or indirectly employed by the Group in Italy.

Telecom Italia operates the biggest fixed voice and data infrastructure, covering the whole of Italy, and provides one of the country's most extensive and advanced mobile network platforms. Therefore, in terms of size, ubiquity and infrastructural and technological assets, it is a "system company", integrated with the territory and with the social, economic and production fabric, with a pervasive role for the whole of the country's economy and the competitiveness of its companies, the efficiency of its public administration and, more generally, the welfare of its citizens.

ULTRABROADBAND NETWORKS: A NATIONAL TREASURE

[G4-EC7a] Telecom Italia is aware of its strategic role and works constantly to manage and update the infrastructure and technology it makes available to the country: Telecom Italia invests around 3 billion euros a year in Italy and is top of the national ranking based on the volume of investments[8]. The Group's new strategic plan confirms its commitment to investing in advanced infrastructure and technologies and is focused on new generation networks (→ see NGAN box).

---

6   Internal estimates on Annual Report data. An estimate of the added value generated by Telecom Italia can be found in the report R&S Mediobanca "Le principali società italiane 2013" http://www.mbres.it/it/publications/leading-italian-companies.
7   The estimate of indirect employees is based on the results of the report Social Study 2013 – The Economic Impact of BT in the United Kingdom written by Regeneris for BT Group in 2014.
8   Calculation based on Mediobanca's data.

NGAN

During 2014 there was a significant increase in the speed of investments made by Telecom Italia in Next Generation Access Networks (NGAN). This was made possible in particular by technological innovation, which fundamentally changed the reference scenario. Solutions that bring fibre to the line splitter cabinet and then continue into the home using copper wires, known as FTTCab (Fibre to the Cabinet), are now considered to be fully-fledged next generation networks. The main innovations that can be introduced in the copper network are: vectoring, a technique that eliminates the background crosstalk which generally disturbs signal transmission on copper wires; bonding,which allows the signal to be transmitted using multiple aggregated copper pairs, and finally G.Fast, a solution that prevents interference between lines grouped together in the same cable and allows very high speeds to be achieved over short distances (typically between 200 and 500 Mbits/sec). By boosting existing network infrastructure in the final access section, FTTCab solutions reduce the investment required compared to FTTH (Fibre to the Home) solutions, because they avoid the operator having to lay fibre-optic cables all the way to the customer's home. This allows next generation access networks to be created more quickly and less expensively.

In the meantime, mobile network coverage of the whole country with the new 4G/LTE standard, a significant evolution in response to the growing demand for high speed data, has almost been completed. This new mobile network technology provides greater transmission speed compared to the past and shorter response times, allowing a high degree of interactivity on the move. Download and upload speeds, which are already comparable to those of fixed line broadband networks, will be able to increase further as the performance of the devices and the availability of appropriate frequencies improve.

Therefore, having build the national fixed and mobile infrastructure in the past century and the country's broadband network in the first ten years of the new century, the challenge the Group now faces, as of the year just ended, is to establish ultrabroadband networks, a major effort on which network technicians and engineers are now working every day.

[G4-DMA Indirect Economic Impacts] The ambitious investment plan Telecom Italia is implementing coincides with a phase in which the Italian government is engaged in devising and implementing the national strategic ultrabroadband plan, which aims to achieve the challenging objectives of

the European Digital Agenda in terms of a widespread supply of infrastructure and an increase in the demand for digital services. Telecom Italia's investment plan therefore becomes an important element in the digital transformation of the society, confirming the Group's historic role as an engine for the country's modernisation and facilitating achievement of the European Digital Agenda objectives[9].

IMPORTANCE OF THE GROUP IN BRAZIL

[G4-EC7a] A focus on innovation and investments in new infrastructure and technology also characterise Telecom Italia's action in Brazil, a country where the Group has been operating since 1997 through its subsidiary TIM Brasil and which is the Group's second biggest market. Telecom Italia's presence in Brazil has been increasing in recent years thanks to strategic acquisitions: the Intelig and AEM Atimus fixed network infrastructure has allowed the Group to strengthen the backbones and connecting links of the mobile network radio base stations through the use of fibre-optic cables which, in view of the development of LTE networks, are even more important and strategic.

In the past 5 years alone, Telecom Italia has invested more than 5 billion euros in Brazil, focusing primarily on building new generation infrastructure. During 2014, TIM Brasil also successfully participated in the frequencies auction for the 4G/LTE service in Brazil: a further step forward in extending the spread of mobile broadband and ultrabroadband services and contributing to the modernisation of the country.

---

9   The Institutions chapter contains an account of the initiatives involving national and local institutions for assessing infrastructure work requirements.

THE ECONOMIC EFFECTS OF BROADBAND AND ULTRABROADBAND NETWORKS ON GROWTH AND EMPLOYMENT

[G4-DMA Indirect Economic Impacts], [G4-EC7b]

The spread of broadband and ultrabroadband networks is a boost for the economic growth of countries. Many studies attest to the positive impact of broadband on GDP. The most reliable estimates, as shown in the table taken from an International Telecommunication Union (ITU)[10] report, indicate that a 10% increase in broadband coverage generates economic growth of between 0.25 and 1.38% of GDP.

Country	Authors - Institution	Data	Effect
OECD	Czernich et al. (2009) University of Munich	25 OECD countries between 1996 and 2007	A 10% increase in broadband penetration raises per-capita GDP growth by 0.9-1.5 percentage points
	Koutroumpis (2009) Imperial College	2002 - 2007 for 22 OECD countries	An increase in broadband penetration of 10% yields 0.25% increase in GDP growth
High Income Economies	Qiang et al. (2009) World Bank	1980 - 2002 for 22 OECD countries	10% increase in broadband penetration yielded an additional 1.21 percentage points of GDP growth
Low & Middle income economies	Qiang et al. (2009) World Bank	1980 - 2002 for the remaining 120 countries (low and middle income)	10% increase in broadband penetration yielded an additional 1.38 in GDP growth

As regards the specific impact of ultrabroadband networks on economies, one of the first studies on this subject is the one carried out by **Analysys Mason** and **Tech4i2** in 2013 for the European Commission[11] according to which an investment in ultrabroadband networks can generate benefits of around three times the capital invested, as shown in the table below. According to the study, investments in new generation networks also have a major impact on employment, with 20,000 jobs potentially being created for every one billion euros invested.

---

10 Impact of broadband on the economy: Research to Date and Policy Issues. ITU - 2012.

11 Study on the socio-economic impact of bandwidth (SMART 2010/0033), Analysys Mason e Tech4i2 – March 2013. The whole study can be downloaded via this link: http://ec.europa.eu/digital-agenda/en/news/study-socio-economic-impact-bandwidth-smart-20100033. A summary of the main results of the work is available on the Analysys Mason website using this link: http://www.analysysmason.com/About-Us/News/Press-releases1/broadband-benefit-for-EU-Mar2013/.

Scenario	Total NGA investment (EUR billion)	Input-output benefits (EUR billion)	Jobs created (million)	Consumer surplus benefits (EUR billion)
Do nothing	76.4	181.2	1.35	26.5
Modest intervention	102.5	270.4	1.98	28.6
Major intervention	211.2	569.4	3.94	31.9

A similar result can also be found in the study conducted by the **Boston Consulting Group** (BCG) for the ETNO (European Telecommunications Network Operators' Association) in 2013[12]. BCG estimates that an investment of around 110-170 billion euros is required to achieve the infrastructure objectives of the European Digital Agenda project. BCG estimates that if the increased investments were made, GDP growth of 750 billion euros could be achieved and 5.5 million new jobs could be created, which is the equivalent of 4.4 billion euros in GDP and around 30,000 new jobs for every billion euros invested.

GDP increase p.a. in %, EU-27

Impact on jobs
~ M 3.5-5.5 by 2020

~ B € 450-750
com. by 2020

_____
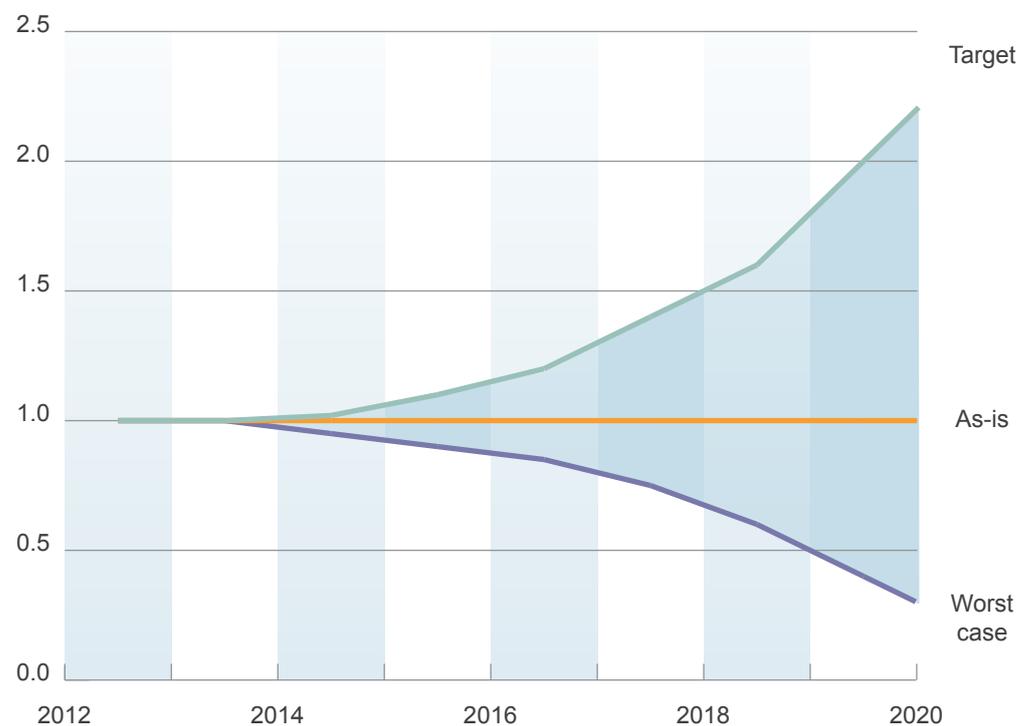
12 Reforming Europe's Telecoms Regulation to Enable the Digital Single Market, The Boston Consulting Group - 2013.

Both studies therefore show that ultrabroadband networks have a positive effect on economies. Better results are definitely achieved when the investment plans of private operators are accompanied by public initiatives aimed at extending coverage and therefore increasing the benefits for all citizens.

EXTENDING NETWORK INVESTMENTS TO "WHITE AREAS"

[G4-EC8b]

Telecom Italia's concrete commitment is also shown by its participation, as the only operator, in the **Eurosud** public tenders organised by the Ministry of Economic Development (MISE), which are essential for ensuring ultrabroadband coverage in "market failure" areas (known as "white areas", in which there is a risk of inadequate return being made on investments) and therefore achieving the objective of 30 Mbit/s coverage of 100% of the population by 2020. During 2014, Telecom Italia won the tenders for the public funding provided to bring ultrabroadband technology to the white areas of Apulia and Basilicata.

Finally, alongside initiatives to create ultrabroadband networks, particularly thanks to the availability of public funding through the **National Broadband Plan**, work is continuing on extending the traditional broadband network to the few areas not yet covered. During 2014, Telecom Italia participated in and won the two tenders for Calabria and Veneto, which join the two tenders - relating to Lazio and Campania - that Telecom Italia won in 2013.

These digital inclusion initiatives put geographically disadvantaged communities in a position to exploit the potential of the network to participate in the economic and social development offered by new technologies.

TWO INSTRUMENTS TO IMPROVE TRANSPARENCY IN THE DEVELOPMENT OF NETWORK INFRASTRUCTURE AND ENCOURAGE THE DEVELOPMENT OF DIGITAL PROJECTS: TELECOM ITALIA NETBOOK AND ITALIA CONNESSA

[G4-DMA Indirect Economic Impacts]

In order to make the effective development of broadband and ultrabroadband networks even more transparent, since 2012, Telecom Italia has published the **Telecom Italia Netbook**, which accurately and meticulously tracks the progress achieved. The Telecom Italia Netbook is a publication that shows the country and the main stakeholders the state of the network with extreme transparency, clarity and precision, using data and maps to illustrate the size and structure of the Telecom Italia infrastructure, the evolution in terms of exchanges (which are increasingly connected by fibre-optic cables and fitted with new generation equipment for managing broadband traffic) and broadband and ultrabroadband network coverage in each individual Italian province.

[G4-DMA Indirect Economic Impacts] Furthermore, in order to stimulate and promote a culture of innovation and speed-up digitalisation processes among medium sized municipalities, the third

edition of **"Italia Connessa"** was published in 2014, containing a digital check-up of Italian regions and connected with an initiative aimed at local governments proposing the most concrete and convincing digital development plan. Through this initiative, Telecom Italia is committed to rewarding local institutions that promote the development of digital services for citizens and businesses, creating ultrabroadband infrastructure earlier than planned.

TELECOM ITALIA'S COMMITMENT TO MINIMISING THE NEGATIVE IMPACTS OF CREATING NEW NETWORKS

[G4-EC7b] The creation of fixed and mobile network infrastructure can cause disruption for local communities (the work needed to lay fibre-optic cables can create noise and traffic). Telecom Italia mitigates these negative aspects by using innovative excavation and cable laying techniques, including the digging of micro-trenches instead of the normal ducts and using innovative materials. This leads to an overall reduction in the time required to carry out the work and in traffic disruption, as well as significantly reducing both the environmental impact (lower emissions and less waste for disposal) and social impact (fewer accidents at work).

NETWORK INFRASTRUCTURE AS AN ENABLING PLATFORM FOR DEVELOPING THE DIGITAL ECONOMY AND INCREASING THE COMPETITIVENESS OF THE COUNTRY

[G4-EC8a]

The latest OECD Science, Technology and Industry Outlook[13] report provides a very clear summary of the aspects that determine the different levels of competitiveness of countries and outlines the "recipes" that economies should implement to overcome the crisis:

• increasing the productivity of labour, which explains the different rates of growth in the wealth of countries most open to new technologies and other economies;

• promoting innovation, particularly by offering training systems that are geared above all to stimulating talent, disseminating the new skills required by production systems, extending the segment of the population susceptible to new technologies;

• increasing the effectiveness of local and national research and development systems, connecting them to international research networks and to the main reservoirs of knowledge, increasing opportunities for interaction between research and businesses;

• identifying new growth opportunities in solutions that address environmental protection, the ageing population, improving quality of life in urban areas.

As General Purpose Technologies (GPTs), i.e. enabling technologies needed to activate new services and solutions and disseminate digital culture, the broadband and ultrabroadband infrastructure is one of the main drivers that will enable the developments advocated by the OECD.

---

13 Science, Technology and Industry Outlook, OECD - 2014.

Back in 2009, a study by Waverman in fact indicated broadband as a vehicle for increasing the efficiency - and therefore the competitiveness - of an economic system by improving the productivity derived from the greater use of ICT technologies[14]. Naturally, the more the economic system is open to using new technologies, the wider this impact will be.

SOME OF TELECOM ITALIA'S INITIATIVES TO DISSEMINATE DIGITAL CULTURE

Alongside its infrastructure project, Telecom Italia has promoted various initiatives to improve digital literacy, technological equipment used by Italians and the use of services that make the most of the potential of the Internet.

For this purpose, Telecom Italia has used a variety of strategies (from conferences to field trials and financing start-ups) in order to explore and promote the potential applications of digital technology in many areas of social and economic interest: schools, services provided to citizens by public administration, applications aimed at people with disabilities, innovative solutions targeted at businesses, industrial areas, cities.

One example of these is the sponsored initiatives aimed at increasing awareness of solutions designed to improve the efficiency of public administration processes, including the Forum PA 2014, of which Telecom Italia was the main partner and in which ICT solutions for local government delivered in cloud computing mode using Nuvola Italiana were presented: from electronic invoicing to graphometric signatures, from digital identity services to administrative and health certification. e-Government services can contribute to improving the efficiency of public administration, making the services offered to citizens quicker and simpler, and reducing the costs of bureaucracy.

[G4-EC8b] Not surprisingly, the European Commission has identified promoting the development of e-Government services as one of the main objectives to be achieved in implementing the digital agenda. The spread of e-Government has enormous potential in terms of savings: in Denmark a digital archiving project was launched in 2012 which allows citizens to enter their details only once for all administrative formalities and it is estimated that by 2020 the annual savings may amount to 100 million euros. The Danish digital archiving model is particularly evolved compared to others and provides opportunities for various applications, including commercial ones. If the same approach were applied everywhere in Europe, savings in the order of 5 billion euros a year could be achieved by 2017[15].

The launch of field trials can also be a way to disseminate digital culture. One example is the trials and pilot projects on "smart city" solutions, which can provide local communities with a concrete demonstration of how applications and new technologies can improve time management, reduce waste, induce a more responsible attitude towards the environment and the community, improve safety and transparency. In other words, they can improve quality of life. **[G4-EC8b]** At European

---

14 Economic Impact of Broadband: An Empirical Study, L. Waverman – 2009. Waverman estimated that every 1% increase in broadband network coverage would lead to a 0.13% increase in productivity.

15 Study on eGovernment and the Reduction of Administrative Burden, Ernst & Young e Danish Technological Institute – 2014. Study conducted by the European Commission - DG Communications Networks, Content & Technology. https://ec.europa.eu/digital-agenda/en/news/final-report-study-egovernment-and-reduction-administrative-burden-smart-20120061.

level there are many trials taking place, such as the 370 recorded as part of the European Commission initiative called "The European Innovation Partnership on Smart Cities and Communities"[16] which also sees Telecom Italia involved in a sustainable urban mobility project in the areas of Turin, Milan, Pisa and Rome, intended to promote a model of urban logistics that reduces CO_2 emissions and makes the public transport system more efficient[17]. An even more comprehensive initiative is the **Città 3.0** trial launched by Telecom Italia to develop innovative services for Smart Cities, which involves the creation of experimental platforms for monitoring energy use and environmental sustainability. The trial also includes SIM Card solutions, for managing digital identity services, and Mobile Wallet services, which allow a smart phone to be used both as an electronic wallet and to pay everyday expenses, such as public transport and car parking.

[G4-EC8b] Digital skills have a crucial role to play in our society and have been one of the key factors in allowing economies to achieve a competitive advantage over the past twenty years, as shown by much of the work carried out by the OECD or promoted by the European Commission.

[G4-DMA Indirect Economic Impacts] In this respect as well, the Digital Agenda asks Member States to take action to broaden knowledge of digital tools and increase the number of people with evolved digital skills, particularly by disseminating ICT technologies in schools, which become key enablers in the development of new skills. In this context, schools must make a radical change in the way they plan and provide education, and in the way pupils, teachers and parents relate to one another. Because of the importance of this subject, the European Commission constantly monitors the speed with which digital technologies are being introduced in schools and in teaching processes. The latest report prepared by the European Commission shows that the presence of Internet-connected computers is a critical factor at all levels of schooling in Italy. A significant delay in equipping Italian schools with technology is also found at other levels of the education system[18]. One initiative designed to promote the use of digital tools from the early school years onwards is the **TIMCollege** commercial offer which, in addition to offering a tablet and a connection service, provides students with access to digital content and a coupon worth 150 euros to purchase school text books in digital format on the scuolabook.it platform.

In order to improve the efficiency of companies – particularly small and medium sized ones – various commercial services based on the Telecom Italia Nuvola Italiana cloud have been launched, which allow servers and computers to be virtualised, and company vehicles to be managed and geolocalised. These include **Nuvola IT Localizza**, which cuts costs, reduces environmental pollution and increases security levels in case of accident or theft[19].

---

16 http://eu-smartcities.eu/.
17 http://eu-smartcities.eu/commitment/7475.
18 Survey of Schools: ICT in Education, European Schoolnet and Liegi University (2013). The survey report and contents are available at https://ec.europa.eu/digital-agenda/en/survey-schools-ict-education.
19 **[G4-DMA Indirect Economic Impacts], [G4-EC7c]** All the initiatives mentioned in this section are of a commercial or experimental nature. For in-kind or pro-bono initiatives, see the Community chapter.

THE INFRASTRUCTURE FOR SOCIAL INCLUSION IN BRAZIL

[G4-EC7a], [G4-EC7b] In Latin America, ever since it was introduced, mobile telephony has played a key role in the process of integrating more disadvantaged people, contributing to cohesion and to involvement in social and democratic life. Suffice to say that in Brazil, as of June 2013, there were 44 million fixed lines installed while mobile lines exceeded 275 million units[20].

Tim Brasil manages over 75 million mobiles lines and has always played a major role in this context. The work already done to extend GSM network coverage to the whole country is continuing on a number of development fronts, which include improving the quality of the network in major cities, developing Mobile BroadBand and Fiber-To-The-Site (FTTS) in some cities, pilot small-cell and Wi-Fi projects and developing the LT Amazonas Fiber transmission project in the Amazonian region.

[G4-EC8] TIM Brasil is notable for its social inclusion projects, such as those providing Internet access to problem metropolitan communities such as Rocinha and Leme in Rio de Janeiro, or Transamazonica Digital, which brings fibre-optic technology to a number of municipalities in the regions of Amazonas, Pará and Amapá.

However, the availability of infrastructure is only one of the ingredients and has to go hand-in-hand with an overall digital growth of the population in a literacy development process that will increase demand and stimulate investments. Part of this process is the "National Broadband Plan" for Brazil (PNBL - Programa Nacional de Banda Larga), in which the Telecom Italia Group has been involved from the start. It is a federal programme which has led the country towards the objective of encouraging and disseminating the use and distribution of ICT goods and services, extending network coverage to the more remote areas of the country and making services more accessible to all segments of the population, contributing to reduce economic and social inequalities.

The PNBL was launched in 2010 with aim of providing fixed and mobile broadband Internet access to households in the poorest regions of the country, while also covering all public service establishments, including schools. For this purpose, the PNBL provides incentives for operators who commit to marketing the broadband service for a pre-established price, in addition to tax exemption measures to increase the spread of smartphones, tablets and other tools offering a mobile broadband connection. The significant growth in fixed and mobile broadband lines recorded in all regions of the country, particularly in 2013-2014, seems to indicate that the market's response to the strategy implemented has been very positive[21]. TIM Brasil has played its part in this context with great determination, also by launching partnership initiatives with Telebras, the operator entrusted with the task of extending the national backbone, to lay optical fibre in some regions of the country and to increase the reach and efficiency of the mobile 3G and 4G networks.

---

20 The most recent data is available on the website of Anatel, the Brazilian National Telecommunications Agency, at http://www.anatel. gov.br/Portal/exibirPortalInternet.do Information for 2013 can be found in the annual report for 2013 at: http://www.anatel.gov.br/ Portal/verificaDocumentos/documento.asp?numeroPublicacao=312603&pub=original&filtro=1&documentoPath=312603.pdf.

21 For more information on the PNBL go to http://www.mc.gov.br/programa-nacional-de-banda-larga-pnbl.

SUSTAINABILITY AND GOVERNANCE

OUTLINE OF TELECOM ITALIA GROUP'S CORPORATE GOVERNANCE

Some aspects of the Group's Corporate Governance which are particularly relevant (material) to the reporting of sustainability in accordance with the GRI-G4-guidelines are briefly illustrated below. For a more detailed and comprehensive description see the 2014 *Report on Corporate Governance and Share Ownership* ("RGS" hereafter), the *Report on Remuneration* ("RR" hereafter), the By-laws and the Group Governance Procedures, available at www.telecomitalia.com.

[G4-34], [G4-35], [G4-40] The Telecom Italia Group's Board of Directors is appointed by the Shareholders' Meeting based on slates submitted by eligible voters who own a total of at least 0.5% of the ordinary share capital (or any other amount that may be required by the regulations issued by Consob). **[G4-38], [G4-40]** The only stakeholders represented in the Board of Directors are the shareholders. Directors' powers are granted (and revoked) by the Board of Directors, which determines the purpose, limits and methods by which they are exercised.

[G4-40] The Group's By-laws require the least represented gender to account for at least one third of the total number of directors, rounded up to the next unit in the event of a fraction. The independence of a minimum number of directors is required by the law (Consolidated Law on Finance) based on the overall composition of the Board; the same law and the Corporate Governance Code of Borsa Italiana also define the criteria for the independence of directors.

[G4-40] In delivering its guidance to shareholders, before the Shareholders' Meeting called to renew the Board of Directors on April 16, 2014, the outgoing Board of Directors expressed, among other things, some desiderata regarding the new Board, including:

• the skills which were deemed to be necessary were a knowledge of the telecommunications and/or information technology sectors (including regulations) or similar areas of business, strategy, finance, communication and organisation, risk management and internal control. In terms of professional background, people of managerial extraction were to be preferred (primarily: CEOs or CFOs of significantly large companies), but the contribution of academic experts in finance and taxation, risks, law or the technical sector in which the Group operates were also judged useful;

• international openness was desirable, with the inclusion in the slate of non-Italian candidates, or individuals who had gained professional experience overseas;

• knowing that specialised skills can be contributed by internal structures or, if necessary, by external consultants, and that the complexity of the matters to be dealt with suggests that candidates with prior experience gained on the boards of listed companies would be appropriate.

(see Resolution Proposals - Shareholders' Meeting of April 16, 2014, available at www.telecomitalia.it).

[G4-38] The Board of Directors in office as of April 16, 2014 consists of 13 members, including 9 independents. 5 of the Board members are women and the female gender is the only social subgroup represented. Table 2 "Structure of the board of directors and committees and other positions held" in of RGS shows, for each director, their term of office, the committees to which they belong, the number and nature of other positions they hold, the slate to which they belong (Majority or Minority), whether they are independent, executive or non-executive. The CVs of each director are available at www.telecomitalia.com. Skills in the field of economics range from university teaching to university and post-university studies and experience at the top of large companies. Four directors also declare that they have worked on CSR-related projects. **[G4-47]** 14 meetings of the Board of Directors were held in 2014.

[G4-43] The Directors take part in specific meetings with the management or external consultants, aimed at providing adequate knowledge of the industry in which the Company operates, business dynamics and their evolution. Business lunches, workshops on new technologies and educational-informative meetings are held prior to strategic meetings. Updates regarding the relevant legislative framework are provided in specific briefing notes. Training sessions on sustainability are also planned for 2015.

[G4-34], [G4-40] Currently the committees set up within the Board of Directors are the *Control and Risk Committee* and the *Nomination and Remuneration Committee*. The nomination and selection processes of committees, as well as the requirements for independence and skills are described in the *Nomination and Remuneration Committee Regulations* and *Control and Risk Committee Regulations*.

[G4-44a] Self-assessment of the size, composition and operation of the Board and its Committees was launched in December 2014 with the support of the independent external consultants *BoardroomReview*. **[G4-44b]** The assessment methods and results are illustrated in RGS. In 2014 the self-assessment did not cover sustainability topics.

[G4-35], [G4-36], [G4-39], [G4-42] The Shareholders' Meeting of April 16, 2014 appointed Giuseppe Recchi as Chairman and the subsequent meeting of the Board of Directors of April 18 appointed Marco Patuano as CEO.

The powers assigned to the Chairman (detailed in RGS) include:

• determining the guidelines for the development of the Group, in agreement with the CEO, with powers to identify and analyse extraordinary operations;

• supervising the strategic, industrial and financial plans, the implementation of these plans and their development and monitoring the implementation of board resolutions;

• supervising the definition of organisational structures and the power to organise and determine the size of the workforce and resources required to exercise his functions, making direct use of the Human Resources department, which reports to the CEO;

- supervising the economic and financial performance of the companies and the Group;

- supervising the process of examination and definition of the structure of the internal control system;

- representing the company and the group in external relations with all authorities, Italian and international institutions and investors (on the understanding that People Value department reports to the CEO);

- organisational responsibility for the following departments that report directly to him:

  - Legal and Corporate Affairs (save for the CEO's power to make use of the Legal Affairs Department for the operational management support required);

  - Press Office and Opinion Makers Relations (save for the CEO's power to make use of the Press Office for the operational management support required in coordination with the Chairman);

  - Public & Regulatory Affairs (coordinating, as regards relations with AGCOM and AGCM and the corresponding overseas authorities, with the CEO, to which the Department reports in respect of relations with these authorities only);

- organisational responsibility for the Corporate Social Responsibility department (**[G4-48]** including responsibility for drawing up the sustainability report) and governance of the Fondazione Telecom Italia.

[G4-35], [G4-36], [G4-42] The powers assigned to the CEO (detailed in RGS) include:

- responsibility for administration (which include drawing up the financial statements), ordinary and extraordinary finance, taxation activities, management control and investor relations;

- responsibility for devising, proposing to the board of directors and then implementing and developing strategic, industrial and financial plans;

- responsibility for defining organisational structures, personnel policies and relations with trade unions;

- all organisational responsibilities for managing and developing the business in Italy and South America;

- organisational responsibility for the sections of the Public & Regulatory Affairs department responsible for relations with AGCOM and AGCM and the corresponding overseas authorities, coordinating with the Chairman;

- responsibility for brand and commercial communication policies;

- responsibility for market disclosure, with reference to the company;

- "employer" responsibility for the health and safety of workers in the workplace, with reference to the company;

- responsibility and powers regarding the handling and protection of personal data, with reference to the company.

[G4-35], [G4-36] The system by which the executive directors (Chairman and CEO) delegate powers to the departments that report to them is the subject of a specific company procedure that establishes the methods by which this system must be implemented (Granting and Revocation of

Powers). Powers are normally granted to those reporting directly to the executive directors and, in particular, for matters of an economic and financial nature, they are granted to those reporting to the CEO who deal with such matters, while for CSR the powers are delegated to those in charge of the CSR department reporting to the Chairman. Those reporting directly can in turn assign specific powers to specific departments; **[G4-37]** in particular, powers are granted in this way to consult stakeholders (customers, suppliers, public administration, employees, etc., described in the Stakeholder Engagement section of this chapter).

[G4-41] The company procedure for transactions with related parties[1], drawn up in accordance with Consob Regulation no. 17221 of March 12, 2010, is regularly updated (the latest revision is dated December 18, 2014) and is illustrated in RGS, see *Directors' Interests and Transactions with Related Parties*. The disclosure of any transactions with related parties during the relevant period is included in the *Transactions with related parties* chapter of the Annual Financial Report.

[G4-45], [G4-46], [G4-14] The internal control and risk management system consists of a set of rules, procedures and organisational structures intended to ensure the healthy and proper management of the company, in a way that is consistent with the established goals, through an appropriate key risk identification, measurement, management and monitoring process. Being responsible for the internal control and risk management system the Board of Directors defines the system guidelines, verifying their adequacy, effectiveness and proper operation, so as to ensure that the main risks facing the company (including operational, compliance, economic and financial risks) are correctly identified and managed over time.

The establishment and maintenance of the internal control system are entrusted to the Executive Directors, each in his/her own delegated area, and to the Executive responsible for preparing the Company's accounting documents in his/her area of responsibility, so as to ensure the overall adequacy of the system and its effectiveness, from a risk-based perspective, which is also considered when determining the agenda of Board meetings. Coordination between the parties involved in the internal control and risk management system is illustrated in RGS.

The internal control system is completed by the so-called "Organisational Model 231", i.e. an organisational and management model adopted pursuant to Legislative Decree 231/2001, aimed at preventing offences that may result in liability for the Company.

[G4-45], [G4-46], [G4-14] Telecom Italia Group has adopted an Enterprise Risk Management (hereinafter ERM) Model which allows all kinds of risks to be identified, assessed and managed uniformly within Group companies, highlighting potential synergies between the parties involved in

---

1   The terms "related party" and "related parties" of Telecom Italia are understood to refer to the parties defined as such in the Consob Regulation. Regardless of whether they can be defined as related parties according to accounting principles, the Procedure also applies to participants to significant shareholders' agreements, pursuant to article 122 of the Consolidated Law on Finance, that govern candidacies for the position of Director of the Company, if it turns out that the majority of Directors appointed has been drawn from the slate presented by participants in shareholders' agreements.

assessing the Internal Control and Risk Management System. The ERM process is designed to identify potential events that may influence the business, in order to manage risk within acceptable limits and provide a reasonable guarantee that business objectives will be achieved.

The process is managed by the ERM Steering Committee, which is chaired and coordinated by the head of the Administration, Finance and Control Department. The Steering Committee meets every three months (or when specifically required) and is intended to ensure the governing of the Group risk management process, which is designed to guarantee the operational continuity of the company's business, monitoring the effectiveness of countermeasures adopted. For further information, see the chapter *Being Sustainable: Risks and opportunities*, *The Group's Enterprise Risk Management System* section.

[G4-49], [G4-50], [G4-58] The main procedures made available by the Group for stakeholder reporting are:

- the internal control reporting procedure (whistleblowing procedure)
- the procedure for reporting complaints to the Board of Statutory Auditors

available at www.telecomitalia.com. In addition to these there is the procedure for reporting complaints to the "Organismo di Vigilanza" (Supervisory Board), available on the company intranet.

[G4-57], [G4-DMA Labor Practice Grievance Mechanisms] As stated in article 4 of the Group Code of Ethics and Conduct, any requests for clarification regarding the appropriateness of one's own conduct or the conduct of other people, in order to ensure full compliance with the Code and the values set by the Code itself, must be addressed to the Head of the Audit Department of Telecom Italia S.p.A. or to the Head of the Audit Department of the Group's overseas company directly involved, in accordance with specific internal procedures. **[G4-58]** The same entities must be promptly informed, by means of the appropriate internal procedures (Internal Control reporting procedure), of the following by the recipients of the Code and those who have undertaken to comply with it:

- any violation, request or inducement to violate legal provisions or regulations, provisions of the Code and internal procedures with regard to the activities and services of interest to the Group;
- any irregularity or negligence in accounting procedures, keeping of relevant accounting documentation, fulfilling reporting obligations or internal management in Group companies.

There are no negative consequences for people who make reports in good faith.

The confidentiality of the identity of people making reports is in any case guaranteed by appropriate internal procedures, subject to legal requirements. No recipient of the Code, employee or third party having business relations with the Group can be subject to sanctions or otherwise discriminated against if he/she refuses to perform actions or adopt a conduct which are considered, in good faith, to infringe the Code, even if this refusal should result in a loss of business or other adverse consequence for the company's business and/or the Group.

[G4-50] In 2014, via the internal control reporting procedure, 91 reports were received from Italy and 77 from Brazil, most of them relating to alleged inefficiencies. The *Human Rights* section of the *Being Sustainable: risks and opportunities* chapter and the *Reports received via the internal control procedure* of the Telecom Italia People chapter illustrate the reports received concerning alleged violations of human and labour rights[2].

[G4-50] The Board of Statutory Auditors' Report states the number of reports received via the Board of Auditors' Reporting Procedure and provides summary of the investigations carried out by the Board itself with the support of the Group Compliance Officer (see 2014 Annual Financial Report). Furthermore, during 2014, the Supervisory Body received just 3 reports, none of which related to the Code of Ethics and Organisational Model 231.

[G4-51], [G4-52] The remuneration policy for the members of the Board of Directors is determined in accordance with legal requirements and the by-laws, according to which:

- **[G4-53]** the Shareholders' Meeting determines the total gross annual remuneration of the Board of Directors (and of the directors holding specific offices: Chairman and CEO); expresses an opinion on the first section of the Remuneration Report; passes resolutions regarding remuneration plans based on the allocation of financial instruments;
- the Board of Directors passes resolutions to determine how the remuneration set by the Shareholders' Meeting will be distributed (when it is established as a total amount for the Board in its entirety); determines the remuneration policy for executive directors and key managers with strategic responsibilities; determines the remuneration of directors holding special offices.

The Board of Directors is also responsible for making proposals to the Shareholders' Meeting regarding remuneration plans based on the allocation of financial instruments for directors and employees and for drawing up the Remuneration Report.

[G4-52] In order to ensure that the choices made regarding remuneration are appropriately investigated, in accordance with the rules on transparency and the strict regulations on potential conflicts of interest, the Board of Directors relies on the support of the Nomination and Remuneration Committee. In performing its duties, the Committee (the meetings of which are attended by the Chairman of the Board of Statutory Auditors or, if he/she is unavailable, by another Auditor appointed by him/her) relies on the assistance provided by appropriate structures of the Company and can also rely on the support of external consultants whose position does not compromise their independence of judgement. Since the renewal of the Board of Directors, the Committee has relied on the assistance and support of Mercer Italia.

[G4-51] With the exception of the Chairman and the CEO, the directors receive fixed remunerations only. Table 1 "Compensation paid to members of the management and control body and to

---

2 In particular, the Telecom Italia People section contains a more detailed description of the procedure and the types of reports made via the procedure.

Key managers with strategic responsibilities" in the Remuneration Report states all the types and amounts of remuneration received by each director. Details of the fixed and variable remuneration components (including any stock option), benefits and severance pay attributed to the CEO, the Chairman and the key managers with strategic responsibilities, as well as the targets for the variable component of the CEO's remuneration are illustrated in detail in the Remuneration Report. In particular, the targets assigned to the CEO are primarily of a financial nature, except for the Customer Satisfaction indicator and the total investments in innovation, while for the Chairman, the targets assigned relate for the most part to effectiveness in managing the activities of the Board of Directors, measured by the Board assessment. The sustainability targets used to determine the management incentive system are stated in the *Remuneration Policies* section of the *Telecom Italia People* chapter of this report.

GOVERNANCE AND MANAGEMENT OF SUSTAINABILITY IN TELECOM ITALIA

SUSTAINABILITY GOVERNANCE

[G4-34], [G4-42] Responsibility for monitoring the Group's socio-environmental issues and identifying CSR projects and initiatives rests with the Corporate Social Responsibility department, which

- reports directly to the Chairman of the Board of Directors;
- periodically reports to the Control and Risk Committee.

The latter acts as a corporate social responsibility overseer, ensuring the consistency of actions carried out with the principles of the Group's Code of Ethics and with the values adopted by the Group. **[G4-47]** During 2014, the Control and Risk Committee met the representatives of the CSR department twice.

[G4-48] The sustainability report, including the materiality analysis, is the responsibility of the Chairman of the Board of Directors and is submitted for approval to the Board of Directors.

[G4-35] Socio-environmental responsibilities are delegated, in the same way as all other powers delegated by the company, by applying the procedure *Granting and revoking powers*. In particular, **[G4-36]** responsibility for monitoring and communicating environmental and social issues rests with the CSR department, which draws up the sustainability report, manages relations with rating agencies and also oversees the implementation of particular projects. Responsibility for dealing with specific socio-environmental issues rests with the departments that deal directly with operations involving these issues (e.g. the People Value department is responsible, among other things, for ensuring the health and safety of employees, handles relations with workers' representatives, ensures compliance with labour laws, etc., the Open Access department ensures compliance with environmental legislation, etc., the Infrastructures & Energy department, in the Network context, devises initiatives for reducing energy consumption, etc.). **[G4-42]** These latter departments in particular identify specific strategies and targets for improving socio-environmental performance, each department in its own area of responsibility. The strategies, activities and

socio-environmental targets of the various departments are stated in the sustainability report.

[G4-37] Just as the responsibility for dealing with each socio-environmental issue is delegated to the department that is operationally responsible for dealing with that issue, stakeholder consultation is delegated to the departments that are operationally responsible for dealing with the company's various stakeholders. The various involvement initiatives are listed in the Stakeholder Engagement section of this report.

REFERENCES

The Telecom Italia Group operates with the conviction that business activities must be conducted in a way that considers the expectations of stakeholders, in keeping with the principles established by internationally recognised standards. In defining and implementing its sustainability strategy and programmes, the Group is inspired by the guidelines issued by the main global guidance and standardisation organisations in the field of Corporate Responsibility. The system of sustainability management also takes into account the principal reference regulations and international standards:

- European Commission directives, recommendations and communications;
- the OCSE guidelines directed at multinational enterprises;
- the ISO 9001 and ISO 14001 certifications governing quality and environmental management systems;
- principles of the International Labour Organization (ILO) Conventions on respecting the fundamental rights of workers;
- the Social AccountAbility 8000 standard (SA 8000), aimed at promoting respect for human rights and working conditions by companies and their supply chains;
- AA1000 AccountAbility Principles Standard (APS 2008) drawn up by AccountAbility, an international organisation which promotes collaboration between stakeholders, and lays down standards and guidelines on matters of sustainability;
- ISO 26000 guidelines for private and public organisations of all sizes.

[G4-15], [G4-16] The Telecom Italia Group has long been a member of many environmental and social organisations, both national and international, formed to disseminate universally recognised values including respect for Human Rights, labour rights and environmental protection. The main associations in which the Group is involved and some of the charters and codes to which it has signed up are listed below:

- Global Compact, the main global benchmark launched in 2000 by the UN, to which Telecom Italia has been signed up since 2002; Telecom Italia is a member of the Global Compact Network Italy;
- ITU (International Telecommunications Union) the UN's main agency for Telecommunications and Information, as well as a reference point for governments and the private sector in the development of networks and services. Its purpose is to allow the development of telecommunications to guarantee that everyone in the world can access the global economy. Telecom Italia is involved, amongst other things, in the ITU Child Online Protection working group:

Guidelines for industry. Telecom Italia is also involved in updating guidelines on Child Online Protection - COP for companies in the broadcasting, Internet and mobile sector, which is part of the broader international Global Cybersecurity Agenda project, and in the Environment and Climate Change working group (Study Group 5);

- ETSI (European Telecommunications Standards Institute), the main European standardisation organisation for telecommunications. Telecom Italia is involved in the following technical committees and interest groups regarding the environment: TC ATTM (Access, Terminals, Transmission and Multiplexing), TC EE (Environmental Engineering) and ISG OEU (Operational Energy Efficiency for Users);

- GSM Association and particularly the GSMA - Mobile Alliance against Child Sexual Abuse Content working group for all technological and communication initiatives aimed at protecting children in the mobile phone sector;

- ICT Coalition and Better Internet for kids/CEO Coalition, for establishing the principles and technologies required to make the Internet a safer place for children;

- GRI, a body set up in 1997 by CERES, Coalition for Environmentally Responsible Economy, with the aim of developing globally applicable guidelines for drawing up sustainability reports.

- GeSI (the Global e-Sustainability Initiative), a global partnership of ICT companies to promote the sustainable development of new technologies. Telecom Italia is represented in the General Assembly and is involved in the initiative's working groups, particularly with regard to optimising energy use and reducing greenhouse gas emissions. From the middle of 2012 to the middle of 2014, Telecom Italia was also a member of the Board of Directors, performing the role of treasurer;

- ETNO, a trade association which aims, among other things, to develop a competitive and efficient European telecommunications market through coordination between operators and dialogue with Institutions. Telecom Italia is a member of the Executive Board, which it chaired between 2011 and 2014, and has signed up to The Sustainability Charter of the European Telecommunications Network Operators' Association. Issues related to Corporate Responsibility are handled by a Working Group which Telecom Italia has chaired since 1997, the tasks of which include promoting and verifying the objectives undertaken through the Association's Sustainability Charter. An Energy Task Force coordinated by Telecom Italia reports to the working group and is responsible for evaluating and pooling best practices and the most advanced solutions in the field of energy efficiency;

- Joint Audit Cooperation, a joint initiative between telephone operators to perform sustainability audits in the production plants of suppliers in developing countries. Telecom Italia is one of the three founding members and is represented in the Leadership Assembly (which has guidance and auditing tasks and consists of high level representatives of the Purchasing and CSR departments of its members) and the Operational Board, which defines procedures and tools and coordinates the auditing of suppliers;

- The European Commission's Joint Research Centre which, with the help of telecommunications operators, including Telecom Italia, has developed Codes for the energy efficiency of data

centres and the energy consumption of broadband appliances, both adopted by Telecom Italia;

- FOSI - Family Online Safety Institute, an international non-profit organisation formed to make the Internet safer for young people and their families, identifying the best strategies while respecting the freedom of the Web. FOSI also promotes dialogue between heads of government, the world of industry and the non-profit sector in seeking new solutions for the safety of children in the Web 2.0 world. Telecom Italia is the first Italian company to have joined this important institution.

Telecom Italia is also a member of ANIMA and Sodalitas (entities that deal with sustainability in Italian trade associations), CSR Europe, a network of European companies for the development of CSR in companies.

Among the other codes relevant to sustainability to which Telecom Italia has signed up, we should mention the *Equal Opportunities Charter*, the *Self-regulation code for mobile services*, the *Code of conduct for premium rate services* and the *Self-regulation code for commercial communication* (available on the telecomitalia.com website).

CODES AND CHARTERS OF THE GROUP

[G4-56] The undertakings given by the Group to its stakeholders are expressed in a system of Charters and Codes available in the sustainability section of the telecomitalia.com website.

In the belief that the success of the company cannot be separated from business ethics, the *Code of Ethics and Conduct* sets out the objectives and values of the Company's activities in respect of the main stakeholders with whom the Group interacts.

The *Service Charters*, which are intended to simplify the relationship with customers and make it more direct, set out the principles of conduct and undertakings given by Telecom Italia regarding the quality of the services offered. They also provide information regarding the ongoing improvement of quality standards and contact channels available to customers. The Service Charters are available on the Group's commercial websites (telecomitalia.it, impresasemplice.it, tim.it).

The *General Conditions of Subscription and Contract*, which govern relations with subscribers and are additional to the Service Charters, are published on the following websites telecomitalia. it, tim.it, impresasemplice.it and nuvolaitaliana.it. The General Conditions of Subscription for fixed telephony are also published in telephone directories.

Furthermore, in order to comply with the various resolutions of the Italian communications authority regarding quality, the relevant websites state the objectives set for the year for the individual services (fixed and mobile voice services, Internet access services, call centre services for customer support). A selection of the objectives and their respective levels of achievement is set out in the Appendix.

The other undertakings given by the Group are contained in the following documents, which are available in the sustainability section of the company's Internet site:

- Social responsibility in the Telecom Italia Group, on compliance with labour standards within

the Group, with particular reference to child labour, forced labour, health and safety, freedom of association, discrimination, disciplinary procedures, working hours and pay;

- Relations with suppliers in Telecom Italia Group's procurement process, which governs the negotiating ethic of the Group (transparency, the separation of roles, fairness and traceability) and the requirements that Telecom Italia demands of its suppliers in the area of labour and environmental standards;

- Green Procurement Policy, which is intended to minimise the environmental impact directly attributable to the Company and its suppliers in the context of the procurement process;

- Telecom Italia Group Guidelines on Voluntary Contributions to the Community, which govern the ways in which the Group makes investments in favour of the Communities in which it operates;

- Code of conduct for the confidentiality of OLO (Other Licensed Operator) Data, which ensures the proper handling and confidentiality of data by the departments that supply services to other operators;

- Telecom Italia Group Guidelines for Responsible Marketing, which outline the principles followed by the Group to ensure honest, transparent and fair business practices in addition to those contained in the Charters and Codes mentioned above.

Telecom Italia's Code of Ethics and Conduct underlines a number of key objectives for everyone working in the Group; these objectives, which are listed below, provide useful behavioural references.

Excellence of service

We pursue excellence towards customers, creating value for the shareholder and the communities in which we operate.

Ethics and compliance

We operate in compliance with the law and with universally accepted ethical principles, based on transparency, fairness and loyalty.

Competition

We promote fair competition that serves the interests of customers and of every player in the market.

Human resources

We value the Group's human resources, respecting diversity, within a framework of loyalty, observance of ethical values and trust.

Communication

We ensure the transparency of our actions in our relationship with customers, the market, investors, the community, employees and all stakeholders in general.

The community

We contribute to the prosperity and growth of the communities in which we operate, respecting the environment and the rights of future generations.

Health and Safety

We protect health and safety in the workplace, ensuring respect for the physical and moral integrity, rights and dignity of workers.

FIGHT AGAINST CORRUPTION

[G4-SO3a] Corruption is widely recognised as one of the main factors threatening socio-economic growth and the well-being of the population. Preventing corruption has always been an important part of the Telecom Italia control system in all its companies. Over time, Telecom Italia's control systems have evolved and the scope of its companies has changed. Here we shall concentrate on the Group's existing scope, which consists of the following Business Units: Domestic BU (which includes all the commercial and technical activities related to telephony, including Telecom Italia Sparkle, and Olivetti), Brazil BU and Media (see Telecom Italia Group/Group profile).

[G4-DMA Anti-corruption] The Group's system for identifying, preventing and controlling corruption risks is the "Organisational Model 231", pursuant to Legislative Decree 231/2001, a compliance programme for preventing offences pursuant to Legislative Decree 231/2001 which can result in administrative responsibilities being placed on the Company.

The Organisational Model 231 consists of:

- the Code of Ethics and Conduct of the Telecom Italia Group, where the general principles (transparency, fairness, loyalty) that guide the Company in the organization and conduct of business are indicated;
- the "general principles of internal control", principles for achieving the objectives of operational efficiency and effectiveness, reliability of financial and management reporting, compliance with laws and regulations, safeguarding of company assets against possible fraud;
- the "principles of conduct", which consist of specific rules for relations with third parties and for all fulfilments and activities of a corporate nature, and the "internal control check-lists" that describe business processes at risk of crime, any predicate offences relating to them, the preventive control activities and the behavioural indications aimed at avoiding the related risks.

The internal control check-lists have been developed according to the following principles: (i) the separation of roles in undertaking the principal activities involved in business processes; (ii) the traceability of decisions, to allow for identification of the points of responsibility and the motivations for the decisions themselves; and (iii) the objectification of the decision-making processes, so that decisions are not made on the basis of purely subjective considerations, but based on pre-established criteria.

In January 2013, a version of the Organisational Model 2013 was adopted which incorporated the new offences of corruption between private subjects and of unlawful inducement to promise or give benefits to a public official/public service employee. The new version contains updated internal control guidelines and a reference to the Group's anti-corruption policy. The new version also complies with the relevant compliance programme for the application of anti-corruption legislation, such as the FCPA and the UK Bribery Act.

[G4-SO3b]

The areas identified as being at risk of corruption are:

- gifts and entertainment expenses

- events and sponsorships

- donations/membership fees/contributions to non-profit organisations

- consulting, intermediation, relations with business partners and suppliers

- joint ventures, acquisitions and transfers and furthermore

- sale of goods and services

- relations with institutions/authorities

- authorisations and concessions

- subsidised finance

- legal and arbitration proceedings

- health and safety at work obligations

- environmental protection obligations

- staff selection and recruitment

[G4-DMA Anti-corruption] It is specifically prohibited to directly or indirectly receive, demand, give or offer compensation of any kind, gifts, economic benefits or other utility to or from a public or private subject and/or the body such subject directly or indirectly represents that: (a) exceed a modest value and the reasonable practical limits of courtesy and, in any event, (b) are capable of being interpreted as designed to unduly influence the relations between the Group Companies and the aforementioned subject and/or body it directly or indirectly represents, irrespective of whether the aim was pursued, even if exclusively, in the interests or to the benefit of the individual Company or of the Group.

Nor are "facilitation payments" permitted. These are unofficial modest payments made to speed up, favour or secure the execution of a routine or otherwise expected activity that is part of the duties of the public or private subject with which the Group companies has relations.

The anti-corruption policy pays interests to donations, gifts and/or participation in charitable organi-sations, foundations, non-profit organisations, providing for contributions to be made exclusively to organisations with a proven reliability and recognised reputation, subject to due diligence, and in ac-cordance with the budget prepared on the basis of cost-effectiveness and reasonableness criteria.

[G4-DMA Anti-corruption] The above areas are the criteria by which processes or activities are judged to be at risk or not (each process/activity is at risk if it includes these areas)[3].

The Organisational Model is complemented by the Supervisory Body, which is responsible for supervising the operation of the Model, ensuring it is complied with and updating it. Pursuant to Legislative Decree 231/01 article 6(4bis), the functions of Supervisory Body are assigned to the

---

3 Furthermore, Telecom Italia's procedures for transactions with related parties specify all the measures to be adopted in order to mitigate the risk associated with these transactions (the procedures are approved by the Board of Directors and are published at http://www.telecomitalia.com/tit/en/about-us/governance-system/procedures.html).

Board of Statutory Auditors appointed by the Shareholders' Meeting of May 15, 2012.

Amendments to the Model are drafted by a Group managerial committee called Steering Committee 231, briefed by the Supervisory Board and approved by the Board of Directors when of a significant nature.

In order to support the Supervisory bodies of the Companies belonging to the Group, the Compliance Department of Telecom Italia includes a specific structure (Compliance 231) in charge of managing violations of the Organisational Model and carrying out specific compliance interventions also according to the evidence received via the information flows established inside the Group.

[G4-SO3a] The Organisational Model 231 currently covers all the Group's Business Units and **[G4-SO4]** has been approved by the Group's Board of Directors since 2003 (successive amendments have been approved since then), while in December 2012 a specific Anti-Corruption Policy was adopted, which is referred to in the Organisational Model itself. Furthermore, in August 2014, the Board of Directors of TIM Partecipações approved the Organisational Model in accordance with the recent local anti-corruption law (Ley 12846/13) and the relevant provisions required at Group level. Previously, Brazil had adopted corruption prevention procedures, including the Anti-Corruption Policy of May 2013. **[G4-SO4]** In the case of Italian companies, the Organisational Model 231 and the anti-corruption policy are communicated to all employees, while commercial partners are required to confirm their adherence to the principles contained therein[4]. In Brazil, the communication thereof to employees and partners began in 2014.

In Italy, 185 executives received classroom training on the Organisational Model in 2014 (459 in 2013 and 73 in 2012). Furthermore, two e-learning training campaigns were run, one ending in 2012 and the other in 2014[5]:

E-learning training campaigns run in Italy

	2014	2012
Senior managers	718	865
Middle managers	3,787	4,270
Others	33,877	30,143

Furthermore, in Brazil, between 2012 and 2014, training activities on anti-corruption were carried out with a focus, in the last year, on the new anti-corruption law adopted at the local level[6]. Training on the Organizational Model is currently being defined. It must be pointed out that, as part of activities to raise awareness on anti-corruption issues, over 12,000 resources have signed the Code of Ethics.

---

4   Commercial partners include suppliers of orders worth over 3000 euros, joint ventures, consultants.

5   The training campaigns are not necessarily annual but depend on changes made to the Model or other organisational requirements.

6   Data regarding training activities carried out in 2012-2014 are not reported because they cannot be directly compared to those related to the same activities in Italy. Tim Participaçoes is currently thinking about the possibility to report data in an homogeneous way.

[G4-DMA Anti-corruption] Employees are trained every time the Organisational Model undergoes substantial changes.

Telecom Italia is currently also planning to carry out training sessions on the Organisational Model 231 and the anti-corruption policy for the corporate bodies of TI SpA, and, with regard to domestic subsidiaries, the activity is currently under way.

[G4-SO5] No incident of corruption has taken place in the Group companies in the past 3 years, nor have any legal proceedings been started on grounds of corruption against Group companies in the same period. With regard to suppliers, in the past 3 years Telecom Italia has never terminated a contract for reasons related to corruption. Only on one occasion, in 2014, has Telecom Italia suspended new activities with a supplier because the latter was charged with corruption.

[G4-DMA Anti-corruption] Telecom Italia is a member of the "231 and Legality" Working Group set up as part of the initiatives taken by *Confindustria*.

LEGAL FRAMEWORK AND COMPLIANCE

The Group's activities are conducted in full compliance with ruling laws in the countries in which it operates and with universally accepted ethical principles, based on transparency, fairness and loyalty.

[G4-DMA Public Policy], [G4-DMA Compliance] The main changes in the relevant legislation for the Group are regularly set out in the Report on Operations of the Telecom Italia Group (see the *Main changes in the regulatory environment* chapter), while public administration engagement activities are described in the *Institutions* chapter of this report. Relations between the Group and its employees and public administration are carefully regulated and controlled by the Organisational Model 231, briefly presented in the previous section. **[G4-SO6]** In particular, the Code of Ethics explicitly bans any direct or indirect disbursements, contributions, advantages or benefits of any kind to political parties, political movements or trade unions or to their representatives or candidates.

[G4-DMA Anti-competitive Behavior] Relations with our competitors are described in the *Competitors* chapter of this report, which also describes our relations with the relevant competition authorities. Furthermore **[G4-SO7]** the Group's main disputes in this respect are listed and described in Note 25 (*Contingent liabilities, other information, commitments and guarantees*) of the Consolidated Financial Statements, particularly in the *Significant disputes and pending legal actions* section. **[G4-SO8]** The same Note contains a description of all the Group's other disputes.

[G4-DMA Grievance Mechanisms for Impacts on Society], [G4-SO11] No reports have been received over the past three years, via the main company reporting mechanisms described in the *Outline of Corporate Governance* section of this chapter, regarding alleged damage caused to the community by Telecom Italia, including damage of an environmental nature, discrimination against the population in terms of coverage, and corruption.

[G4-DMA Compliance], [G4-EN29] In its environmental management systems, the Group is very careful to comply with the environmental laws of the countries in which it operates. There have been no significant fines of this nature over the past three years.

STAKEHOLDER ENGAGEMENT

Telecom Italia believes it is fundamentally important to consider the opinions and expectations of its stakeholders, namely the parties who for various reasons have an interest in the company's activities.

[G4-24] The stakeholders with whom Telecom Italia comes into contact in the conduct of its business are many and very varied. For ease of management and reporting they have been grouped into eight categories, the first six of which relate to the outside world and the remaining two relate to the internal world of the Company:

- customers
- suppliers
- institutions
- competitors
- environment
- community (including the media)
- Telecom Italia people
- shareholders

This sustainability report, the chapters of which are arranged according to these stakeholder categories, is a report on the Group's activities that are relevant to the stakeholders in each category. In particular, each chapter dedicated to a particular stakeholder category contains a list of the main stakeholders belonging to that category.

[G4-25], [G4-26] The stakeholder engagement process takes place regularly during implementation of the company's projects. For each project, the affected stakeholders are identified and priorities are assigned based on the importance of the stakeholder for the business objectives or on the basis of the Company's decision to focus on specific fields such as, for example, contributing to the economic or cultural growth of the country with projects not strictly connected with business. Once the relevant stakeholders have been identified for the project, the most suitable strategies for building relations are studied, which can include individual meetings, group meetings, information sessions, shared projects, surveys, focus groups, etc.

At the end of the feasibility analysis and verification process, Telecom Italia decides which solutions to offer, which projects and which initiatives to undertake. Stakeholder involvement continues beyond this and serves to monitor and adjust the initiatives.

Telecom Italia has drawn up *general guidelines for group stakeholder engagement* and a set of policies associated with different kinds of stakeholders, including customer service charters, a policy on *relations with suppliers in purchasing processes, the code of conduct for protecting the data of other local operators, guidelines for relations with local authorities and other organisations, guidelines for voluntary contributions to the Community*.

[G4-26], [G4-27] The Group's main stakeholder engagement initiatives taken in 2014 are summarised below. In the diagram:

• the "information" column refers to one-way communications by the Company with stakeholders;

• the "consultation" column refers to the occasions when stakeholders are asked for their opinion through surveys or similar tools;

• the "dialogues" column refers to the discussions and ongoing and stable cooperation between the Group and stakeholders;

• the "partnership" column refers to the specific projects that are managed together.

Each initiative mentioned in the table is accompanied by reference to the relevant chapter and section of this report in which the initiative is discussed in detail.

	INITIATIVES			
STAKEHOLDERS	INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
ENVIRONMENT	Product environmental declarations for customers – Telecom Italia Green range (Environment/Product Responsibility/Telecom Italia Green)		Collaboration with other telecommunications operators on issues of environmental relevance within the framework of industry associations and initiatives, including GeSI and ETNO (Environment/Relevant stakeholders, and Climate change)	
COMMUNITY		Focus groups were held that involved around 50 representatives of profit-making and non-profit-making organisations in the fields of the environment, digital and social culture. The consultation activity consisted of gathering suggestions and surveying expectations regarding the creation and implementation of the WITHYOUWEDO crowdfunding platform (Community/Responses to stakeholders)	During 2014, the TI Group worked with the Postal and Communication Police to implement the "Una vita da social" initiative, a road show designed to educate people regarding legality on the Internet, presenting students, families and visitors with the main pitfalls of the Web and in particular the risks children face when browsing the Internet (Community/Responses to stakeholders)	Many projects carried out in partnership with companies, universities, research centres and non-governmental and civil society organisations. (Community/Responses to stakeholders, and Research and Development)
TELECOM ITALIA PEOPLE	Internal communication activities (Telecom Italia People / Internal communication)	The ninth edition of the climate survey was carried out in Italy and Brazil, involving a total of around 66,000 people (Telecom Italia People/People caring)	Mailboxes, Intranet, blogs, virtual communities, multimedia conventions to communicate with employees (Telecom Italia People/Internal communication)	Selection and training programmes carried out with research centres, universities, associations and voluntary foundations (Telecom Italia People/Collaboration with universities)
	In 2014, the Company continued with its significant commitment to provide safety training to all company staff with different programmes based on the risks to which workers are exposed (Telecom Italia People/Health and safety)		Information and discussion sessions with trade unions on matters of interest (Telecom Italia People/Industrial relations)	Second edition of the Tim Chair in Market Innovation at the Bocconi University of Milan, as part of the Master's Degree in Economics and Management of Innovation and Technology (EMIT). (Telecom Italia People/Collaboration with universities)
		Initiatives to improve the management of diversity in the Company (Telecom Italia People/People caring)	Counselling service for dealing with personal difficulties or problems at work experienced by employees (Telecom Italia People/People caring)	Volunteering initiatives with the involvement of employees and external partners Telecom Italia People/People caring)
		Involvement of employees in the Individual Performance Feedback assessment programme (Telecom Italia People/Health and safety)		7th edition of the "Network Scuola Impresa" (school business network) project, working with 35 schools selected from across the country. The project aims to create a structured relationship with senior schools, particularly in order to express our internal skills, get in touch with young people across the country and promote the company's image at the same time (Telecom Italia People/Collaboration with universities)

	INITIATIVES			
	INFORMATION	**CONSULTATION**	**DIALOGUE**	**PARTNERSHIP**
STAKEHOLDERS · CUSTOMERS	Information on the Service Charters and General Conditions of Subscription via the Group's websites (Governance and management of sustainability in Telecom Italia/Codes and Charters of the Group)	Customer satisfaction is surveyed systematically (Customers/Quality of service and Customer listening)	Collaboration with the consumer associations (Customers/Conciliation procedures)	Participation in national and international working groups, in partnership with UN agencies, non-govern-mental organisations, and organisations in the sector, on the issue of protecting children from potential abuses carried out via the Internet (Customers/Child protection)
	Information regarding tools for the safe use of the Internet and for combating computer abuse (Customers/Child protection)		Use of web-based tools on social networks by customer care operators to talk to customers and share their knowledge (Customers/Quality of service and Customer listening)	Partnership projects with institutions and other companies to test and create innovative services (Customers/Innovative services)
SUPPLIERS	Exchange of information and documentation with suppliers via the "Vendors hub" portal (Suppliers/In-volvement initiatives)	Eighth survey of satisfaction with the Purchasing department, and more generally with Telecom Italia, conducted among the Group's main suppliers (Suppliers/Involvement initiatives)	Collaboration areas dedicated to the main suppliers available on the Vendors Hub portal (Suppliers/Involvement initiatives)	Joint Audit Cooperation, an initiative which provides for CSR audit activities conducted in the production plants of common suppliers and sub-suppliers based on an agreement signed with another 9 telecommunica-tions operators (Suppliers/Sustainability checks)
	Specific focus on the principles expressed in the Group's Code of Ethics and Conduct and recalled in the contract clauses and specific undertakings that suppliers are made to sign (Suppliers/General comments)	Self-assessment questionnaire sent to the most risky suppliers, in terms of sustainability, during the qualification stage and, periodically, to qualified suppliers (Suppliers/Sustainability initiatives)		
SHAREHOLDERS	The "TI Alw@ys ON" shareholders' club (telecomitaliaclub.it) provides important information to individual investors and the general public (Shareholders/Financial communication		Three monthly conference calls, meetings at institutional offices of the Group (reverse road shows), participation in sector conferences, making a total over 600 investors meetings (Shareholders/Financial communication)	
	Online financial communication through the Group's website (Shareholders/Financial communication)		Meetings with stakehol-ders on corporate governance issues (Shareholders/Financial communication)	

INITIATIVES			
INFORMATION	**CONSULTATION**	**DIALOGUE**	**PARTNERSHIP**
INSTITUTIONS	Dialogue with national and international institutions also takes the form of actual consultation with the various stakeholders, for example when public telephone equipment (telephone booths) is removed, which has involved public consultation as part of a procedure agreed with AGCOM (Institutions/Local national institutions)	Dialogue with national and international Institutions on business issues of relevance to the Group	A protocol was signed with Municipalities for the joint implementation of energy efficiency initiatives in school buildings and digital education (Institutions/Local national institutions)
COMPETITORS	Periodic qualitative and quantitative research activities to analyse the strength of the Telecom Italia and TIM brands, the image of the providers of telecommunications and mobile telephony services, the reputation of operators (Competitors/Competitive positioning)	Dialogue with the OLOs on commercial issues and regarding implementation of the Undertakings (Competitors/Services for OLOs)	
		Constant dialogue with the Authorities (AGCM and AGCOM)	
		The Group is a member of numerous federations, associations and organisations, both nationally and internationally (Competitors/Relevant stakeholders)	

PLACEMENT IN THE INDEXES

Sustainability indexes are stock indexes in which securities are selected on the basis of eco-nomic-financial parameters as well as social and environmental criteria. The selection process is carried out by specialised agencies that assess companies on the basis of publicly available information or questionnaires, taking account of opinions expressed by the media and stakehold-ers. Inclusion in these indexes is an important achievement for companies because of the positive effects on their reputation and because, in addition to the pension funds and ethical funds, an ever increasing number of investors favour these companies, considering them to be less risky and more promising in the medium to long term.

Taking part in the process of evaluation is, moreover, a timely moment for reflection within the company on the results achieved. In fact, the suggestions of the rating agencies at the end of the process are taken into careful consideration when planning improvement actions in the future.

In 2014, Telecom Italia was not only confirmed for the eleventh year running in both the sustain-ability index categories of the Dow Jones (Dow Jones Sustainability Index World and Europe) but also emerged as the industry leader in its sector, the only Italian company to achieve this recognition.

Furthermore, in 2014, Telecom Italia was included for the first time in the Climate Disclosure Leadership Index (CDLI) of the Carbon Disclosure Project (CDP).

Telecom Italia has been included in the Financial Times Stock Exchange for Good (FTSE4Good) Global and Europe series since its inception.

Telecom Italia is also included in the following indexes:
- Euronext Vigeo:
  - Europe 120
  - Eurozone 120
- Ethibel Sustainability Indexes (ESI):
  - Excellence Europe
  - Excellence Global
- ECPI Indexes:
  - ECPI Euro Ethical Equity
  - ECPI EMU Ethical Equity

Finally, Telecom Italia is classified as "prime" in the OEKOM rating.

Tim Participações, the listed holding company of the TIM Brasil Group, has had its position con-firmed in the ISE (Índice de Sustentabilidade Empresarial) index, managed by BM&F Bovespa

(the São Paolo stock exchange) together with the Brazilian Environment Ministry and other financial sustainability organisations.

OTHER AWARDS

The main awards won by Telecom Italia concerning sustainability and its communication, include the following:

- first place in the Lundquist CSR Online Awards 2014 ranking for the best online sustainability communication in Italy, through the Group website telecomitalia.com. Conducted by strategic consultancy firm Lundquist, the survey analyses 100 major national companies and assesses corporate social responsibility reporting based on seven pillars: concrete, transparent,integrated, distinctive, ongoing, user-friendly presentation of the information and use of Social Media;

- third place in the Italian and European Webranking by Comprend (formerly KW Digital) 2014 rankings, which assess and reward the quality of online financial and corporate communication. The rankings, drawn up by Comprend, working with Lundquist, respectively considered the 100 biggest Italian companies and the 500 biggest European companies by capitalisation included in the FT Europe 500 index;

- Top Employers 2014 certification, awarded annually to the best companies in the field of HR management. Conducted by the Top Employers Institute, the survey verified and certified the excellence of Telecom Italia in the field of Human Resources and the wide range of benefits and initiatives provided to its people: from working conditions to non-monetary benefits, including structured training and development policies.

REPORTING

SCOPE AND CRITERIA

[G4-17b] The Sustainability Report complies with the same accounting principles and the same consolidation scopes as the Consolidated Financial Statements, except for some information (particularly associated with environmental performance) which is highlighted in the text[7].

In accordance with the triple bottom line[8] approach, the company's economic and financial data has to be shown together with the environmental and social results. The overall analysis of company performance including all three dimensions provides stakeholders with complete and comprehensive information and allows interests to be balanced in a way that guarantees the success and survival of the company in the medium and long term. For this reason, as of 2003, the Group has integrated sustainability data in the Consolidated Financial Statements, in fact preceding the

---

7 In accordance with the materiality principle, in these cases only information relating to companies with more than 40 employees and a turnover of more than 300,000 euros are included. Furthermore, for environmental data, in order to allow a proper assessment of the trend, the scope used in previous years is reclassified according to the last year.

8 This approach was defined for the first time by John Elkington in 1994 in the article "Towards the sustainable corporation: Win-win-win business strategies for sustainable development". California Management Review 36, no. 2: 2: 90-100.

application of European Directive 51/2003, which was transposed in Italy by Legislative Decree No. 32 of February 2, 2007.

[G4-28], [G4-30] The Sustainability Report, which is drawn up for every calendar year, complies with the same deadlines as the Group's Annual Financial Report and is based on a multi-stakeholder approach, involving the joint analysis of actions taken in respect of the main stakeholders with whom the Company interacts. The report is drawn up according to a system of indicators (KPI - Key Performance Indicators) which measure the company's performance and the degree of achievement of objectives previously established for the areas in which the Company has major impact.

The KPIs are defined on the basis of:

• the analysis of the Global Reporting Initiative (GRI), an international organisation which develops universally applicable guidelines for drawing up sustainability reports;

• the demands received from stakeholders;

• the questionnaires sent out by the leading rating agencies for the purpose of admission to sustainability indexes;

• the experience the Company has gained in the field of sustainability in over 18 years.

The KPIs are managed on a dedicated application system (BPC) that uses the same platform used for financial reporting and controlling.

The Sustainability Report[9] is based on the AA1000 AccountAbility Principles Standard (APS 2008), adopted as of the 2009 Financial Statements, and set out below:

• inclusivity: identification of the stakeholders and their expectations, and development of involvement strategies aimed at improving the Company's sustainability performance;

• materiality: identification of the important issues for the organisation and its stakeholders;

• responsiveness: a description of the initiatives carried out by the Company to meet the expectations of stakeholders.

The Telecom Italia Sustainability Report's compliance with the AA1000 standard and the GRI G4 standard, comprehensive option is verified by the auditing firm PricewaterhouseCoopers (see Independent Auditor's Report).

---

9   [G4-29] The Group sustainability report for 2013 was approved by the Board of Directors in April 2014.

MATERIALITY ANALYSIS

[G4-18a], [G4-18b]

Telecom Italia has reviewed its materiality analysis process with the aim of refining it and ensuring that it conforms to the new GRI G4 guidelines, thus focusing it on identifying the most relevant topics in terms of the socio-environmental and economic impact generated by the Group, both inside and outside the organisation.

IDENTIFICATION OF RELEVANT TOPICS

An initial list of topics to be explored during the subsequent stages of the analysis process was identified. Numerous sources of information, both national and international, public and non-public, internal and external to the Group were analysed.

At the end of this initial screening, Telecom Italia was therefore able to draw up a list of relevant topics representing 9 macro areas:

- Direct and indirect economic impacts;
- Risk management and Public Policy;
- Business ethics and promotion of human rights;
- Market position and customer protection;
- Compliance with national and international regulations;
- Responsible management of human resources, promotion of diversity, equal opportunities and the health and safety of workers;
- Responsible management of the supply chain;
- Initiatives for local Communities;
- Responsible management of energy resources, atmospheric emissions and waste.

ASSIGNMENT OF PRIORITIES

The assignment of priorities among the topics emerging from the aforesaid analysis, led to the identification of the material issues to be disclosed in the sustainability report.

During this phase, Telecom Italia assessed the importance of the topics identified from an internal and external viewpoint.

The internal viewpoint was provided by the Top Management which, through the involvement of a significant sample from all the company's departments, expressed its opinion on the relevance of each topic for Telecom Italia.

[G4-26] The external viewpoint was instead surveyed by organising two focus groups involving employees representing the departments that normally deal with the Group's various categories of stakeholders. These employees were asked to assess the relevance of the topics based on the perceptions of stakeholders with whom they normally have relations.

[G4-19] Assessing the results of the analyses allowed the topics to be put in order of priority and the materiality matrix summarising the results for the 2014 report to be created.

Results at a glance: the materiality matrix

ENERGY MANAGEMENT	MANAGEMENT OF THE WORKFORCE, GENERATIONAL RENEWAL AND PROMOTION OF TALENT
	SENSITIVE DATA MANAGEMENT AND CHILD PROTECTION
	INNOVATION MANAGEMENT
	LISTENING AND TRANSPARENCY TOWARDS CUSTOMERS
ECONOMIC IMPACT ON LOCAL COMMUNITIES	HEALTH AND SAFETY AT WORK
ECONOMIC AND FINANCIAL PERFORMANCE	SOCIAL DIGITAL DIVIDE REDUCTION
	COMPLIANCE
	NETWORK COVERAGE
DIVERSITY AND EQUAL OPPORTUNITIES	DISASTER RESPONSE AND BUSINESS CONTINUITY
SUPPLY CHAIN RESPONSIBLE MANAGEMENT	PROMOTION OF RESPECT OF HUMAN RIGHTS
WASTE MANAGEMENT	RELATIONS WITH PUBLIC ADMINISTRATION
RISK MANAGEMENT	MARKETING AND PRICING POLICIES
RELATIONS WITH NO PROFIT SECTOR	ANTI-CORRUPTION PROGRAMMES
RELATIONS WITH COMPETITORS	

VALIDATION

The validation of the topics and the whole materiality analysis process was carried out by the Corporate Social Responsibility department, which was assisted by the Telecom Italia Lab department assigned to survey perceptions through psycho-social research analyses. The Governance of the Corporate Social Responsibility department is explained in the Sustainability Governance section of this report.

REVIEW

The review phase is due to take place as a preparatory stage prior to the next reporting cycle, with the aim of submitting the results of the analyses carried out, updated in the following year, to specific stakeholder engagement activities.

In order to make the process systematic, consistent over time, transparent and well-structured for this and future years, the "Telecom Italia Handbook for Materiality Analysis Pursuant to GRI G4" has been produced. It contains guidelines for all the activities, describing the timescales and responsibilities involved in the process itself.

BOUNDARIES

[G4-20], [G4-21] All the topics (and therefore aspects of the GRI G4 standard) that are judged to be material have major implications both inside and outside the company.

The topics can be grouped into two categories in terms of their relevance to the different areas of the Group.

On the one hand there are cross-cutting topics that are relevant to all the companies in the Group's consolidation scope, wherever they may be, without exception, and which are relevant to all external and internal stakeholders, these being:

- Innovation management
- Compliance with national and international regulations
- Anti-corruption programmes
- Promotion of respect for Human Rights inside and outside the company
- Management of the health and safety of workers
- Management of the workforce, generational renewal and promotion of talent[10]
- Customer listening and transparency of relations

On the other hand there are topics that are mainly relevant to Group companies operating as telephone service operators, which account by far for the main part of the Group in terms of turnover, employees and impact on external stakeholders:

- Network coverage
- Bridging the "digital divide" and promoting social inclusion and the digital transformation of the country by disseminating and developing ICT technology across the country.
- "Disaster response" and business continuity
- Sensitive data management and child protection

These topics are undoubtedly more relevant to all the stakeholders who live in Italy, where Telecom Italia is the biggest operator and therefore the company on which stakeholders pin their greatest expectations. In Brazil, where the Group is present with one of the country's biggest mobile operators, the topics are definitely relevant to stakeholders but to a lesser extent than in Italy.

[G4-23] No significant changes have been recorded in the scope of activities, and therefore in relevance of boundary, in recent years, except as mentioned in Group Profile section of *Telecom Italia Group* chapter.

---

10 The health and safety of workers and staff management may appear to be material issues only for employee stakeholders. In actual fact they directly involve public administration and the communities where employees work and, indirectly, all stakeholders who come into contact with employees, who benefit from balanced and serene relations.

The following table shows the relation between the Group's material topics and GRI G4 "aspects"

Innovation management	G4 EC [7, 8]	G4 SO [1, 2]	
Network coverage	G4 EC [7, 8]	G4 SO [1, 2]	
Compliance with national and international regulations	G4 PR9	G4 SO [7, 8]	G4 EN [29]
Anti-corruption programmes	G4 SO [3, 4, 5], [6]		
Management of the health and safety of workers	G4 LA [5, 6, 7, 8]		
Management of the workforce, generational renewal and promotion of talent	G4 LA [1, 2, 3], [4], [9, 10, 11], [12], [13], [16]		
Promotion of respect for Human Rights inside and outside the company	G4 HR [1, 2], [3], [4], [5], [6], [7], [8], [9], [10, 11], [12]		
Bridging the "digital divide" and promoting social inclusion and the digital transformation of the country by disseminating and developing ICT technology across the country	G4 SO [1, 2]		
"Disaster response" and business continuity	G4 EC [7, 8]		
Sensitive data management and child protection	G4 SO [11]	G4 PR [3, 4, 5], [8], [9]	
Customer listening and transparency of relations	G4 PR [1, 2], [3, 4, 5], [6, 7], [8], [9]	G4 PR [3, 4, 5], [8], [9]	
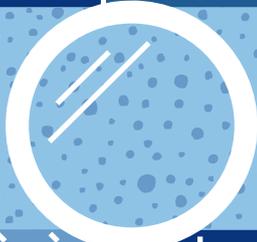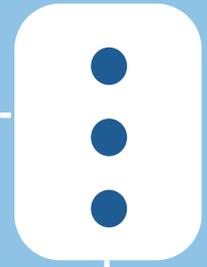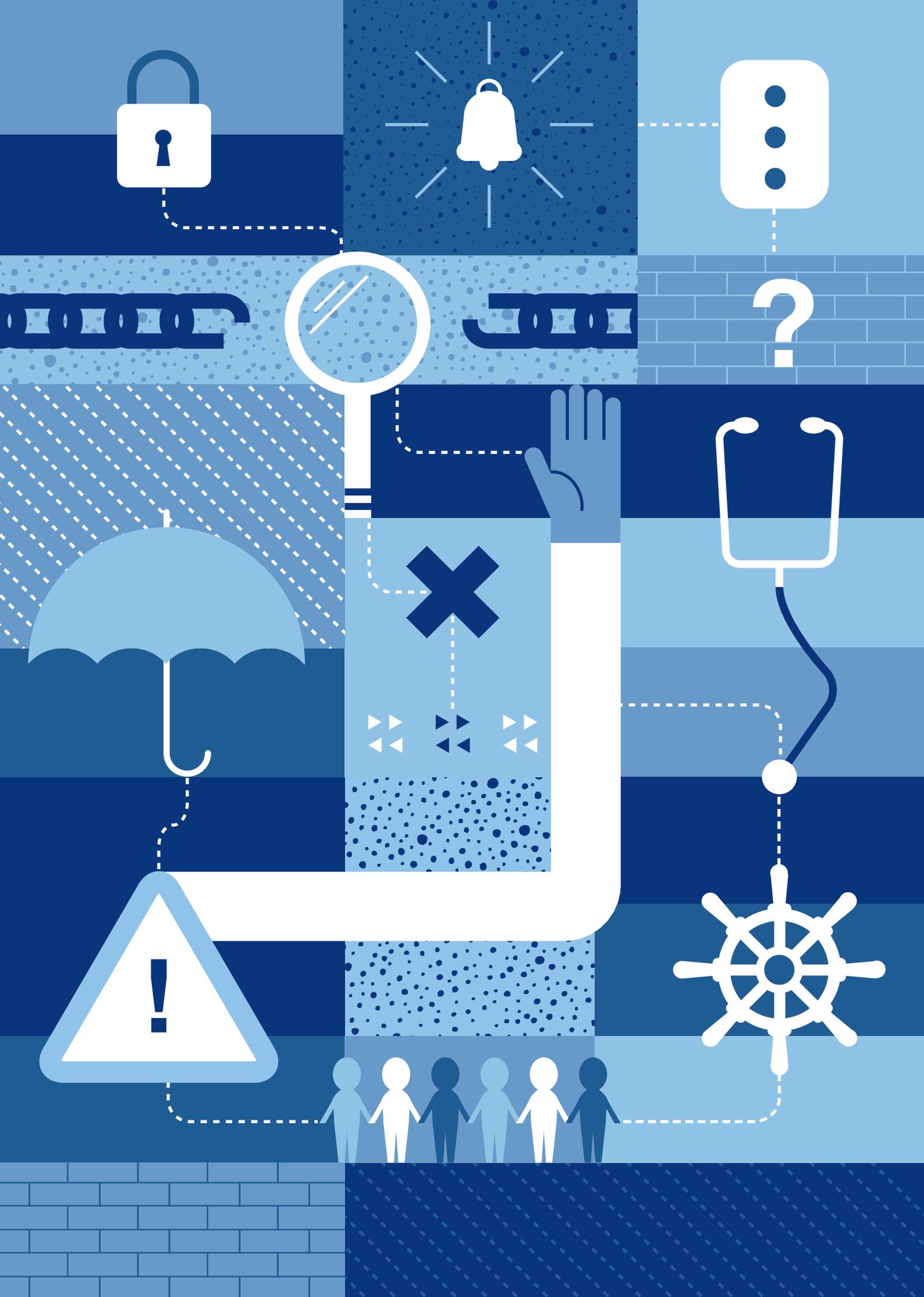
BEING SUSTAINABLE: RISKS AND OPPORTUNITIES

RISKS AND OPPORTUNITIES

Telecom Italia plays a prominent role in the affairs of the countries in which it operates because of the increasing importance of communication technologies for people's lives and for the economic and social development of communities.

THE CONTRIBUTION OF THE GROUP'S OPERATIONS TO SOCIETY AND THE ENVIRONMENT

[G4-2]

The Group's economic contribution to the countries where it operates has already been discussed under Importance of the Group in Italy in the chapter Telecom Italia: a group of strategic relevance of this report. This section deals with the socio-environmental impacts of the Group.

The contribution, in terms of sustainability, that a major telecommunications company can give to the community is invaluable. Consider, for example:

- bridging the geographical digital divide: in addition to stimulating growth in GDP (see A strategically important Group), access to broadband, and therefore the services it enables, including telemedicine or tele-education, is a very important lever for improving the quality of life of communities. Telecom Italia has significant projects and investments in place to provide communities with new generation network coverage. Details of the Italian strategies and activities are provided in the 2014 Italia Connessa report available at italiaconnessa.telecomitalia.com. For Brazil, the point of reference is the National Broadband Plan, to which TIM Brasil has also contributed;

- contribution to digital social inclusion - this includes initiatives for spreading knowledge of the Internet and new technologies among social groups who tend to be excluded from them, as well as projects for the development of telecommunications technologies for sick and disabled people (see Community/Responses to stakeholders);

- innovation for quality of life - e.g. telemedicine services that make remote surgery possible or tele-monitoring for elderly and chronically sick people, road traffic routing services to avoid traffic jams and pollution, and so on. These services are the result of years of research; in this field, Telecom Italia's laboratories continue to contribute to scientific progress nationally and internationally (see Community/Research and Development);

- protection and security of communications between people using digital networks - the pervasiveness of communication technologies implies risks associated with the improper use of information that is put online in good faith, as well as risks connected with the use of the Internet to transmit information which is illegal or otherwise harmful to various sensitivities. Telecom Italia has many instruments in place to protect the people exposed and to ensure safe data transmission (see Customers/Child Protection and Research and Innovation in e-security);

- the offer of services and products that contribute to reducing the environmental impact of citizens and companies: services such as telecommuting, virtual conferences, travel information, cloud computing, remote monitoring of energy consumption will make an increasingly valuable

contribution to reducing emissions into the atmosphere. Telecom Italia offers these services and disseminates knowledge about them among public administration bodies, companies and citizens (see Customers/Innovative services).

In contrast, even though telecommunications is a low environmental impact sector, sustainable companies have a duty to do everything they can to reduce their environmental footprint. Telecom Italia takes many measures described in detail in the Environment chapter of this report.

From a social point of view, Telecom Italia's operations do not take place in high risk countries, and in any case the Group ensures respect for the human and social rights of its employees (see Telecom Italia People), it has implemented a management system to protect the rights of its suppliers' employees (see Suppliers) and of the inhabitants of the areas where it operates (see Telecom Italia People).

SOCIO-ENVIRONMENTAL RISKS OF THE GROUP'S OPERATIONS

[G4-2], [G4-14]

Listed below are the most common risks associated with the telecommunications sector which are classifiable as socio-environmental risks, accompanied by a quick summary of the mitigation actions implemented by Telecom Italia.

Social Risks

Beyond the risks common to any large company, associated with labour exploitation (which are meticulously avoided, within Telecom Italia, by a management system that starts with the *Group Social Responsibility Policy* available at www.telecomitalia.com and trade union agreements, and is based on detailed monitoring procedures that require the presence of workers' representatives), the social risks most closely connected with the telecommunications business come from:

- breaches of network security and privacy systems, with consequent access to personal and sensitive data, to mitigate which Telecom Italia has equipped itself with a specific organisational structure and skills to predict and combat such breaches; within this structure, a team is dedicated to seeking new e-security solutions (see Customers/Research and innovation for e-security);

- use of telecommunications services that causes harm to the mental and physical well-being of children or of anyone who lacks sufficient protection, which is mitigated by Telecom Italia through a series of actions described in the Customers chapter, under Child protection;

- discrimination of certain individuals who, for geographical or socio-cultural reasons, have no access to the Internet and to the ensuing benefits, i.e. the digital divide which Telecom Italia is attempting to bridge by developing its infrastructure and by means of digital culture dissemination activities (see Customers/Digital inclusion).

Environmental Risks

This area includes two types of risks:

- the risks that external environmental conditions can pose for business continuity (for example,

earthquakes can destroy telephone exchanges, the depletion of energy resources can create unsustainable costs for the company etc.). Among such risks, some are determined by climate change, such as flooding caused by rising oceans and precipitation or increasing energy costs caused by rising temperatures;

• potential damage caused to the environment by the company's activities.

The first type of risks, which is a threat to the operation of the company, is considered and monitored carefully by means of appropriate Business Continuity strategies and procedures (see *The business continuity management system at Telecom Italia* section of this chapter).

As regards the potential environmental damage caused by the company, the delivery of telecommunications services does not pose serious risks, other than those associated with the supply chain:

• the indirect risks arising from energy use - as Telecom Italia is not an energy producer, the only mitigation tools available to the company are to optimise its energy consumption (discussed in the Environment chapter of this report) and to select suppliers (discussed in the Suppliers chapter of this report). It is worth noting, in particular, that the consumption of electricity by Telecom Italia S.p.A. in 2014 was focused on renewable energy, certified by guarantees of origins;

• the sourcing of technologies, i.e. the purchase of technological products the production of which can cause serious environmental damage, and the disposal of technological waste (by the company's suppliers). These aspects are governed by the Group Green Procurement policy available at www.telecomitalia.it and by the sustainable supply chain management system described in the Suppliers chapter of this report.

Telecom Italia monitors the aforementioned types of risk using the tools it considers most appropriate for each type, briefly described in the *Environment, Suppliers, Telecom Italia People* chapters and the *Human Rights* paragraph of the present chapter. Precise targets have only been set for the types of risk for which targets can actually be useful. In particular, targets have been set for :

• new generation network coverage

• supplier sustainability

• reducing energy consumption

(see Suppliers and Appendix).

THE GROUP'S ENTERPRISE RISK MANAGEMENT SYSTEM

[G4-2], [G4-14]

The Telecom Italia Group has adopted an Enterprise Risk Management (hereinafter ERM) Model which allows risks to be identified, assessed and managed uniformly within Group companies, highlighting potential synergies between the parties involved in assessing the Internal Control and Risk Management System. The ERM process is designed to identify potential events that may influence the business, in order to manage risk within acceptable limits and provide a reasonable guarantee that business objectives will be achieved.

The process is managed by the ERM Steering Committee, which is chaired and coordinated by the head of the Administration, Finance and Control Department. The Steering Committee meets every three months (or when specifically required) and is intended to ensure the governing of the Group risk management process, which is designed to guarantee the operational continuity of the company's business, monitoring the effectiveness of countermeasures adopted.

The process adopted is cyclical and includes the following stages:

- defining the Risk Appetite, identifying the Risk Exposure and Risk Tolerance Threshold in relation to the planned objectives;
- identifying and Fine Tuning the Risk Universe of Telecom Italia, the Risk Universe being the document that contains a description of the main characteristics of all the risks identified, updated annually in order to confirm / integrate / edit the list of business risks;
- Risk Assessment, for each risk considered in the Risk Universe a severity assessment is carried out in order to place it on 3X3 (Risk and Control Panel) matrix, which allows action priorities to be identified;
- Identifying Relevant Risks and determining the Corporate Risk Profile;
- Activating mitigation actions on Relevant Risks and monitoring them over time;
- Drawing up the Reporting Flows.

A brief summary of the main types of risk identified by the ERM system is contained in the Main Risks and Uncertainties chapter of the Annual Report.

THE BUSINESS CONTINUITY MANAGEMENT SYSTEM IN TELECOM ITALIA

[G4-EC7] , [G4-EC8] Telecom Italia pays a great deal of attention to Business Continuity[1] as a crucial element for delivering its services in full compliance with the terms of its contracts with customers, industry regulations and, more generally, in accordance with the relevant international methodologies and standards.

The Telecom Italia Group's new Business Continuity Management System adopts the guidance contained in ISO 22301, which, among other things, emphasises the importance of:

- understanding the needs of the organisation and stakeholders in terms of Business Continuity;
- implementing and operating the controls and measures needed to manage the capacity to deal with interruptions in operation due to accidental causes;
- monitoring and reviewing the performance and effectiveness of the business continuity management system.

With this in mind, the Business Continuity Management process is divided into four main stages: Governance&Planning, Execution, Performance Evaluation and Improvement.

At the Governance&Planning stage, the relevant context is examined, identifying the needs of

---

1 "Business continuity" is understood to mean the ability to ensure continuity of service, based on predefined and acceptable levels, following a disruptive incident.

the Company and its Stakeholders, as well as the contractual/regulatory constraints on Business Continuity. Based on these elements, the scope of the company's Business Continuity policy and the main strategic objectives are determined. This preliminary analysis goes on to identify the company's key processes and services and its critical activities, as well as the resources needed to maintain them. The activities carried out at this stage allow a Business Continuity strategy to be devised that guarantees an appropriate response for each process/service, in terms of operating levels and acceptable recovery times during and after a damaging event.

This stage includes, inter alia:

• the Business Impact Analysis (BIA), which is an assessment of the impact on the business where significant events occur that may affect business activities and the delivery of services;

• the Risk Analysis, aimed at identifying and assessing threats that may affect corporate assets, making them unavailable for a more or less long period of time.

Approving the Business Continuity strategy, and the respective budget, allows the executive stage to be launched, with the development of Risk Treatment and Business Continuity Operational Plans. Operational planning is carried out by the operational departments, each to the extent of its responsibilities, while checks are carried out centrally to verify consistency between the operational plans and the Business Continuity Strategic Plan, particularly in order to standardise and correlate mitigation activities throughout the company processes/systems involved.

An overall analysis of the performance of the Business Continuity Management System is carried out every six months, analysing the following in particular:

• actual data (incident history) regarding recovery times and economic impacts of events

• operational test data

• internal assessments

The performance evaluation is used to identify any corrective actions to be undertaken (e.g. specific initiatives for risk prevention, procedural reviews, etc.).

The results of the performance evaluation, together with any corrective actions, are presented to Senior Executives for a periodic Management Review.

OPPORTUNITIES GENERATED
BY SOCIO-ENVIRONMENTAL REQUIREMENTS

[G4-2], [G4-14]

Although, as we have repeatedly stressed, telecommunications can make a significant contribution to improving the environment and quality of life, at present, ICT services aimed, for example, at reducing energy consumption or tele-medicine, remain niche services. However, they are seeing positive growth rates and are likely to be widespread in the future. Telecom Italia's laboratories have long been engaged in researching and developing these kinds of services, some of which are already being tested on the market. Thus customers already have a wide range of solutions available to them to cut energy consumption, reduce CO_2 emissions, improve health services and bureaucracy, increase security for citizens. Many of the socio-environmentally relevant services offered by Telecom Italia are discussed in the chapters Customers (see Innovative services), Community (see Research and development), Environment (see Telecom Italia Green). Furthermore, examples of the economic opportunities arising from sustainable management of the company's activities are discussed in the Social and environmental impacts of operations and their economic aspects chapter of the Group's Annual Financial Report.

HUMAN RIGHTS

[G4-DMA Investment], [G4-DMA Non-discrimination], [G4-DMA Freedom of Association and Collective Bargaining], [G4-DMA Child Labor], [G4-DMA Forced or Compulsory Labor], [G4-DMA Security Practices], [G4-DMA Indigenous Rights], [G4-DMA Assessment], [G4-DMA Supplier Human Rights Assessment], [G4-DMA Human Rights Grievance Mechanisms] The materiality analysis conducted by Telecom Italia has highlighted issues relating to the defence of Human Rights among those regarded as material by the Company's stakeholders.

This result, which may seem surprising for a telecommunications operator that works in countries considered to be at low/medium risk of Human Rights violations, is based on two sets of reasons:

- the public outcry caused by Human Rights violation incidents, which can seriously affect business reputation,
- the very broad meaning given to the concept of "Human Right" by Telecom Italia - it includes not only basic Human Rights, such as the right to a decent remuneration, non-discrimination, freedom from forced labour, etc., but also rights associated with the information society, therefore the right to access information and the right to have one's privacy and safety protected online, which are of course material issues for a telecommunications company.

In order to ensure that Human Rights are respected in its operations, Telecom Italia has adopted the UN framework set out in the Guiding Principles on Business and Human Rights.

Note that, given the cross-cutting nature of Human Rights with regard to the Group's stakehold-

ers, this paragraph covers the [G4-HR3], [G4-HR8], [G4-HR9], [G4-HR12] KPIs of the GRI G4 standard. The Suppliers chapter sets out the [G4-HR1], [G4-HR4], [G4-HR5], [G4-HR6], [G4-HR7], [G4-HR10] and [G4-HR11] KPIs, while the Telecom Italia People chapter sets out the [G4-HR2], [G4-HR4], [G4-HR5], [G4-HR6] and [G4-HR7] KPIs.

Relevant company policies: Code of Ethics and Conduct, Group social responsibility policy, Supplier Relations Policy, Internal Control Reporting Procedure, Board of Statutory Auditors Reporting Procedure, Service Charter and General Subscription Conditions, Self-regulation Code for mobile services and Code of Conduct for premium services, Guidelines for responsible marketing, Telecom Italia Disclosures pursuant to article 13 of the Privacy Code, available at www.telecomitalia.com.

Effectiveness and monitoring: in order to monitor the comprehensiveness and effectiveness of management processes and ensure the monitoring required by normal business procedures, Telecom Italia has performed a human rights due diligence according to the UN guidelines. Due diligence is a continuous improvement process. The results of the first phase are shown in this section, together with the quality improvement targets identified. Telecom Italia also carefully monitors and analyses reports of any human rights violations received via the reporting mechanisms made available to stakeholders. The scarcity of such reports is an indication of how effective the company's human rights protection processes are.

UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

In 2011, the United Nations Human Rights Council unanimously approved the result of the work carried out by Prof. Ruggie, considering it a global benchmark for "Business and Human Rights". The "Guiding Principles" were drawn up to implement the framework founded on the following three pillars:

• the duty of States to protect people against Human Rights abuses by third parties, including companies;

• the responsibility of companies to respect Human Rights (companies must operate with due diligence in order to avoid human rights violations and must commit themselves to solving any damage caused); the need to allow the fullest possible access to effective remedies by the victims of Human Rights abuses.Page Content

Furthermore, in order to strengthen the responsibility and transparency of large companies, at the end of 2014 the Parliament and Council of the European Union published Directive 2014/95/EU regarding disclosure of non-financial and diversity information.

TELECOM ITALIA AND THE HUMAN RIGHTS DUE DILIGENCE

[G4-DMA Assessment] Between 2008 and 2011, Telecom Italia was a member of the Global Compact Human Rights Working Group set up by the Global Compact Board in 2006 with the aim of providing a strategic Human Rights input to the Global Compact. As of 2012, Telecom Italia has been involved in the Company Coaching and Capacity Assessment on Business and Human Rights, organised by the Global Compact Network Germany, as part of which the OCAI[2] (Organisational Capacity Assessment Instrument) for human rights due diligence in companies has also been illustrated. More specifically, the OCAI is a self-assessment questionnaire consisting of twenty-two questions focused on the main elements of corporate responsibility for Human Rights. In completing the OCAI, for each question, the company/department assesses its own position on a spectrum of six levels that range from "non-responsive" to "Human Rights promoter"[3].
Telecom Italia is still one of the members of the *Peer Learning Group on Business and Human Rights* set up within the Global Compact Network Germany.

The due diligence includes checking that the company has a policy that outlines the company's commitment to Human Rights and the availability of processes through which one can:

- assess the effects/impacts, both existing and potential, on Human Rights of the company's activities and relations;
- integrate - within the company - the commitment to the Human Rights policy and mitigate the risks;
- track the company's performance and communicate how Human Rights issues will be dealt with;
- remedy any damage caused.

The goals of the due diligence include:

- to increase awareness within the company of its current position regarding respect for Human Rights,
- to highlight any gaps or inconsistencies between the company's various departments,
- to assess and improve the ability to manage the impacts on Human Rights,
- to allow comparison with similar companies,
- to establish the appropriate objectives for the company (considering its profile) and the path it needs to follow to achieve them.

[G4-HR9] The due diligence so far carried out by Telecom Italia has involved the Group's two biggest entities in terms of workforce and investments: the Domestic BU (excluding Olivetti and Telecom Italia Sparkle) and the Brazil BU. In terms of workforce, the percentage of employees

---

2   Created by Twentyfifty Ltd with funding from the Global Compact Germany Foundation.

3   The two lowest levels identify a reactive approach to Human Rights ("non-responsive" and "reactive" respectively), the third is an active approach ("efficient management"), the three higher levels represent a proactive approach to Human Rights (rising from "proactive experimentation" to "strategic integration" and finally "Human Rights promoter"). The tool does not operate as a compliance expert.

covered by the due diligence in 2014 is 98%.

In order to perform the due diligence, Telecom Italia has decided:
- to not consider the question relating to "conflict-affected areas" as Telecom Italia does not operate in any such areas;
- to consider the following Human Rights:
  - Basic Human Rights for the Group's resources, i.e. rights regarding forced labour, child labour, health and safety, freedom of association and collective bargaining, **[G4-DMA Non-discrimination]** discrimination, disciplinary procedures, working hours, remuneration;
  - Basic Human Rights of suppliers' resources;
  - Rights relating to the health and safety of workers;
  - Rights relating to the health and safety of suppliers' workers;
  - Rights relating to the privacy of employees and customers;
  - Rights relating to the subjects of trade union agreements and bargaining;
  - Rights relating to access to telecommunications services;
  - Requirements relating to the delivery of Added Value services and to freedom of expression (including adult content, gaming and other services);
  - Requirements relating to equal opportunities.

All departments responsible for processes with an impact on identified Human Rights and each organisational unit completed the self-assessment questionnaire, in accordance with their mission.

The Corporate Social Responsibility department examined the questionnaires of all Telecom Italia's organisational units involved in the due diligence and, during the first half of 2014, it completed the feedback with the Italian ones, in order to examine the contributions in detail and determine action plans for the level two and level three self-assessments (3.1% and 8.6% of all responses respectively)[4].
The following emerged at the end of the feedback:
- on a scale of one to six, the average score for all the answers was 4.4 (most of the contributions were supported by documents and/or explanations);
- the need to improve the Telecom Italia Group's Human Rights policy (around 2/3 of the insufficient self-assessments regarded this aspect);
- the usefulness of organising internal Human Rights training courses.

A draft of the new Human Rights policy was therefore drawn up, which was submitted for assessment by the Global Compact Network Italy, and activities were launched as required to organise a Human Rights training course (both initiatives will be completed in 2015). Furthermore, feedback meetings will shortly be planned in Brazil.

---

4   No level one response was supplied during the first round.

REPORTS AND INCIDENTS

[G4-DMA Human Rights Grievance Mechanisms]

The Group's Code of Ethics and Conduct requires employees, collaborators, consultants and third parties who have business relations with the Group - in respect of activities and services of interest to the Group - to inform promptly the Head of the Telecom Italia Audit Department, either directly or via their line manager, of any violations or inducements to violate:

- legal or regulatory requirements
- provisions of the Code of Ethics
- internal procedures

and of any irregularities and/or negligence. The handling of reports, including those for which the Head of the Audit Department is responsible (known as whistleblowing) is a requirement of the Sarbanes-Oxley Act.

The Internal Control reporting procedure (see the Corporate Governance Outline section of the *Sustainability and Governance* chapter) requires the Head of the Audit Department, who answers directly to the Board of Directors autonomously and independently of the senior executives:

- to ensure that reports are received, logged and analysed;
- based on the results of the preliminary analysis, to launch a structured audit activity (if required);
- to communicate the results of the analyses to the relevant departments, so that they may take the appropriate corrective actions (if required); the non-conformity is only closed once the Audit Department has verified the effectiveness of the corrective actions implemented by the relevant departments;
- to ensure the traceability and retention of the documentation regarding the reports received and their analysis;
- to update the reporting procedure and disseminate it in agreement with the People Value department.

The procedure is available both on the company intranet and at www.telecomitalia.com. Employees were made aware of this in a letter from the CEO and a news item published on the company intranet.

During the 2014 financial year, this procedure led to a total of 91 reports being received, of which 21 were anonymous and 70 non-anonymous, classified as follows:

a) 34 of a "business" nature (processes that could be improved, etc.);
b) 25 of a "personal" nature (employees in difficult situations, etc.);
c) 25 customer complaints (poor service);
d) 7 "irrelevant" ones in terms of the purpose of the procedure.

The other reporting procedure available to all stakeholders, through which one tenth of all reports are normally received, is the Board of Statutory Auditors' Reporting Procedure[5]. As of 2015, these procedures will be unified.

[G4-HR12] The Human Rights related reports received through the main tool provided by the Company for stakeholders to report any kind of irregularity or breach of the Code of Ethics, i.e. the Internal Control reporting procedure, are given below. Note that the concept of Human Right used to complete the tables is the same as the one used for the due diligence described above. In particular, any substantiated reports relating to systematic non-availability of access to the Web have been considered as violations of the right of access to the information society.

---

5   No substantiated report regarding human rights has been received through this procedure in recent years. A third type of reporting mechanism exists, which is the Supervisory Body reporting procedure (see the Corporate Governance Outline section of the Sustainability and Governance chapter).

[G4-HR12] Reports received and handled in Italy regarding Human Rights

	2014	substantiated	2013	substantiated	2012	substantiated
Total number of reports regarding human rights received through the main reporting mechanisms	7	3	7	6	6	5
Of which handled during the reporting period	7	3	7	6	6	5
Of which, resolved during the reporting period	7	3	6	5	4	3
Total number of reports received prior to the survey period which were resolved during the reference period	1	1	2	2	0	0

[G4-HR12] Reports received and handled in Brazil regarding Human Rights

	2014	substantiated	2013	substantiated	2012	substantiated
Total number of reports regarding human rights received through the main reporting mechanisms	5	2	0	0	0	0
Of which handled during the reporting period	5	2	0	0	0	0
Of which, resolved during the reporting period	4	2	0	0	0	0
Total number of reports received prior to the survey period which were resolved during the reference period	0	0	0	0	0	0

The reports dealt with the health and safety of workers, relations with suppliers, privacy and network coverage. The few cases in which the reports were substantiated were closed with corrective actions. The reason why reports in Brazil were not recorded until 2014 is that reporting mechanisms had not previously been structured and communicated efficiently.

The small number of reports and of substantiated reports is a clear indication of the efficiency of the Group's Human Rights management system.

[G4-HR3], [G4-HR8] Over the past 3 years, no incidents have been reported in the Group regarding discrimination or violations of the rights of indigenous people[6].

---

6 **[G4-DMA Indigenous Rights]** The only geographical area with indigenous people in which Telecom Italia operates is Brazil. However, telecommunications activities do not have negative impacts on these people.

CUSTOMERS

·······································

The Company's innovative
services to improve
people's quality of life

STRATEGY

Telecom Italia Group companies base the excellence of their products and services on customer care. Their aim is to ensure an immediate and effective response to customer requirements, modelling their conduct on business propriety, transparency in contractual relations and undertakings, courtesy and collaboration, ensuring customer focus and in full compliance with the principles established by company procedures. Cooperation with consumer associations, which includes entering into specific agreements with them, is also highly valued.

[G4-DMA Product and Service Labeling], [G4-DMA Marketing Communications], [G4-DMA Customer Privacy], [G4-DMA Compliance]

MATERIAL ISSUES IN THIS CHAPTER

- *listening and transparency towards customers,*
- *network coverage[i],*
- *innovation management[ii],*
- *sensitive data management and protection,*
- *child protection.*

Relevant company policies: Service Charter and General Subscription Conditions, Self-regulation Code for mobile services and Code of Conduct for premium services, Guidelines for responsible marketing, Telecom Italia Disclosures pursuant to article 13 of the Privacy Code, available at www.telecomitalia.com.

Effectiveness and monitoring: the company uses some numerical KPIs in order to monitor the effectiveness of management processes and ensure the monitoring required by quality management systems and internal control structures. This chapter presents the ones related to Customer Satisfaction, broadband coverage, the number of conciliation requests received and resolved, the number of reports received. The KPIs for which the Company has set itself numerical targets are presented in an appendix to the report. In particular, targets are listed for service activation, complaints, support and maintenance, availability and broadband network coverage.

---

[i]   This subject is also dealt with in Part I, Telecom Italia, a group of strategic relevance.
[ii]   This subject is also dealt with in the Community chapter, and in Telecom Italia: a group of strategic relevance.

RELEVANT STAKEHOLDERS

The relevant stakeholders are:

- consumer customers, particularly customers with special needs (the disabled, the elderly, children, etc.);
- business customers and Public Administration;
- consumer associations.

QUALITY OF SERVICE AND CUSTOMER LISTENING

[G4-DMA Product and Service Labeling] Developing the capacity to fully satisfy customers is, for Telecom Italia, a strategic factor for growth.

The global spread of digitisation and social media have strengthened consumers, changing the way in which their relationship with the brand is built and managed, In this context of general transformation, understanding and measuring customer expectations, in order to offer them the best experience (Customer Experience) and adopting a culture of continuous improvement, are the drivers needed to assert the centrality of the customer for the benefit of economic sustainability, loyalty and positive word-of-mouth.

The main activities conducted in 2014, aimed at improving the Customer Experience and ensuring that employees play an active part in developing innovative and effective solutions for users, included:

- Customer Experience Management: towards the end of the year, Telecom Italia launched a programme aimed at redefining the way in which the quality perceived by customers is measured, by adopting Customer Experience Management methods. This system provides methods and tools to help the company progress towards a customer-centred culture that reflects the evolution and increasingly high expectations of consumers. Its cornerstone is continuous and structured listening to the "voice of the customer", which drives the design of products, services and company processes. Furthermore, it promotes a new way of working, encouraging collaboration between departments to benefit the overall customer experience;

- Customer Journey Lab: the Customer Experience is tested by a group of colleagues/testers. The project aims to allow a group of colleagues to experience the service received by Consumer customers by selecting, purchasing, activating and using TIM and Telecom Italia services and similar services offered by competitors, in order to determine the customer's perception and the main areas requiring attention/strengths in the services offered by Tim/Telecom Italia and the competition. During 2014, this method was applied to the fixed line services (fibre services, transfer to Telecom Italia and transfer between operators), mobile services (LTE offer) and support services (Caring APP) and content delivery (entertainment, sport, publishing, music);

- "Chi-ama Telecom": a tool used by Telecom Italia employees to channel reports received from customers, friends or acquaintances regarding the fixed line service requirements of consumer customers, of a commercial or technical nature. The project makes employees active participants as the promoters of solutions in the management of customers. During 2014, an

increase was recorded in the use of this tool by employees;

- monitoring quality of service in the mobile network as perceived by customers: identifies actions to improve and enhance the offer, caring and quality of service delivered. Uses continuous and unbiased observation of service levels experienced by customers, based on their behaviour and the context in which they use the various services. This method is based on the use of software installed on mobile devices (smart phones, Internet dongles, tablets, etc.) of customers who have signed up to the initiative and continuously monitors the customer's experience;
- the Quality Repository: the tool that coordinates all the information regarding the results drawn from customer listening activities and supports their dissemination and interpretation within the organisation.

Since 2012, in full compliance with privacy protection requirements, Telecom Italia has been monitoring "conversations" on the Web regarding quality in the Telecommunications sector, relating to both fixed and mobile communication and the consumer and business segments. This monitoring takes place using a tool that performs a semantic search and analysis of the subjects most frequently discussed on the Internet and analyses the "tone" (web sentiment) of conversations about Telecom Italia and its competitors. The aim is to make a prompt assessment of how customers perceive offers and services, gaining a greater insight into specific issues to support the business.

USE OF SOCIAL NETWORKING IN CUSTOMER CARE

In 2014, Telecom Italia strengthened its presence on Social Networks (Facebook and Twitter), focusing on customer care in particular. The results show a high level of satisfaction, with considerable increases compared to previous years, particularly thanks to the greater ability to provide answers to customers. Excellent results have been achieved in terms of response times and the number of responses, leading TIM to be rated constantly among the top 10 brands on Facebook nationally (source SocialBakers). Social network activity also provided further details and explanations on all the products offered by the company, providing customers with an easy-to-use tool for gathering information about all the sales-related aspects of our operations.

Telecom Italia also consolidated its leadership in the general Community with the following brands: Telecom Italia, TIM, Impresa Semplice, Cubovision, Cubomusica, Working Capital, Serie A TIM, Nuvola Italiana (5 million likers and just under 1 million followers).

For information about the social networking tools available to call centre operators (TUO), see the sustainability section of the telecomitalia.com website.

Confirming its commitment to quality of service and transparency in its relations with customers, TIM Brasil is the first Latin American company to have launched a "Portas Abertas"[1] (open doors) website in 2013, showing the plans for expansion of the technical network. Among other things, the website offers customers the chance to:

- interact with the company regarding the technical coverage map for each individual street;
- receive notifications regarding both maintenance and any failures to achieve technical network objectives;
- provide TIM with feedback on the perceived quality of the network.

Among the actions taken in 2014, it is worth highlighting the launch of the online chat service (available on the Web and via the TIM mobile app for smart phones), the improvement in several automatic and digital portal services, the humanisation of caring on digital channels in general, the creation of an online (web chat) channel for customers with questions about Anatel (Brazilian National Telecommunications Agency).

TIM Brasil also talks to its customers via Twitter "@ TIMBrasil" (https://twitter.com/TIMBrasil), which as of December 2014 had more than 516,000 followers, and Facebook (www.facebook.com/timbrasil) with over 1,140,000 likers. Since 2012, the company has also activated a further channel "@ TIM_AJUDA" (https://twitter.com/TIM_AJUDA), which allows it to communicate with customers via Twitter. As of the end of 2014, this channel has over 99,000 followers.

CUSTOMER SATISFACTION

The customer Listening System aimed at monitoring customer satisfaction covers the following areas:

- operational processes and events assessed on a "reactive" basis, i.e. immediately after a specific event (e.g. delivery, assurance, sale, sales support);
- customer contact channels (e.g. points of sale, customer care, web, billing);
- key products and services (e.g. fixed and mobile broadband);
- life cycle (customer journey) monitored during the main stages of the customer's relationship with his/her operator;
- customer satisfaction assessed on a "reflective" basis, i.e. not in connection with a specific event, determined by the Customer Satisfaction Index - CSI - which adopts the international statistical survey standards (ACSI - American Customer Satisfaction Index model) to determine perceived quality in relation to the main satisfaction drivers for the various customer segments (consumer fixed, consumer mobile, small enterprise fixed and mobile, large/medium enterprise and vertical), particularly in comparison to similar services offered by the leading competitors (except for the vertical segment). The CSI is certified in accordance with the UNI

---

1   In the second half of 2013, TIM Brasil launched "Portas Abertas App" for Android and iOS systems. The app includes the main content of the "Portas Abertas" website.

11098:2003 Guideline (for determining customer satisfaction and measuring the respective process indicators). Customer Satisfaction targets are included in the management (MBO) and collective (PR) incentive schemes.

Telecom Italia has begun tests to develop the listening system into a Customer Experience Management (CEM) system, including measurement of the *Net Promoter Score* (NPS), which measures customer word-of-mouth based on the balance between "detractor" customers and "promoter" customers and on investigating the reasons given by customers. The tests aimed at defining the new methodology are currently being developed.

The information in the following table refers to the average annual progressive value of total customer satisfaction with Telecom Italia's customer care service measured on a "reactive" basis. With a view to assessing the customer care service in particular, the questionnaires were revised in 2014 to assess the customer experience more accurately, moving from satisfaction to assessing the service received (on a scale of 1 to 10).

Type of customer care customer

	Overall satisfaction		
	2014	2013	2012
187 consumer fixed telephony	8.08	8.48	8.46
119 consumer mobile telephony	8.49	8.72	8.69
191 business fixed telephony	7.79	8.18	8.1
191 business mobile telephony	7.83	8.13	8.22

Average satisfaction measured on a scale of 1-10, where 1 means "not at all satisfied" and 10 means "completely satisfied".

The CSI values of Telecom Italia by segment are shown below.

Customer segment

	2014	2013	2012
Consumer	76.28	75.84	75.45
Small Enterprise	65.85	65.56	65.88
Large/Medium Enterprise + Vertical	72.26	71.75	71.38
Totals	**73.47**	**73.01**	**72.76**

Average satisfaction is measured on a scale of 0-100, where 0 means "not at all satisfied" and 100 means "completely satisfied".
For the purposes of this trend, the 2012 result has been recalculated based on the new CSI 2013 model.

TIM Brasil carries out two types of nation-wide customer satisfaction surveys by means of interviews:

- the TIM and competitors' consumer customer survey, conducted twice a year (May and November) on a "reflective" basis, measures the customer's general perception of the company (e.g. sales structure, call centre, network coverage and quality of the network, also as regards the Internet connection, technical support, the price of services, promotions, billing);

- the call centres survey, conducted once a month on a "reactive" basis, with the involvement of TIM customers (consumer and business) who have contacted the call centre in the previous 15 days.

	2014	2013	2012
CONSUMER CUSTOMER SURVEY[(*)]	7.54	7.92	8.03
CONSUMER MOBILE TELEPHONY CALL CENTRE SURVEY[(**)]	7.30	7.31	7.47
BUSINESS MOBILE TELEPHONY CALL CENTRE SURVEY[(***)]	7.16	7.05	6.80

(*)   Average index, on a scale of 0 to 10.

(**)   Average mobile consumer customer satisfaction index on a Scale of 0 to 10.

(***) Average mobile business customer satisfaction index on a scale of 0 to 10.

CUSTOMER SATISFACTION WITHIN INCENTIVES SCHEMES

Telecom Italia's managerial incentive systems include many targets associated with customer satisfaction, in keeping with the business plan for the current period. The targets are measured using customer satisfaction indices, monitored by means of periodic surveys; for 2014, the management incentive scheme provides for two different indices, one related to customer segments in which Telecom Italia has already achieved optimum positioning compared to competitors and the other relating to customer segments with a more critical competitive position. The purpose of this segmentation of the customer satisfaction indicator is to pursue an improvement in the critical segments and to maintain the position achieved in the optimum segments.

Specific targets associated with quality parameters and consistent with the criteria established for corporate and segment customer satisfaction indicators have been established in the collective incentive systems for Telecom Italia staff and for particularly critical processes and activities (commercial and technical front-end).

Finally, specific objectives associated with customer satisfaction have been set in the collective incentive scheme - known as CANVASS - which involves some of the staff in the Caring Services Customer Care, Business Customer Care and Technology Open Access departments.

CERTIFICATIONS

For areas of the company which have a significant impact on the community, because of the products and services they offer, the Group has obtained certifications to ensure that procedures and conduct are adopted that meet the expectations of the relevant stakeholders.

The certifications achieved for the main activities are shown below:

- quality of products and services offered: UNI EN ISO 9001:2008 standard;

- environmental protection: UNI EN ISO 14001:2004 standard;

- efficient energy management : ISO 50001 standard;

- protection of human capital by companies and suppliers: SA 8000 standard;

- health and safety at work: BS OHSAS 18001:2007 standard;

- general requirements for the competence of testing and calibration laboratories: ISO/IEC 17025:2005 standard;

- Information Technology services: ISO/IEC 20000-1:2005 standard;

- data security: ISO 27001:2005 standard;

- software and IT solution production processes: CMMI-DEV (Capability Maturity Model Integration - Development) certifications;

- respect for principles intended to promote trust between consumers and businesses operating on the Internet: WebTrust (Certification Authorities - SSL Baseline Requirements Audit Criteria);

- fulfilment of the AGID (Digital Italy Agency) requirements to perform the role of:

   - Accredited Certifier for Qualified Signatures, the National Service Charter and Timestamping;

   - Accredited Operator for Certified Email;

   - Accredited Custodian for storing electronic documents.

Detailed information about the certifications achieved by the various departments/companies of the Group is available in the sustainability section of the telecomitalia.com website

In Brazil, as required by ANATEL (National Telecommunications Agency), the Brazilian telecommunications authority, TIM Celular has also achieved KPI Survey Method Quality Certificates for the whole country regarding:

- personal mobile service

- switched fixed telephone service

- multimedia communications services.

DIGITAL INCLUSION

[G4-EC7], [G4-EC8] The spread of information and communication technology creates opportunities for progress.

Telecom Italia is aware of the need to manage this development in the best possible way, helping to coordinate the actions of all the players in the broadband ecosystem, particularly in order to avoid exposing the community to technological and geographical divides. The impacts of digital inclusion are also dealt with in Part One of this report, *Telecom Italia: a group of a strategic relevance*.

DIGITAL INCLUSION GEOGRAFICA

In order to deal with the digital divide that has arisen in the so-called marginal areas of Italy, which would otherwise remain excluded from the mainstream plans of telecommunications operators, owing to the low profitability of investments, between 2005 and 2014, Telecom Italia implemented a programme of extraordinary investments allowing ADSL coverage to be provided for approximately 4,150 new municipalities.

In December 2014 Telecom Italia has about 9,500 active stations, including 8,000 optical fibre ones. Alongside its plan to extend coverage, Telecom Italia has launched an additional plan to expand the active network[2], where necessary, to guarantee full usability of the service by customers and the development of digital inclusion.

The following table shows the percentages of coverage in December of the last three years.

Description	2014	2013	2012
ADSL coverage[(*)]	98.75	98.4	98
UMTS and HSDPA coverage[(**)]	96	87.5	85.6
LTE coverage[(**)]	77	49	14.9
Next Generation Plan (fixed telephony) coverage[(***)]	28.1	16.8	---------

(*) The percentage refers to fixed Telecom Italia telephone lines.
(**) The percentage refers to the resident population. Coverage values are subject to change based on ISTAT and urbanisations updates.
(***) The percentage is determined by the ratio between the number of properties connected with "cabinets" reached by access optical fibres (or which can be served directly from an exchange if within acceptable distances) and the total number of properties that have or have had active telephone lines in the past.

In order to promote digital inclusion and the consequent coverage of the remaining geographical areas of "market failure", Telecom Italia cannot avoid engaging in joint "public-private" initiatives.

Two types of action have been taken so far, both fully in line with European competition rules:

---

2   The plan consists of actions to ensure full enjoyment of the service by customers by expanding the capacity of equipment used, in terms of both user ports and bandwidth available on the Internet. The technical term for this is desaturation of DSLAM equipment, performed either in advance or once specific broadband quality and availability thresholds are exceed.

- the first is a "central" approach involving collaboration with Infratel Italia S.p.A. (Infrastrutture e Telecomunicazioni per l'Italia)[3], the public entity building passive broadband (fibre optic cable), organic and integrated infrastructure throughout the country, with the aim of increasing digital inclusion in lower income areas of the country;
- the second is distinguished by a "local" approach whereby regions promote projects aimed at increasing digital inclusion, e.g. through forms of financing centred on public tenders using the so-called claw-back model, which provides for contributions to be paid to offset the lack of return on investments.

Using the above forms of intervention, in some cases simultaneously, Telecom Italia has in recent years signed cooperation agreements with several local entities, some of which were in the course of being implemented in 2014. These include the following:

- Memorandum of understanding (MoU) signed with the Emilia Romagna Region and Lepida[4] in 2010, aimed at setting up a technical committee to widen digital inclusion in the region. This agreement was renewed in 2012 with a view to further widening digital inclusion and improving services providing access to information technologies (by equipping a further 70 exchanges with optical fibres by March 2014).
- the award of a tender in 2012 by the Marche region to complete digital inclusion (through state-of-the-art broadband services with speeds of up to 20 Mbit/s) in the region's market failure areas. The project is currently being implemented and will be completed in the first quarter of 2015.

During the second half of 2013 and throughout 2014, as part of the National Broadband Plan, the Ministry of Economic Development (MISE) issued eleven regional tenders through Infratel, identified as the implementing organisation and assignee of the funds provided.

The funds allocated for projects to extend broadband technology to digital inclusion areas amount to 353 million euros, including 225 million euros to be allocated to the clawback model: the contribution for each Region can correspond to a maximum of 70% of the cost of the project to widen digital inclusion. The tenders issued relate to the following eleven regions: Calabria, Campania, Emilia-Romagna, Lazio, Liguria, Marche, Molise, Sicily, Tuscany, Umbria and Veneto.

Tenders for a further six regions are expected to be issued during 2015: Abruzzo, Basilicata, Lombardy, Piedmont, Apulia and Sardinia.

For the remaining 3 regions (Friuli Venezia-Giulia, Trentino Alto-Adige and Valle d'Aosta) no actions is planned on the part of MISE as these regions have their own independent plans.

Telecom Italia has participated in all the tenders issued thus far, with the exception of the one for

---

3   The company was set up on the initiative of the Communication Department of the Ministry of Economic Development and Invitalia, the national inward investment and business development agency, and is the entity implementing the Broadband Programme.

4   Lepida SpA is the operating tool promoted by the Emilia-Romagna region for the consistent and unitary planning, development and management of the telecommunications infrastructure of entities connected to the Lepida network and the delivery of IT services included in the network architecture. The company also promotes and encourages measures to increase digital inclusion in rural and mountain areas, where supplying connectivity is difficult for market operators owing to the low return on investments.

Liguria. It has won the tenders for Calabria, Campania, Lazio and Veneto (for a total allocated contribution of 36 million euros) while the tenders for Emilia-Romagna, Marche, Umbria and Liguria were awarded to NGI S.p.A.

The tenders for Tuscany, Sicily and Molise are currently being awarded.

SOCIO-CULTURAL DIGITAL INCLUSION

In a world in which technology facilitates contact with people, by disseminating broadband technology and the services it enables, Telecom Italia is making a contribution to overcoming the socio-cultural barriers that restrict the opportunity to take part in the information society and enjoy its benefits. The innovative services aimed at promoting the digitisation of important areas of activity (e.g. healthcare) include those listed in the following paragraph.

For information regarding the initiatives implemented by Telecom Italia for the social inclusion of customers with specific needs (hearing impaired, elderly, children, etc.) see The Community and the following website http://www.telecomitalia.it/assistenza/info-consumatori/agevolazioni-economiche.

TIM Brasil has continued to promote commercial offers to encourage the spread of the mobile web, particularly among the poorer classes. These consist of low cost services which are particularly suited to helping to widen the socio-cultural digital inclusion (e.g. INFINITY WEB and LIBERTY WEB).

INNOVATIVE SERVICES

[G4-EC7], [G4-EC8]

SMART SERVICES

In the context of public sector services, in accordance with the Italian Digital Agenda or ADI (Agenda Digitale Italiana) and European Directives, in 2014 Telecom Italia consolidated and streamlined its offer of Smart Services (a range of services for energy efficiency and digital services in urban areas), Urban Security and Digital School initiatives providing new services dedicated to security, the environment, mobility and schools, in order to ensure a comprehensive response to the needs of cities and surrounding areas. The aim is to promote the "smart city" model to improve quality of life by developing innovative digital services to ferry communities towards a Smart Community model (as described in the Digital Agenda) that enables new forms of cooperation between citizens and public authorities.

SMART TOWN	SMART BUILDING	NUVOLA IT URBAN SECURITY	NUVOLA IT DIGITAL SCHOOL
Integrated management of local infrastructure networks. Enabled services: • planning of electricity consumption and maintenance; • video surveillance; • digital communication with citizens and users in general (e.g. tourists); • Wi-Fi hot spots (broadband access);	Smart management and automation of buildings. Enabled services: • monitoring and reduction of consumption (electricity, water, etc.), mainly for Central Government Bodies; • video surveillance; • digital communication; • extension of the IT network (LAN) of buildings by using the electricity network via a device that connects to the power socket.	Management of participated security and urban territory control. Enabled services: • computerised management of the penalty issuing process for traffic and other violations for local public administration; • participated management of urban issues, with reporting of safety-related issues, antisocial activities and urban decay; • real time monitoring of the urban and natural environment of cities (humidity, temperature, noise pollution, C02, gaseous pollutants, etc.); • monitoring of available public parking spaces.	Integrated digital management of teaching and school administration. Enabled services: • broadband and mobile connectivity; • teaching cloud (services and solutions, storage for multimedia content); • digital learning tools (distance learning, collaborative and shared learning with education platforms, social learning); • classroom computerisation (LIM[1], notebooks and tablets); • school-family interaction systems; • digitisation of administrative services.

1   Interactive Multimedia Board.

The Environment section reports estimates of energy savings of some Smart Services.

For further information regarding Smart Services, see the sustainability section of the telecomitalia.com website.

INNOVATIVE E-HEALTH SERVICES

Telecom Italia is actively involved, either alone or in partnership with external partners, in devising and developing healthcare services at national, regional and local level. Designed to improve the Italian health service and the quality and effectiveness of healthcare, the services allow doctors, nurses and patients to carry out many activities remotely.

The main electronic healthcare service applications available or being developed include:

• value products and services for general practice, aimed at enabling new primary care models and proactive medical services (e.g. screening campaigns managed by general practitioners);

• legal archiving of digital diagnostic images on the network, ensuring the authenticity and integrity of documents;

• management of healthcare, administrative, logistical processes and a patient's healthcare information throughout the period of hospitalisation;

• the management and coordination of operational facilities dedicated to emergencies (118) and continuity of assistance;

• healthcare monitoring (Nuvola IT Home Doctor).

All the solutions comply with the data privacy and transaction security requirements of healthcare processes.

NUVOLA IT HOME DOCTOR

This allows patients suffering from chronic illnesses, or in post-hospital care, to monitor their physiological parameters (body weight, blood pressure, heart rate, blood oxygen levels, glycaemia, lung capacity, electrocardiogram, etc.) directly from their own homes or in properly equipped facilities (medical centres, medical practices etc.). The system consists of a technological platform and software configured on the patient's mobile phone (or alternatively a PC or tablet) and on the healthcare personnel's PC. Based on the plans established by the doctor, patients receive reminders on their mobile phones regarding the measurements to be taken, they take these measurements using portable electro-medical devices equipped with a Bluetooth interface and, using their mobile phone, they send the measurement automatically to the online platform.

The benefits of the service are that it improves the patient's quality of life while optimising costs for the healthcare organisation.

In order to enhance the functionality of the service and increase Telecom Italia's presence in the social care solutions sector, experimental activities are under way in various areas, such as:

- adding new devices aimed at increasing the measurements that can be monitored (e.g. physical activity and quality of sleep via wearable devices, blood and urine testing via Point of Care systems);

- the use of new Internet-connected TVs to improve the usability of healthcare services using various ways of displaying measures and accessing services;

- prevention and wellness services aimed at providing solutions for healthy people to help them maintain, if not improve, their health, particularly in unconventional environments such as schools or workplaces;

- services to support mobility in patients with severe limitations who lose their way very easily and might find themselves in dangerous places, using tracking solutions and mechanisms for family members or service centres to provide assistance;

- video-communication services to support telecare and telerehabilitation activities (e.g. patients can engage in telerehabilitation while being monitored by doctors interactively from a remote location).
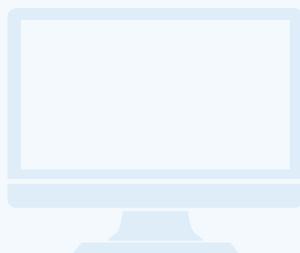
VREHAB

The experimental monitoring and telerehabilitation system for patients with Parkinson's disease developed with CNR-IEIIT (Institute of Electronics, Computer and Telecommunication Engineering) in Turin, the University of Parma and the Italian Auxology Institute of Verbania, has entered its validation phase. For more information, please, refer to the "Commitment to the Ambient Assisted Living (AAL) with European projects and field trials" in the Community section.

CASSIEL 2.0

The experimental service allowing for assistance to be provided to elderly people remotely, monitoring them and receiving alarm signals in cases of emergency. For more information, please, refer to the "Commitment to the Ambient Assisted Living (AAL) with European projects and field trials" in the Community section.

FISIO@HOME

This is an experimental motor telerehabilitation service which allows medical personnel remotely to monitor the conditions of patients with orthopaedic or neuromotor problems. The prototype, currently being tested, has been developed for the rehabilitation of knees, although the application can be used for other conditions.

The system allows doctors to evaluate compliance with the established rehabilitation programme and the correctness of exercises performed.

Movement data is collected by sensors worn by the patient, which measure acceleration, angular speed and magnetic field along the reference axes. The data is sent by Bluetooth to a PC, where an application processes it in real time in order to extract information that can be used to define the movements and store them.

The application can reduce the number of physiotherapy sessions at the healthcare facility, while maintaining the level of care unchanged, reducing the costs borne by the healthcare system and the need for the patient to travel.

Working with JOL WHITE, which perfected the Android app and developed the respective data collection platform, each patient's work plan can now be determined, checking performance and communicating with the patient by messaging and video calls.

E-LEARNING AND EVOLVED DIGITAL EDUCATION

The demand for evolved educational services has undergone a profound transformation in recent years. The focus has shifted from the simple electronic use of content to disseminating and sharing knowledge by more engaging methods for young people based on web 2.0 models. The solutions already integrated in the Telecom Italia e-learning platform and the prototypes of the ones developed by analysing the requirements of the educational world, meet the demand for evolved services based on collaboration, communication and the involvement of end users.

With regard to schools, at the end of 2014, Telecom Italia signed a three-year memorandum of understanding with the Ministry of Education, University and Research (MIUR) and launched the EducaTI project with the aim of creating an ecosystem to disseminate new educational tools and languages. The EducaTI initiative aims to promote the use of digital technology in Italian schools, testing and promoting new learning and teaching models with everyone who operates in the world of education. The EducaTI project, which is one of the Group's Corporate Shared Value (CSV) initiatives, is split into four initiatives:

- Program the future: introduces programming (coding) into Italian primary schools. Telecom Italia is the main partner in the project developed jointly with the national inter-university consortium for information technology CINI (Consorzio Interuniversitario Nazionale per l'Informatica);
- Digital Tutors: digital training course devised and created by Telecom Italia jointly with regional education departments (Uffici Regionali Scolastici - USR) and the Post Office Police;
- You Teach: an annual national creative competition for upper secondary schools that stimulates the skills of young people, encouraging them to create digital products that emphasize the positive aspects of the Internet;
- WITHYOUWEDO Crowdfunding: platform that encourages the development of education-related projects.

INFOMOBILITY

For many years, Telecom Italia has been working with all the parties involved in the ITS (Intelligent Transport Systems) and Infomobility solutions market value chain. The main principle is to enable new services for vehicles, their occupants, Public Administration and private citizens, by gradually introducing the idea of a vehicle constantly connected with the outside world (e.g. service centre, roadside infrastructure, occupants, other vehicles, etc.).

ITS services contribute to improving the efficiency of the "transport system" with a positive impact in environmental terms (e.g. ecodriving, intelligent parking) and on reducing travel time (e.g. gathering and management of traffic data, dynamic navigation), improving safety (e.g. eCall, BCall[5], driving style monitoring, management of hazardous goods), improving efficiency in passenger and goods transport (e.g. city logistics, fleet management) and reducing the costs associated with

---

5   It allows drivers to send information about their location and the conditions of their vehicle to a specific organisation that will "handle" the case.

urban and suburban mobility (e.g. access control and management).

TIM WALLET

The TIM Wallet service allows physical wallets to be replaced by virtual ones on mobile phones using NFC technology[6]. Purchases are made by placing the phone close to a reader, such as a POS or turnstile at the entrance to offices. Telecom Italia has tested the application with the involvement of its own employees. In future, virtual coupons will be available to spend at commercial retailers.

ENERGY@HOME

Telecom Italia, Enel Distribuzione and Indesit Company conducted an experiment with various users to verify the environmental benefits of improving the end customer's electricity consumption. Customers were supplied with a prototype web app and a number of electricity metering devices, including a device for communicating directly with the Enel electricity meter. Over a period of around twelve months – also thanks to the involvement of users through appropriate feedback and newsletters - an average reduction in consumption of around 9% was recorded which, nationally, would allow residential consumption to be reduced by 5.6 TWh, leading to a fall in CO_2 emissions of around 3 million tonnes.

SMART CITY APP - EXPO 2015

During 2014, Telecom Italia directed the end-to-end design and implementation of mobile solutions for EXPO 2015 with a smart city app prototype and an app for the "Padiglione Italia" (the Italian Pavilion). The smart city app provides information on participating countries, the urban and national environment, the partners and actors involved, in addition to offering services and entertainment during the event. The purpose is to establish an ongoing relationship with the visitor, using LTE mobile broadband connectivity.. For more information, please, refer to the "Commitment to the Ambient Assisted Living (AAL) with European projects and field trials" in the Community section.

---

6   Near Field Communication: a technology that supplies short range bi-directional wireless connectivity (up to a maximum of 10 cm).

RESEARCH AND INNOVATION IN E-SECURITY

Telecom Italia is involved in research and innovation regarding cyber security and more generally the security of information and networks.

Activities carried out in 2014 included the following:

- development of new malware[7] detection and analysis methods for fixed and mobile networks;

- enhancement of algorithms and tools for analysing DNS (Domain Name System) traffic to provide security;

- definition and implementation of a prototype Threat Intelligence Private Cloud platform to serve corporate security platforms, automatically gathering and sharing information useful for preventing and combating emerging threats;

- extension of examination models to be used with visual analysis tools for security Big Data;

- development of semantic rules in the field of cyber security, to be used in tools set up to perform Open Source Intelligence activities;

- implementation of various scouting and testing campaigns for innovative security solutions;

- development of international activities as part of initiatives funded by the European Union: IST NEMESYS (Information Society Technologies, enhanced NEtwork security for seamless service provisioning in the smart Mobile EcoSYStem) project and CIP (Competitiveness and Innovation framework Programme) Advanced Cyber Defence Center project;

- in the context of ETSI[8], the development of TC CYBER focused on Cyber security, particularly the following areas:

  - Cyber Security;

  - Security of infrastructure, devices, services and protocols;

  - Security advice, guidance and operational security requirements to users, manufacturers and network and infrastructure operators;

  - Security tools and techniques to ensure security;

- consolidation, within the ETSI-ISG (Industry Specification Groups) working group, of a framework of security indicators to be used to measure performance and benchmark security operations;

- continuation of other monitoring and guidance activities regarding standards and forums with work primarily focused on the GSMA Security Group and Mobile Malware Group, 3GPP[9] and ETIS[10];

- development of cooperation launched in 2013 with EIT (European institute of Innovation and Technology), ICT Labs and the Action Line Guide to Privacy, Security & Trust.

---

7   Software created to compromise the security of a computer or IT systems and devices. The term is a combination of the words malicious and software.

8   European Telecommunications Standards Institute.

9   The 3rd Generation Partnership Project.

10 The Global IT Association for Telecommunications.

CHILD PROTECTION

[G4-PR6] Telecom Italia Group companies have undertaken numerous initiatives to protect minor from content that may harm their psychological and physical development (for example, content that is violent, racist, offensive to religious sentiment, pornographic etc.).

Among these, precise guidelines have been adopted for classifying and checking distributed content. These cover both the content offered directly by Group companies and content owned by third parties offering their own services on space purchased within Telecom Italia's portals. These guidelines are regularly updated in line with regulatory and technological changes.

For this purpose, in accordance with current regulations and self-regulatory codes signed by the Group, procedures are implemented to prevent minor from accessing adult content on all the Group's service platforms (tablet/smart phone app, web, IPTV, TIMvision by decoder, smart TV, Xbox, WAP services).

In particular:

- TIMvision: adult content can only be accessed using a decoder. This pay-per-view content can only be viewed after entering the parental control PIN and purchase PIN. The parental control functions are governed by legal provisions and mentioned in the statement delivered to customers after they sign up to the service;
- IPTV: access is only permitted to subscribers and the subscription can only be taken out by adults. The default setting does not allow adult content to be viewed and can only be changed after the PIN supplied to the adult subscriber has been entered;
- WAP services: content is always moderated in advance by Telecom Italia, in order to verify compliance with the classification guidelines, and delivered by a centralised platform. The PIN for accessing adult content is supplied by text message, at the customer's request, after the person to whom the number is allocated is confirmed as being an adult.

For services delivered by IP connection, the Total Security software is available: a complete suite of security services based on ZoneAlarm® technology that protects you when surfing the Internet from viruses, hackers and spyware that may attempt to install themselves on your computer. Furthermore, parental control ensures that children can surf the Internet safely, only on sites suited to them, with antispam to protect them from unsolicited emails. Total Security includes the following services:

- antivirus and antispyware, to detect and remove viruses and spyware;
- parental control, to protect young people against unsuitable content;
- firewall for networks and programmes to block any attacks by hackers and harmful programs;
- advanced download protection to analyse downloaded files before they can infect the PC and send a report if they come from a dangerous source;

- anti-phishing and site status, in order to block unsafe websites which deceive people into revealing their personal data;

- protection against unsolicited emails (SPAM), to block unsolicited emails automatically from email clients (email protocols: POP 3/IMAP incoming only, SMTP outgoing only);

- wireless PC protection to protect your PC against risks associated with connecting to unprotected networks.

The TIM-Protect solution is the exclusive TIM option for total protection against WEB threats:

- parental control: protects young people while surfing the Net, filters WEB searches, gives warnings in case of behaviour that is judged to be dangerous;

- theft protection: protects the device from loss and/or theft, ensuring remote control by sending a simple instruction (block device, find device, delete data, SIM change notification);

- protection and privacy: protects all access to e-commerce, home banking and social media websites. Ensures privacy by filtering unwanted calls and messages;

- antivirus: manages the device securely without affecting its operation, protecting it during use against viruses, malware and other threats.

For the purpose of combating online child pornography and computer crime, from an organisational point of view, Telecom Italia has identified, within its Security department (Risk Prevention & IT Security Governance), the role of "Key contact for the Postal Police". This person manages relations, and the flow of information, with the Postal Police (CNCPO - National Centre for the Fight against Online Child Pornography, CNAIPIC – National Centre against Digital Crime for the Protection of Critical Infrastructure etc.) and the competent authorities, and has the task of coordinating, within the Telecom Italia Group, the process of abuse management, in accordance with the relevant legislative framework. Furthermore, the Telecom Italia Group has adopted an organisational model in accordance with Legislative Decree 231/2001, which defines the tools required to oversee and anticipate offences, particularly the dissemination of child pornography, as well as to ensure the organisational/disciplinary management of computer crimes. For this purpose, Telecom Italia has fielded resources, technologies, processes and tools to prevent and combat "abuse", meaning any activity committed in violation of the rules of conduct and legislation that governs the use of network services, digital systems or means of communication in general.

In this respect, information initiatives have been implemented, aimed at children, parents and teachers, on the risks connected with the new technologies and navigation on the Internet (chat lines, instant messaging, forums, communities etc.). Among the initiatives involving a number of important public and private stakeholders selected above all on the basis of their activities and commitment to safeguarding the rights of children (including, for example, the Postal and Communication Police, Save the Children, Adiconsum, GSMA, ITU etc.), we would mention the following:

- "abuse" topic area on the company Intranet, which informs company staff and makes them aware of the activities conducted and the tools that exist for preventing digital crimes and pro-

tecting children who use the Internet services provided;

- the "Child protection" topic area on the telecomitalia.it portal, aimed at informing and making end users, and the other stakeholders, aware of the correct behaviour to adopt during navigation on the network, as well as the values and objectives that Telecom Italia pursues to combat digital abuse and protect children;

- form available on Telecom Italia's corporate and commercial portals, which can be used by Telecom Italia's end customers, or by outsider users, to report any crimes involving child pornography encountered while browsing the Internet. There is a guide to completion, and reports can also be submitted anonymously;

- the booklet "Born with the Network," dedicated to the adult-parent public for the purposes of:

  - illustrating the fundamental rules for the safe use of the Internet;

  - alerting people to the dangers that can be hidden on the network;

  - providing the tools to convey the rules of conduct to children and guide them in the selection of content to use;

- web filtering: in accordance with the Implementing Decree of Law 38/2006 (Gentiloni Decree) which defines the technical prerequisites of filtering tools that providers of Internet network connections must use in order to prevent access to sites identified by the Postal Police through the CNCPO. Telecom Italia has also introduced a filtering system for foreign websites with child pornography content;

- drafting of "Guidelines for combating child pornography on line", which are intended to make the identification of cases of child pornography to be notified to the Postal Police as objective and uniform as possible. The aim is to minimise any potential interpretation uncertainty of the subjects concerned (chat moderators and/or community services, developers, abuse desk operators etc.) and to ensure compliance with current regulations. The guidelines are also modelled on those provided and implemented by the CNCPO and the major external organisations operating in this field (Save The Children, Telefono Arcobaleno etc.);

- management of the abuse desks: operational groups who handle abuse differentiated by type of service (consumer and business), formed in accordance with the national and community regulations on child protection, the prevention of digital criminality and the fight against sexual exploitation (child pornography). Their task is to receive alerts from external users/customers regarding alleged computer crimes or the presence of child pornography on the Group's networks, and then direct them to the relevant department, where necessary involving the relevant authorities through the key contact for the Postal Police;

- participation in the "ITU Child Online Protection: Guidelines for industry," working group, which is coordinated by the ITU (International Telecommunication Union). Telecom Italia is involved in updating a guideline on "Child Online Protection - COP" for companies in the broadcasting, Internet and mobile sector, which is part of the broader international "Global Cybersecurity Agenda" project under the auspices of the United Nations. To find out more: www.itu.int/osg/csd/cybersecurity/gca/cop/index.html;

- participation in the "GSMA - Mobile Alliance against Child Sexual Abuse Content" working group in the context of the GSM Association, for all technological and communications initiatives aimed at protecting children in the mobile phone sector;
- participation in the European Safer Internet project: Telecom Italia is collaborating in the project promoted by Save the Children and Adiconsum, in response to the EU initiative "Safer Internet 2009 – 2013," taking part in the permanent round table as part of the Italian group, Safer Internet. The priority is to protect minors in the European social context, where social networking is increasingly widespread, particularly among the younger members of society, and to provide the tools with which to make safe use of the web services that allow social networking, blogging and instant messaging. The 2014 Safer Internet Day was dedicated to the theme of 'let's create a better Internet together'. Many events were organised in over 100 countries, including the United States for the first time. Telecom Italia took part in the round table organised in Brussels by the European Commission, in the context of which the "Young Manifesto" was presented with suggestions made by young people from all over Europe to create a better Internet. The initiative also deals with raising awareness, combating illegal content and rating content. An important part of the programme is dedicated to the Safer Internet Centers that now exist in over 30 countries to provide support and information to children, parents and teachers;
- participation in the European ICT Coalition and Better Internet for kids/CEO Coalition working groups for establishing the principles and technologies required to make the Internet a safer place for children;
- cooperation in the context of the Italian Child Abduction Alert System (ICAAS) project, for the creation of a web portal providing an "early warning" of missing children. In this context, in 2011, Telecom Italia signed the "Allarme Scomparsa Minore" (missing child alert) agreement with the Ministry of the Interior's Public Safety Department.

The Group has also implemented appropriate filtering and abuse prevention systems for services delivered in Brazil. In particular, WAP services with adult content require user authentication while the delivery of adult videos on IP platforms, which is only available in on demand mode, requires a PIN to be entered. All the content is monitored and rated by the suppliers and, subsequently, by TIM Brasil, which limits their portfolio to level 3.2 of the international rating system.

Customers who wish to purchase adult content, have to access the relevant portal, click on "ADULT", confirm that they are adults and enter a password (parental control).

TIM Brasil has signed an agreement with Safernet to prevent sexual abuse and paedophilia on the Internet. The agreement covers cooperation and the centralisation of any reports regarding abuse of a sexual nature and the development of an awareness-building campaign on the appropriate and safe use of the Internet.

PRODUCT RESPONSIBILITY

Telecom Italia is primarily an operator of telecommunications services, which do not endanger the physical health of users[11], and it does not produce the telecommunications equipment it sells[12].

In order to verify that the products sold comply with health and safety legislation, the company has:

- appropriate internal structures that check the incoming quality of the products it markets (telephones, modems, etc.), both in Italy and in the production centres of manufacturers overseas;
- a laboratory that tests the products marketed by the Group, particularly as regards the electromagnetic emissions of the mobile phones it sells.

In this way, any non-conformities in the products are thus detected prior to their market release and non-conforming products do not reach the end customer.

Services provided to customers are subject to the requirements set out in the Service Charters and in the Terms & Conditions of Subscription, available at www.telecomitalia.com.

[G4-DMA Customer Health and Safety], [G4-PR1]

In its laboratories, Telecom Italia carries out validation activities to fulfil the essential requirements certified at source. For products sold in Italy, the reference framework is the set of standards that support Directive 1999/5/EC, arranged by product macrofamily[13].

Furthermore, with regard to protection and the safety of customers in using the equipment, the Group carries out checks on:

- the electromagnetic emission levels (SAR) of all mobile phones;
- regulatory requirements regarding the risk of electric shock, overheating, fire;
- the electrical robustness of interfaces.

In particular, the following are checked:

- the energy efficiency aspects required by the EuP (Energy-using Products) Directive: equipment placed on the market is checked against the stand-by power consumption and performance limits set by European Regulations 1275/2008/EC and 278/2009/EC, respectively for equipment and their external power supplies (available as accessories);
- functionality in different environmental conditions of installation and use of terminals and accessory components for connection to the fixed network: checks are carried out on compliance

---

11 Threats of a psychological nature or relating to security and privacy are dealt with in the Child Protection, E-security and Privacy sections.

12 At Olivetti, the Group company that operates in the IT sector, there are hardware production plants. In the context of the Group as a whole, these activities are not significant as the entire turnover of Olivetti amounts to 1.05% of the Telecom Italia Group.

13 For "Corded terminals", the following standards may be applied: EN 60950, EN 55022 and EN 55024; for "Cordless terminals" standards EN 60950, EN 50371, EN 62311, ITU-T P360, EN 301489 and EN 301406; for "Mobile terminals (smartphones, data cards etc.)" standards EN 60950, EN 62209, EN 302291, EN 301908, EN301893, EN 301511, EN 300440, EN 300328 and EN 301489.

with temperature and humidity ranges established by ETSI (European Telecommunications Standards Institute) for the specific "service condition", on which different "severity" levels are based. Checks are carried out on the basis of the following standards: IEC-EN Series 60068-2-1 (cold), 2 (dry heat), 14 (temperature changes), 30 (humidity changes), 78 (continuous humidity). For the most widely available products, with external plastic parts (e.g. AG), "flame resistance" is checked in the event of malfunctions of the internal electrical parts;

- electromagnetic compatibility aspects, regulated by Directive 2004/108/EU (in future 2014/30/EU): every item of electronic equipment is checked for unintentional electromagnetic signal emissions - in order to avoid interference harmful to radio communication - and the fulfilment of certain immunity from electromagnetic interference requirements. In Telecom Italia constant checks are carried out on terminals and network equipment to determine whether they comply with the requirements of international ETSI, CENELEC (European Committee for Electrotechnical Standardization) standards regarding electromagnetic compatibility. In particular, checks are carried out on the compliance of equipment with the limits set by standards to limit the emission of electromagnetic disturbances which, in addition to polluting the surrounding environment, can interfere with radio communications.

By law, telecommunications equipment sold in Brazil must be approved by the regulatory authority ANATEL, which verifies, in its laboratories, the conformity of equipment with Brazilian legislation on electrical and electromagnetic safety. There is specific legislation to be complied with for each kind of equipment. TIM Brasil asks its suppliers to ensure that equipment has the ANATEL certificate of approval.

[G4-PR2] Over the past three years, no non-conformities with European customer health and safety legislation have been found in any product that has reached the final marketing stage, neither in Italy nor in Brazil.

[G4-PR3] When contracts are drafted, for all fixed telephony products, Telecom Italia requires packaging to include an environmental statement, a statement about the origin of the coltan, a user manual containing safety information, details of any hazardous materials in the product and disposal information. For mobile devices, as they are consumer products that Telecom Italia merely resells and do not require any customisation, Telecom Italia simply requires national legislation to be complied with in respect of labelling in Italy.

In Brazil, in addition complying with national legislation, labels are required to contain information about the correct use of devices.

For a particular product range, Telecom Italia Green, discussed in detail in the Environment chapter (see *Telecom Italia Green*), all the relevant environmental parameters are also shown (e.g. energy consumption).

[G4-PR4] Over the past three years, no non-conformities regarding product information and labelling have been found in any product that has reached the final marketing stage.

There have however been a few cases in which non-conformities with regulations concerning information about services have been found. In particular, in Brazil, in 2014, 3 incidents occurred, resulting in a total penalty of 1,533,820 Reais, in 2013, 2 incidents occurred, resulting in a total penalty of 9,474 Reais[14]. In 2012 there were no incidents resulting in a financial penalty, but in one case a "warning" was issued by the regulatory authority.

In Italy, the regulatory authority's sanctioning procedures for non-conformities with regulations regarding information on services are part of the system of "penalties for the violation of regulatory legislation regarding consumer protection in the supply and use of TLC products and services"; which means that, for Italy, non-conformities regarding information on services have been merged with non-conformities regarding the supply and use of services (table below)[15].

[G4-PR9] **The number and total monetary value of the fines for non-conformities with laws and regulations regarding the supply and use of products and services in Italy[16]**

Description	2014	2013	2012
Number of fines for non-conformities regarding the supply and use of products and services	7	10	14
Total monetary value of these fines (in euro)	1,102,000	727,619	882,316

[G4-PR9] **Number and total monetary value of the fines for non-conformities with laws and regulations regarding the supply and use of products and services in Brazil[17]**

Description	2014	2013	2012
Number of fines for non-conformities regarding the supply and use of products and services	5	12	15
Total monetary value of these fines (in R$)	13,214,257	11,268,560	2,062,964

---

14 In 2014 and 2013, in Brazil, there were no incidents of this kind, other than the cases reported, which all resulted in financial penalties.

15 It has not been possible to obtain a complete picture of the non-conformities that resulted in "warnings" in Italy in the current year because the concept of "warning" is not clear cut. The issue of whether and how to assess the various kinds of "warnings" that arrive from the regulatory authority will be considered in greater detail in future. Furthermore, as things stand at the moment, there is no system for receiving reports on the violation of self-regulatory codes concerning customers other than the reporting mechanisms stated in chapter Sustainability and Governance.

16 Only final decisions are recorded. The cases include the supply of unsolicited services, failure to comply with established quality targets, inadequate information supplied to the regulatory authority and, in one case, a non-conformity regarding 899 numbers.

17 Only final decisions are recorded. The cases include the supply of unsolicited services, failure to comply with established quality targets, unforeseen interruptions to the service, coverage by means and at times other than those established with the authority, service and billing irregularities.

Total number of non-conformities with legislation and voluntary codes regarding marketing communications in Italy

Type of non conformity	2014	2013	2012
Number of non-conformities with legislation resulting in a fine or penalty	0	1	0
Number of non-conformities with legislation resulting in a warning	0	0	0
Number of non-conformities with voluntary codes	2	4	2

In Brazil, the only notifications relating to marketing and advertising communications are issued by CONAR, the non-governmental self-regulation organisation for advertising, which assesses non-conformities with the Advertising Self-Regulation Code. In 2014, CONAR did not report any kind of non-conformity, while in 2013 it reported 5 and in 2012 it reported 11[18].

CONCILIATION PROCEDURES

The conciliation procedure between Telecom Italia and the Consumer Associations who signed the framework agreement for the out-of-court settlement of telephone disputes, was the first example of joint conciliation in Italy.

Introduced on a trial basis in 1991 by SIP, it was implemented throughout the country in 1993 and in 1995 the European Union recognised it as a "Pilot project for consumer access to justice". The model is still used today but has been adapted over the years to fulfil new requirements, computerised and made easier to use, while maintaining the basic values that made it such an excellent tool, contributing to improving the transparency of the system, customer relations and a number of the Company's operational processes. In 2011, the joint conciliation model was brought to the attention of the European Union and, on October 25 of the same year, the European Parliament recognised the "Italian joint conciliation model as an example of best practice based on a protocol drawn up and signed by the Company and consumer protection associations, under which the Company undertakes in advance to use ADR[19] to settle any disputes that may arise in the areas covered by the protocol". Twenty Consumer Associations have signed up to the conciliation agreement to date.

In 2009, in compliance with the voluntary undertakings given and approved by the Italian Communications Authority in December 2008, Telecom Italia also started managing conciliation requests submitted by customers at the offices of Co.Re.Com.[20] and the Chambers of Commerce, thus providing a "single point of contact" and replicating the organisational model successfully applied for joint conciliations. This system allows customers who do not wish to approach a Consumer Association to use an alternative method for resolving their dispute through a streamlined and out-of-court procedure.

---

18 In these cases, the advertising was amended or suspended.
19 Alternative Dispute Resolution.
20 Regional Communication Committees.

Than handling of conciliations takes customer requirements into account and, regardless of the selected procedure, allows their relationship with the company to be improved.

The "single point of contact" model has so far allowed the undertakings given to AGCOM to be fulfilled and the expected qualitative and numerical results to be reached. The Co.Re.Com channel is in fact becoming increasingly popular compared to other channels (recourse to Chambers of Commerce is now secondary and accounts for fewer than 5% of conciliations).
The positive trend seen in the conciliation system in previous years continued in 2014, in fact:

• around 96% of joint conciliation applications were settled (6,369 of 6.642), a percentage that has remained stable year-on-year and has improved compared to 2012[21];

• around 84% of applications discussed by the Co.Re.Com. and Chambers of Commerce (15,612 of 18.540). This percentage remained excellent, despite the increase in the number of cases compared to the previous year (increase of almost 20% compared to 2013).

Telecom Italia supported the conciliation activity by means of:

• seminars and joint training initiatives involving dedicated personnel from Telecom Italia, AG-COM, Co.Re.Com. and Consumer Associations;

• debates, conferences, interviews and other promotional activities involving senior management in order to disseminate the correct cultural approach to the subject.

Conciliation is becoming increasingly widespread among customers, particularly in view of the:

• large number of Co.Re.Com., which are opening provincial offices in many regions to make the conciliation system more easily available to people (avoiding the costs involved in travelling to regional capitals);

• better knowledge of the procedure, which is considered to be a quick and economical way of resolving disputes;

• economic crisis, which leads people to resort to conciliation even for small amounts (e.g. potential inefficiencies involved in transferring from one operator to another).

In Brazil, TIM has close relations with the National Consumer Secretariat (SENACON) and examines claims sent by the Consumer Protection and Defence Authority (PROCON).

In 2008, TIM created the Legal BackOffice tool, which manages the whole process of handling claims from customers dissatisfied with the solutions supplied by the company and requesting the intervention of PROCON and the judiciary. This tool shortens the response time, reduces operating costs and improves relations between TIM and the official representatives of the above Bodies; Legal BackOffice thoroughly examines preliminary claims sent by PROCONs (i.e. before

---

21 Historically, 96% of joint conciliation applications have been settled within 45 days of the date of presentation and the remaining 4% within 90 days.

they become justified complaints) The company's legal department attends any conciliation hearings to settle justified complaints.

In 2014, TIM achieved excellent results in settling claims submitted by PROCON offices: CIPs (Preliminary Investigation Letters) 81%; justified complaints 75.4% (source: SENACON official report).

SAFEGUARDING PRIVACY AND PERSONAL DATA PROTECTION

[G4-DMA Customer Privacy], [G4-PR8]

In order to ensure that personal data is protected in the performance of business activities, Telecom Italia has applied an organisational model, since 2003, which includes a Privacy Function supervising correct application of the relevant regulations throughout the Group (according to Legislative Decree 193/03, known as the known as the "Privacy Code"). In this context, when it establishes or acquires new companies, the Parent Company also provides the support required to identify and carry out the formalities required.

The adoption of legal measures and the instructions of the Privacy Guarantor for personal data protection is assured by constantly updating the Group regulations and policies. The "System of rules for the application of privacy regulations in the Telecom Italia Group" is particularly significant in this respect. It establishes the provisions and operating instructions needed to carry out the relevant formalities.

In 2014, the framework of the company's personal data processing provisions was enhanced with a policy on compliance requirements for Wi-Fi service offers, which establishes, among other things, procedures for the adoption of measures to protect the personal data of users of these services.

Furthermore, during the course of 2014, Telecom Italian continued to take the steps required to implement provisions in its internal processes to deal with any violation of personal data security relating to electronic communication services (so-called "data breaches). In particular, 9 training meetings were organised involving over 220 officers and managers, to disseminate and illustrate the specific internal procedure, which describes the activities to be undertaken and the related responsibilities should events defined as data breaches occur.

In 2014, in addition to the above meetings, the ongoing training activities carried out to disseminate and ensure the proper implementation of internal privacy rules also involved specific activities dedicated to the external sales force of the Business Department and to commercial compliance. Furthermore, meetings centred on the management of telephone and electronic traffic data were held as part of the periodic training seminars to train conciliators, which are attended by representatives of Telecom Italia and consumer protection associations. The effective application of the regulations is monitored through a system based on regular self-assessment procedures by those responsible for handling the data, and on sample checks carried out by the relevant central departments, based on established procedures and methodologies.

With regard to innovative projects and the development of new services, in 2014 the Italian data

protection authority approved the procedures established by Telecom Italia to protect the personal data of its customers in the context of a project to analyse the mobility of the population devised by Telecom Italia to respond to the information requirements expressed by public organisations and government offices that manage land and transport infrastructure.

With regard to privacy protection relating to new technologies, Telcom Italia is also involved in initiatives launched in this respect by the European Commission (EU) to promote in the EU the development of cloud computing services that fulfil the requirements of EU law. In particular, Telecom Italia is actively involved in international working groups assigned by the European Commission to develop standards for establishing service levels (SLAs), model contracts and a reference code of conduct for the suppliers of these services. In 2014, the activity involved the publication of Guidelines on SLAs, in June, by the European Commission (see https://ec.europa.eu/digital-agenda/en/news/cloud-service-level-agreement-standardisation-guidelines); subsequently, in this field, work focused on preparing instructions to guide the work of the ISO[22] according to the principles in force in the EU, which is in turn drawing up guidelines for SLA's in cloud services. The drafting of the Code of Conduct (see https://ec.europa.eu/digital-agenda/en/cloud-select-industry-group-code-conduct) is at an advanced stage and is also intended to obtain the approval of the European Data Protection Authorities Group (known as the Article 29 Working Party).

The following table shows:

- the information requests made to Telecom Italia, in Italy, by the Italian Data Protection Authority, including those made following reports from customers;
- the percentage of such requests filed by the Italian Data Protection Authority based on explanations supplied by Telecom Italia.

Description	2014	2013	2012
Requests received	435	368	348
Percentage of requests filed	>98%	>99%	>96%

The information requests made to the Group over the past three years have increased, as shown in the above table. The percentage filed, based on clarifications provided, is always close to 100%[23]. With regard to Brazil, in accordance with the Federal Constitution, article 3 of the general law on telecommunications of 1997 establishes the right of customers to the confidentiality of their personal data. The personal mobile service regulation, in articles 89, 90 and 91 of Resolution 477 of the national telecommunications agency (ANATEL), requires companies to take responsibility in

---

22 International Standard Organization.

23 Other reports received regarding alleged small breaches of privacy are handled by the 187 service and relate for the most part to unsolicited inclusion in the telephone directory.

this respect and establishes that any waiver of confidentiality must take place only if requested by the relevant authority in the cases provided for by law.

In order to ensure the confidentiality of its customer information, in accordance with national legislation, Tim Brasil has issued relevant internal policies and procedures based on the "need to know" (personal data processing is restricted to the minimum required to carry out the work) and separation of functions principles, which provide information classification and management methods that guarantee the appropriate levels of protection[24].

---

24 The comparability of breach of privacy data between Italy and Brazil is currently being considered. In order to avoid potential misunderstandings due to the diversity of legislation between the two countries, the data for alleged breaches of privacy in Brazil is not provided.
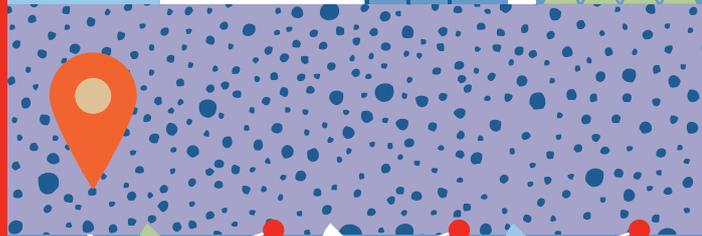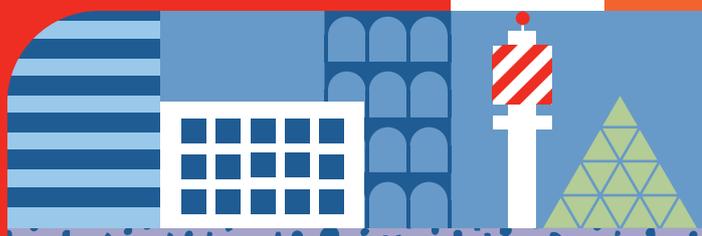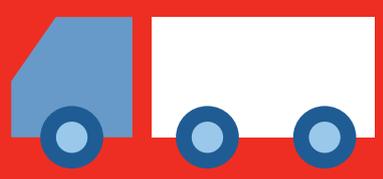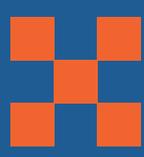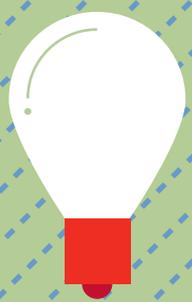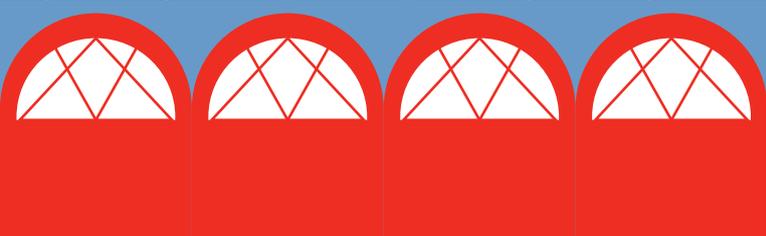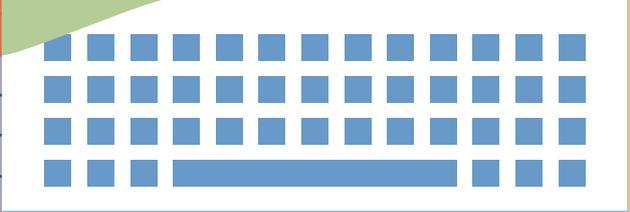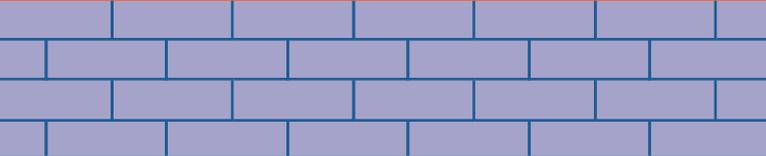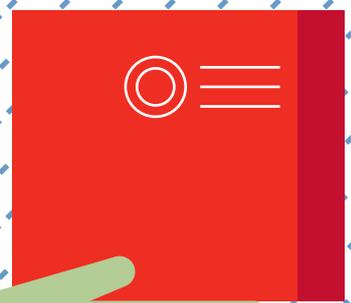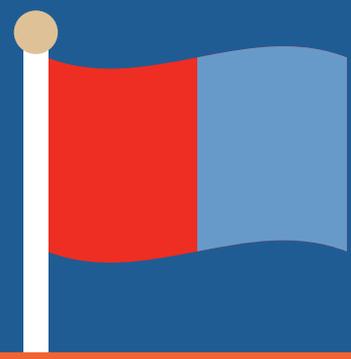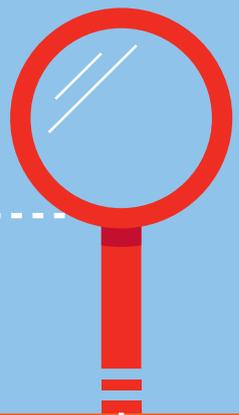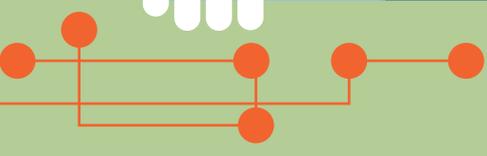
SUPPLIERS

Ensuring that products and services
are purchased according to the best economic
conditions while complying with quality, safety
and sustainability requirements

STRATEGY

Within the Telecom Italia Group, the procurement process is aimed at the acquisition of products and services under the best market conditions, assuring, at the same time, requirements concerning quality, safety and social and environmental respect.

The procurement process is based on a competitive comparison of the technical/economic offerings of suppliers previously selected on the basis of company procedures which aim at preserving ethics in negotiations.

The Group is committed to guaranteeing the quality of its procurement processes and their continual improvement, including their sustainability.

RELEVANT STAKEHOLDERS

The relevant stakeholders are the suppliers from which the Group acquires goods and/or services and their sub-suppliers.

Moreover, the communities in which suppliers carry out their operations hold a stake, as well as the associations watching over the social and environmental impacts of suppliers.

OVERVIEW

The selection, assessment and control of the Telecom Italia Group's suppliers involves a pre-contractual qualification stage, which is designed to assess their economic/financial and technical/organisational characteristics.

Once these are ascertained, the suppliers can be enrolled in the Group's Register of Suppliers (the Register). In this stage Telecom Italia requires and assesses some aspects concerning their business ethics and their respect for human, labour and environmental rights.

[G4-HR1a] In all the contracts signed, there is a specific clause which makes it mandatory for the supplier to accept the principles expressed in the Group's Code of Ethics and Conduct[1].

[G4-HR1a], [G4-HR1b] Concerning domestic operations, registered Italian suppliers with non-negligible orders (the threshold is only 3,000 euros a year) receive[2] an initial screening relative to their compliance with the principles of the Code of Ethics and are subject to periodic assessments. Actions carried out by Telecom Italia in order to check its suppliers vary according to the riskfulness of the supplier and the amount of spend: from simple questionnaires, to more and more complex ques-

---

1   **[G4-DMA Investment]** The Group's Code of Ethics (CE) says "Compliance with the Code must also be guaranteed by external collaborators and, where envisaged in the company procedural system, by third parties that do business with the Group." In particular, internal procedures require that suppliers accept the principles contained in CE, and that contracts for joint ventures or participation in other companies contain clauses concerning compliance with the Organizational Model 231 (based on CE). Concerning human rights, the UN Global Compact is the reference in CE, which says "Telecom Italia has undersigned the United Nations' Global Compact on human rights, labor standards, environmental protection and the fight against corruption, and ensures that this institutional commitment is fully implemented by undertaking regular initiatives on environmental and social issues." Moreover, CE contains specific clauses on discrimination, threats, corruption and safeguard of health and safety.

2   Public Administrations are excluded.

tionnaires, to checks of documents and in the supplier's premises, to specific sustainability audits.

[G4-HR10] In particular, in 2014 71% of new suppliers enrolled in the Register signed a specific questionnaire in which they undertook for themselves and for any authorised subcontractors, collaborators and employees to observe the principles of behaviour contained in the Group's Code of Ethics and Conduct[3].

While the supply is taking place, registered companies which have received purchase orders normally undergo incoming quality control checks (a requirement for the acceptance and use of the purchased goods) and monitoring of the vendor rating. Environmental and social checks are also carried out[4].

The purchasing departments focus on specific sectors, so as to provide accurate responses to the requirements of internal customers and stakeholders. These expectations are constantly monitored through surveys of both internal customers and suppliers in order to verify the quality of the services delivered (see Involvement initiatives).

[G4-12] Telecom Italia's purchases are made principally in the two geographical area where the Group's major operations are sited: Italy and Brazil, and are directed for the most part towards the following categories of products/services:

- Telecom networks
- Telecom products
- Information Technology
- Technical Professional Services
- Power
- Other

[G4-12] In total, in 2014 there were 6,728 suppliers which had purchase orders with the Group[5], (-9% compared with 2013 and -21% compared with 2012), of which 3,497 were for the Domestic BU (+2% compared with 2013 and +1% compared with 2012), 2,111 for Brazil (-8% compared with 2013 and -10% compared with 2012) and 421 for the Media BU (-51% compared with 2013 and -76% compared with 2012).

[G4-12] For some sectors, the Group also measures and monitors subcontractors; in particular, for network development, there were 750 subcontractors (-14% compared with 2013 and -18% compared with 2012). In this sector, therefore, the estimated total number of suppliers involved in the supply chain was in 2014, 772[6].

---

3   In Brazil, in 2014, 3%.
4   **[G4-DMA Supplier Human Rights Assessment]** In particular, checks on Health & Safety and on the environment are carried out, and their results are part of the supplier's rating, to which the penalty/incentive system is linked. **[G4-DMA Employment]** Also, checks are held concerning compliance with labour laws.
5   Including Olivetti.
6   In the Brazilian BU currently there is no systematic monitoring of subcontractors. The assessment is being made as to how and whether it is possible to carry out such monitoring in the future.

[G4-13] In the last three years no significant changes have occurred in the structure of the Group's supply chain, excluding those caused by the changes in the Group's perimeter due to the sale of Argentina's and television operations.

SUSTAINABILITY INITIATIVES

In 2014 the implementation of the new process that defines the activities aimed at improving the Corporate Social Responsibility (CSR) of the supply chain continued with a more comprehensive system of elements used to assess the sustainability of suppliers during the stages of qualification, incoming quality and vendor rating.

[G4-DMA Supplier Human Rights Assessment] In particular, suppliers were classified according to the potential risks associated with their sustainability performance, by means of a specific method that considers the social-environmental and business continuity aspects associated with the purchasing markets in which they operate. For this reason, the purchasing markets (i.e. homogeneous procurement categories) have been classified in accordance with parameters such as:

1. geographical areas and risks connected with them;
2. the potential impact on the environment and on society of the suppliers' activities and of the products/services supplied throughout their entire life cycle, including risks relating to violations of human, labour and environmental rights;
3. the impact on the reputation of Telecom Italia as their customer.

A matrix has therefore been created which, by relating the spending on a given purchase market to the risk index calculated on the basis of the parameters listed, has allowed purchase markets to be divided into four classes, identifying those most critical from the point of view of sustainability and economic impact. Suppliers belonging to the classes at greatest risk are subject to CSR audits carried out by Company personnel or by personnel from third party auditors. These audits will be repeated periodically to monitor the implementation of corrective actions and, if the results are positive, in order to verify that the standard of performance found is being maintained. It is expected that the activity, developed for the Domestic BU, will be extended to Brazilian suppliers during the course of 2015.

[G4-HR4a], [G4-HR5a], [G4-HR5b], [G4-HR6a], [G4-HR11] All suppliers of the Domestic BU were assessed and those at greatest socio/environmental risk[7] in 2014 numbered 58 (+93% compared with 2013 and +26% compared with 2012). 21 purchasing markets[8] and suppliers operating in

---

7   [G4-DMA Freedom of Association and Collective Bargaining] the Group policy which aims at preventing risks of breaches of labour rights is "Suppliers Policy in the Purchasing processes of Telecom Italia Group, which says "..the Group promotes and asks its own suppliers and, through them, its sub-suppliers, to respect the following principles and laws in force in the Countries in which these Stakeholders operate…all personnel -whatever the level/qualification- are entitled to form and join trade unions for the protection of individual and collective interests. The Group's companies acknowledge the role of union representatives, who are not subject to any discrimination, and ensure, for union activities, the appropriate retribution for leave of absence and the means to communicate with personnel in the workplace."

8   Marketing of access gateways, 3G access, mobile software release, NGAN equipment, infrastructural applications, collaboration, assurance, call center, cables, creation, data – GBE, delivery, software development, handset, materials/poles/transmission, middleware, facility management, service layer, server/storage, tablet, WAN - VOIP.

Asia, Center and South America, North Africa and Eastern Europe are considered to be at greatest social risk.

[G4-HR7] In particular, for workers in companies which supply security services in Italy, the Consolidated Law on Public Security must be complied with, in particular article 138, subsection 2 which specifies the professional and training requirements of sworn guards. In Brazil, law 7102/83 prescribes over private guards. It prescribes, among other things, that anyone who wishes to be hired as a guard by a specialized company, has to attend training sessions carried out by schools certified by the Federal Police, and, after hiring, guards have to attend an update course every two years.

[G4-DMA Supplier Human Rights Assessment] In addition, a self-assessment questionnaire was prepared, to be submitted during the qualification of new suppliers belonging to the highest risk purchasing categories in terms of sustainability and, periodically, to previously qualified suppliers. Based on the results and evolution of the qualification process, the questionnaire will be updated periodically. It was developed according to the main requirements of the relevant standards relating to respect for ethical values and to safeguarding the environment (including SA 8000, Global Compact and ISO 14001) and to the best industry practices. **[G4-HR10], [G4-LA14]** The self-assessment sustainability questionnaire, (previously sent on an experimental basis in 2011 and 2012 to over 100 significant suppliers identified by the above methods), was integrated in 2014 into the application that handles the supplier qualification process, which automatically extended it to all new suppliers operating in markets where sustainability is considered to be at risk. Suitable refresher campaigns were mounted for suppliers previously qualified in Telecom Italia's Register of suppliers. The results of the questionnaire will make it possible to refine the risk matrix described above. In Brazil, a self-assessment sustainability questionnaire has been sent to suppliers having orders amounting to over 5 million Reais. Results will be considered in future selection processes.

The inspection for the "Quality Management System" to maintain ISO 9001:2008 Certification for "supply chain" activities falling under the responsibility of the Business Support Office was successfully carried outin March 2015. The Certification was confirmed.

In 2014, application continued of the green procurement policy, which contains guidelines for establishing the environmental requirements of products/services purchased. The policy covers all stages of the product life: design, production, use and end of life. Published on the "Vendors Hub" supplier portal of Telecom Italia and in the sustainability section of the telecomitalia.com website, the document helps to orient purchasing policies towards low environmental impact products and services.

Finally, with a view to ensuring the involvement of suppliers in the subject of sustainability, some of the questions in the annual satisfaction survey (see Involvement Initiatives) relate to the green procurement policy and to the principles relating to human and labour rights, and to their implementation by suppliers.

SUSTAINABILITY CHECKS

[G4-DMA Supplier Human Rights Assessment], [G4-DMA Employment] Activities intended to verify the CSR performance of common suppliers and sub-suppliers continued in 2014 in the framework of the Joint Audit Cooperation (JAC) initiative, in accordance with the Memorandum of Understanding signed at the end of 2009 by Telecom Italia S.p.A., Orange and Deutsche Telekom AG.

In 2011, Belgacom SA, KPN B.V., Swisscom Ltd. and Vodafone Group Services Limited signed up to the memorandum, followed by Telenor ASA and Teliasonera AB in 2012 and Verizon in 2013. The purposes of the Joint Audit Cooperation initiative are:

• to verify the sustainability of the most important suppliers/sub-suppliers that are common to the members of the JAC, with production plants located in geographical areas with a significant degree of socio-environmental risk. The checks are carried out by means of audits conducted by third parties using a specific method developed by the JAC members themselves, who share the results of the verifications;

• to contribute to the increased sustainability of suppliers/sub-suppliers involved by devising and implementing corrective actions and ongoing improvement programmes, establishing long-lasting and mutually beneficial cooperation with them in terms of efficiency, productivity and risk reduction in the supply chain.

[G4-HR4b], [G4-HR5c], [G4-HR6b], [G4-HR11c], [G4-HR11d], [G4-LA15] Between 2010 and 2014, thanks to the gradual increase in the number of members of JAC, 148 audits were carried out – including 37 in 2014 only[9] - in production plants (suppliers and sub-suppliers) located in Asia, Central and South America and Eastern Europe. The checks were carried out through international specialised companies selected by competitive tender and related to a total of around 540,000[10] workers. The suppliers included in the audit campaign belonged to the sectors of production relative to devices and appliances, network appliances and IT equipment.

---

9   97 on Telecom Italia's suppliers, of which 24 in 2014.
10 Of which 458,000 were Telecom Italia's suppliers' employees.

The table below shows non-conformities relating to human rights encountered in the course of the audits:

	2014	2013	2012
Environment	14 (12)	13 (3)	9 (8)
Discrimination	2 (2)	2 (1)	2 (2)
Business ethics	18 (18)	32 (19)	31 (27)
Forced labor	5 (4)	5 (4)	4 (3)
Child labor	8 (8)	11 (5)	9 (9)
Freedom of association	2 (2)	5 (1)	2 (2)
Work hours	23 (20)	34 (19)	23 (21)
Remuneration	6 (3)	11 (7)	9 (6)
Disciplinary practices	4 (3)	2 (1)	0 (0)
Health & Safety	79 (68)	79 (31)	64 (55)

(data in brackets refer to suppliers who also work for the Brazilian BU).

For all the non-conformities encountered, specific corrective action plans were drawn up that established resolution procedures and timetables amongst others. The implementation of these plans is monitored on a constant basis by the JAC members[11].

In January 2014, the third "JAC CSR Forum" was held in Chengdu (China), attended by around 130 guests representing TLC operators, suppliers, organizations active in CSR and NGOs.
The topic of the Forum, the aims of which include growth and the greater involvement of suppliers in issues regarding sustainability, was: "CSR, an integrative driving force". The Forum was presented with evidence of the results achieved and discussed the challenges that lie ahead with a view to improving sustainability in the sector. There was an official presentation of, and discussion on, the "JAC Supply Chain Sustainability Guidelines", whose objective is to inform suppliers of JAC members' expectations regarding their sustainability performance, and at the same time to provide suppliers with a guide to form a basis for carrying out a self-assessment and improving their own organization. The Guidelines will be progressively enhanced with specific KPIs which can be used for measuring sustainability performance with respect to various issues in the Guidelines and assessing progress over time. Right from the beginning the initiative has aroused the interest of other telecoms operators, some of whom, as already mentioned, have adhered to the initiative over the course of the years. The members of the JAC are currently assessing further applications for membership received.

---

11 **[G4-DMA Supplier Human Rights Assessment], [G4-HR11e]** Since the aim of the initiative is to help suppliers operating in developing countries to improve their sustainability performance, non-conformities always lead to corrective actions and never to the closing of contracts.

INVOLVEMENT INITIATIVES

Use of the suppliers' portal (Vendors Hub), launched at the end of 2011 to improve communication and optimise operational processes by applying social networking systems to the business context, is now well established.

The portal now includes 2,395 active vendors on the application platform.

The portal allows suppliers to access a private area to view important data and events connected to their relationship with Telecom Italia and manage all their own details, thus improving the smooth operation and transparency of the relationship. The Vendors Hub also includes a public area containing information for potential suppliers.

Documentation is exchanged electronically (e.g. offers, purchase orders, contracts, qualification documentation, surveys), thus reducing the environmental impact resulting from the use of paper and from transporting and storing documents.

For the eighth consecutive year, the Group's main suppliers have been involved in the survey on satisfaction with the Purchasing department and, more generally, with Telecom Italia. The online questionnaire, consisting of 28 questions, remained active for 2 weeks. The analysis involved 1,240 active suppliers in the Vendors Hub, with a participation rate of 54.9%, higher than the one recorded in previous editions and around 7% higher than the one achieved in 2013). The overall assessment of the supply relationship with the Telecom Italia Group achieved a score of 78/100, (with an improvement of 3 points over 2013). The positive satisfaction rating achieved in previous surveys was therefore confirmed.

COMMITMENTS[12]

KPI	TARGET VALUE	TARGET YEAR	TARGET SPECIFICATION
% of suppliers audited	90% of high risk suppliers as defined in the paragraph "Sustainability initiatives"	2015	Comulative number of high sustainability risk suppliers which have received a thorough ESG audit (starting 2010)
% of suppliers assessed	100% of qualified suppliers as defined in the paragraph "overview"	2015	Number of suppliers which have been subject to a basic ethics questionnaire. On top, suppliers belonging to risk sectors are sent a more complex questionnaire
% of "prime contact" procurement staff trained on ESG issues relevant to procurement decisions	90%	2015	Staff directly involved in product choice procedures who attended a sustainability training session
% of suppliers contracts including ESG contract clauses	100%	2015	
% of suppliers with ISO 14001 certification or equivalent	25% of network suppliers	2015	
Integration of supplier's ESG risk profile into general risk profile	100% of qualified suppliers as defined in the paragraph "overview"	2015	

---

12 Regarding Telecom Italia S.p.A.

INSTITUTIONS

Our relationship with institutions
is fundamental for tuning our activities
to the needs of the country

[G4-DMA Public Policy]
STRATEGY

Telecom Italia Group is determined to continue its collaborative and transparent relations with national and supranational institutions in order to facilitate dialogue on matters of mutual interest and to ensure the Group's viewpoint is faithfully represented.

RELEVANT STAKEHOLDERS

The key stakeholders are:

- central national institutions: Parliament, Government, Ministries, Public Administration;
- local institutions and their representative associations: Regions, Provinces, Municipalities, "Comunità montane", the National Association of Italian Municipalities (ANCI), the Union of Italian Provinces (UPI);
- the Italian Communications Authority (AGCOM) (see Competitors), the Italian Competition and Market Authority (AGCM) (see Competitors) and the Italian Data Protection Authority;
- European and international institutions: the European Commission and its regulation committees, the Council and the European Parliament, BEREC (Body of European Regulators for Electronic Communication), the OECD (Organisation for Economic Cooperation and Development);
- the United Nations (UN): particularly the Global Compact, UNEP (United Nations Environment Programme), UNFCCC (United Nations Framework Convention on Climate Change), ITU (International Telecommunication Union) and the other UN agencies (e.g. UNHCR).

CENTRAL NATIONAL INSTITUTIONS

Lobbying activities are principally conducted with the parliamentary committee members of the upper and lower houses of the Italian parliament concerned with issues that could impact on the company, including those of an economic and financial nature or concerning privacy, telecommunications, Internet and TV.

Involvement in parliamentary hearings is also a way of examining specific issues in detail and creating opportunities for discussion about matters being debated in parliament.

The monitoring of law-making activity among institutions often leads to amendments to individual measures being proposed.

Moreover, Telecom Italia provides information to ministries (mainly the Ministry for Economic Development) regarding the activities of the inspection body (parliamentary questions) directed at the Group.

National legislative activity specifically monitored by Telecom Italia during 2014 mainly concerned draft legislation being examined by the Italian parliament and the law decrees introduced by the governments of Enrico Letta and Matteo Renzi - the latter in office since February 22, 2014 -

which might have an impact on the electronic communications sector.

The process of approval of the following legislation was therefore monitored:

- 2013 European Law (Provisions for the fulfilment of obligations arising from Italy's membership of the European Union);

- decrees implementing the law on the "golden power" (Law no. 56/2012). This law harmonised Italian legislation with EU regulations, redefining the powers of objection that may be exercised by the State in public and private companies operating in the energy, transport and telecommunications sectors to protect the strategic interests of the country in these sectors. In order to put into force these regulations, following a long legislative procedure, the Government therefore adopted two implementing Presidential Decrees: the first (Presidential Decree no. 85 of March 25, 2014) is intended to identify strategically relevant actions in the aforesaid sectors, which are the subject of special powers (in the communications sector these are represented by the networks and installations that enable end users to access services included in the universal service obligations and broadband and ultrabroadband services); the second (Presidential Decree no. 86 of March 25, 2014) identifies the procedures for activating special powers in the same sectors, thus defining the organisational procedures for performing the preparatory activities needed to exercise the special powers;

- Legislative Decree no. 21/2014 implementing European Directive 2011/83/EU on consumer rights, which harmonised certain aspects of distance contracts entered into by consumers and the contracts negotiated by them away from business premises. The passage of this measure was monitored with specific reference to the provision which, in the context of the right of withdrawal, provides protection for the consumer in the case of telephone contracts through the general requirement for a written confirmation, even by electronic signature, but also by confirmation of the durable medium (so-called Verbal Order). The Decree also contains an important provision which has eliminated the overlap between the roles of AGCOM and AGCM regarding unfair business practices;

- Decree Law 145/2013, known as the "Destination Italy" decree (Law no. 9 of February 21, 2014) which, in order to encourage the spread of broadband and ultrabroadband, including through the use of innovative excavation techniques that do not require the road surface to be restored (e.g. the "micro-trench" technique), provided for a joint decree to be issued by the Ministry of Economic Development and Ministry of Infrastructure and Transport (awaiting adoption as of April 23, last) revisiting the specific techniques previously governed by the 2013 "Excavation Rules", which will establish further measures regarding the laying of broadband and ultrabroadband infrastructure. Furthermore, with regard to policies for the spread of ultrabroadband, the "Destination Italy" decree also provided for measures promoting the use of digital technology by small and medium sized companies (SMEs), in the form of vouchers and tax credits for the costs incurred to activate digital connectivity services;

- Decree Law on "Competitiveness" no. 91/2014 (law no. 116 of August 11, 2014), which updates Decree Law 179/2012 by requiring the adoption of guidelines (by ISPRA-ARPA/APPA and the

Ministry of the Environment) for the methods used to calculate the electromagnetic emissions of mobile telephony installations; these guidelines, which were particularly welcomed by operators, should facilitate an effective deployment of LTE/4G networks. The passage of the Decree Law was also monitored:

- with regard to provisions concerning billing concessions granted to customers of low and medium voltage electricity with power greater than 16.5 kW (measures that would also include Telecom Italia among its beneficiaries);

- with regard to the provision reviewing takeover bid legislation, which introduces a dual threshold (a 25% threshold added to the current 30% threshold) whereby in companies other than SMEs there would be a requirement for anyone with a shareholding exceeding the 25% threshold to make a takeover bid in the absence of any other shareholder with a larger shareholding;

- "Unblock Italy" Decree Law no. 133/2014 (law no. 164 of November 11, 2014), which provides for a series of tax benefits in the form of tax credits (on IRES [corporation tax] and IRAP [regional tax on production], up to a maximum limit of 50% of the investment cost) as an incentive for the development of ultrabroadband networks. The measure applies to infrastructure projects for which no public grants are available relating to the access network through which the users are supplied with the ultrabroadband service. The Decree Law was also monitored with regard to the provisions aimed at simplifying excavation and overhead cable installation procedures and the authorisations required for the development of mobile radio networks. The Decree also provides for the adoption of guidelines regarding limits to exposure to electromagnetic emissions in outbuildings with habitable dimensions, the option for local authorities to exempt operators from the payment of TOSAP [tax on the use of public space] and COSAP [fee for the use of public space] in relation to optical fibre infrastructure, a provision for digital infrastructure to be created in new or refurbished buildings and the creation of a federated infrastructure information system;

- Draft law to reform title V of the Constitution, currently before Parliament, which abolishes the so-called "concurrent legislative power" between the State and the Regions and restores exclusive control of communication to the State; the provision would make it easier to overcome the significant number of disputes currently taking place, particularly with regard to the installation of fixed and mobile infrastructure;

- Law no. 183 of December 10, 2014 on labour policies, known as the "Jobs Act", currently before Parliament, which, among other things, aims to also extend the powers of the government to revising the rules governing solidarity contracts, in addition to granting powers to reorganise forms of contract and inspection activities;

- Law no. 190 of December 23, 2014 - Stability Law 2015 - which contains several general provisions of interest relating to tax and welfare, including the experimental disbursement of accrued TFR [severance pay] in pay packets for the period between March 1, 2015, and June 30, 2018, for private sector employees subject to ordinary taxation; the removal of employer contribution requirements (for a period of 3 years) in relation to new employees

hired on open-ended contracts as of January 1, 2015; the establishment of a fund of 2 billion euros as of 2015 to cover the charges arising from implementation of the draft labour law; the full deductibility, for IRAP purposes, of the cost of permanent employment; stabilisation of the IRPEF [personal income tax] bonus of 80 euros. Furthermore, among the aspects of specific interest to the company, it contains a provision that establishes the terms of the tender for the award of the so-called "Band L" (1452-1492 MHz), currently used by the fixed line and radio broadcasting service and to be allocated to broadband mobile communication services.

Finally, the Company is also monitoring some parliamentary hearings, including the one currently in progress in the Transport, Post and Telecommunications Committee on audiovisual and radio broadcasting services. The purpose of these hearings is to determine whether existing legislation is appropriate to regulate the technological convergence between traditional television broadcasting and internet services, with the option to use audiovisual content on multiple platforms; in this context, Telecom Italia will also be heard during the month of December.

LOCAL NATIONAL INSTITUTIONS

[G4-DMA Indirect Economic Impacts]

At local level, Telecom Italia maintains constant dialogue with institutions on subjects of a general nature regarding the electronic communications sector, with particular reference to network development and to other issues of interest to the company's business.

The aim is to resolve any issues encountered, to guide the local law-making process in such a way that it respects the national reference framework, to promote the Group's image and represent its position regarding these issues. The dialogue takes place both directly with local authorities and with their representative associations: ANCI and UPI.

Monitoring and constant interaction with the decision-making centres of local institutions take place by means of hearings, including the presentation of position documents relating to the drafting of local regulations, and involvement in workshops as well as in the work of regional commissions and ministerial and specialist work groups. Furthermore, Telecom Italia frequently organises communication initiatives on specific issues of local interest.

Coordination with the company departments operating at the local level is fundamental for the purpose of acquiring information regarding the approaches and expectations of local institutions and providing suitable solutions.

Among the main subjects of dialogue with Local Authorities during 2014 we would highlight the following:

• the development of new ultrabroadband networks (NGA - Next Generation Access) and the new LTE (Long Term Evolution) standard, local coverage and reducing the digital divide;

- the drawing-up of protocols with local authorities in order to promote the use of non-invasive techniques (mini-trenches) during excavation work, particularly in order to speed up the development of new generation access network coverage;

- draft regional laws and municipal regulations regarding the installation of mobile telephony systems and electromagnetic fields (e.g. Umbria Law, Municipality of Rome Regulation, Municipality of Florence Town Planning Regulation) in order to represent the company's requirements (particularly by submitting amendments), in a way that allows all the various interests involved to coexist, with a view to simplifying rules and standardising the relevant national provisions;

- proposed excavation rules, in order to ensure the consistency of the authorisation process and the respective regulations with the relevant national regulations also in order to ensure increased simplification at local level;

- the removal of public telephone equipment (telephone booths) which involved public consultation as part of a procedure agreed with AGCOM;

- promotion of Telecom Italia's digital inclusion initiatives to facilitate the learning of new technologies and their proper use, particularly by seeking new forms of partnership with municipalities as well as other partnerships and sponsorships;

- promotion of Telecom Italia's system of digital services for the creation of smart cities and particularly support for the cities of Genoa and Turin in their applications to take part in the European Commission's Smart City project. In this respect, we should mention: our involvement in the activities of the steering committee of Genoa Smart City (a protocol has been signed with the Municipality of Genoa for joint initiatives regarding the improvement of energy efficiency of school buildings and digital education), and our involvement as a founding member of the Torino Wireless Foundation (a technological ICT district involving national and local institutions, universities and research centres, businesses and financial institutions) and our cooperation with the Municipality of Turin and the Torino Smart City Foundation for the presentation of joint projects that can be implemented within the Smart City initiatives framework;

- the signing of a memorandum of understanding with ANCI for the "Progetto Comuni 3.0", which involves the testing by Telecom Italia, in four Municipalities (Piacenza, Pordenone, Lecce, Benevento), of solutions for innovative digital services in urban centres with a Smart City perspective. The selected Municipalities work together to determine the objectives and functions of the services that will be presented as case and excellence studies nationally and disseminated via the ANCI National Smart City Observatory;

- the presentation of three studies carried out with leading universities on health and education issues. More specifically: a study was carried out with the Bocconi University on the development of Electronic Health Records in some Italian regions, the study was presented during a meeting of the Network of Public Health Authority Directors in June 2014. The second study was carried out with the University of Bologna and relates to the introduction of digital solutions in education; it was presented at the ABCD exhibition in Genoa in November 2014. The third study, carried out with the LUISS University, is related to the use of 2014-2020 cohesion policy

resources in the regions of southern Italy; the report was presented during a dedicated event held at LUISS in January 2014;

- the drafting of regional Policy Reports aimed at taking stock of the current situation and of developments in regional policy regarding digital services, network infrastructure and smart cities. In September 2014, the second updated edition of the Policy Report relating to all Italian regions was completed.

EUROPEAN AND INTERNATIONAL INSTITUTIONS

Relations with European and supranational institutions are both institutional (e.g. participation in discussion platforms, public consultations, workshops, meetings of parliamentary committees) and collaborative (meetings with the European Commission, Permanent Representatives of EU Member States, the European Parliament, Agencies or working groups and specialised studies under the auspices of EU institutions, including the Centre for European Policy Studies, etc.). The company's position in respect of BEREC and the European Commission is asserted through individual action and/or with the involvement of other operators.

Among the issues tackled at European level, which were the subject of the main legislative/regulatory provisions relevant to the Group, we would mention for example: the European Commission's proposal for a Regulation concerning the Single European Market for Telecommunications, the Recommendation on Costing Methodologies and Non-Discrimination Principles, the Regulatory Framework Review, the procedures for notification of the decisions of National Regulatory Authorities to the Commission pursuant to framework article 7, the implementation of the new Recommendation on Relevant Markets, the BEREC public consultation documents and the regulatory framework interpretation and implementation documents discussed and adopted in the context of the BEREC annual work programme, the review of the Directive on Payment Services, the process of adoption of the new Regulation for the Protection of Personal Data, involvement in the expert groups on Cloud Computing (C-SIG) with regard to the drafting of Service Level Agreements - SLAs -, of a Code of Conduct on the protection of personal data in the Cloud environment and the drafting of standard contract clauses for cloud services, the process of adopting the new Directive on cyber-security and the NIS Platform, the new regulation on electronic identity and trust services and respective implementation measures. Telecom Italia is also particularly active in European and international committees relating to the distribution of digital content and the protection of rights, particularly on issues such as the review of copyright in the digital scenario and its enforcement, discussions and proposals regarding the responsibilities of operators/ISPs, particularly those relating to actions taken by hosting providers to combat illegal activities online, the reform of the European directive on audiovisual media services, including the consultation (Green Paper) on connected TVs and on the convergence of telecommunications. In the field of child protection, Tel-

ecom Italia is actively involved in two particularly important initiatives aimed at increasing the safety of children using the Internet: these are the "Better Internet for Kids" platform (a committee set up by Commissioner Kroes in 2011) and the ICT Coalition (a committee of European ICT industries).

As regards relations with the UN, the activities carried out as part of the Global Compact (GC) are of particular importance, taking the form of participation in the working group on Human Rights organised by the GC Network Germany and in the various activities of the Italian network. Telecom Italia and Tim Brasil, the two Group companies which have joined the Global Compact, draw up an annual "Communication on Progress", which reports on progress achieved by the companies in promoting and applying the 10 core principles of the Global Compact. The CoP drawn up by Telecom Italia in the summer of 2014, relating to the whole of 2013, grants it "Active" status and the "Advanced" level (compliance with the twenty-one criteria required). For further information see Human Rights paragraph and the telecomitalia.com website.

Telecom Italia is actively involved as a sector member in the ITU (UN agency for international telecommunications), in the three sectors into which it is divided (ITU Radiocommunication Sector, ITU Telecommunication Standardization Sector, ITU Telecommunication Development Sector). It also regularly attends the most significant events of the ITU.

Telecom Italia actively monitors the work of the OECD through BIAC (an association which brings together a range of companies from OECD member states) and the Permanent Representative of Italy to the OECD and the work of the competent Committees on matters of relevance to the Company, including the CDEP (Committee on Digital Economy Policy), the Competition Committee and the respective working groups, including the Working Party (WP) on Communication Infrastructures and Services Policy, the WP for Security and Privacy, the WP on consumer protection. The issues dealt with during 2014 related to the Knowledge Based Economy project, with a focus on the big data and intellectual property chapter, the review of security guidelines, the transition to IPv6, the international traffic termination, the spectrum, the development of broadband fixed networks, connected TV, the review of e-commerce guidelines, *the Internet of Things*. Furthermore, discussions and work have been launched relating to the OECD Ministerial meeting planned for May 2016 in Cancun, Mexico.

Telecom Italia interfaces with institutions, particularly supranational ones, both individually and as a member of important associations operating on the European and international scene, such as ETNO, GSMA, Business Europe, TABC.

RELATIONS WITH INSTITUTIONS IN BRAZIL

TIM Brasil holds excellent relations with the institutions, at all levels of Government, Congress, and regulatory authorities. Dialogue is very intense and frequent and it is based on objective proposals and positions aimed not only at the development of specific issues for the company, but also for the entire industry.

At the federal level, relations activities occur primarily with the Ministry of Communications, and also with several relevant departments of the Office of the President of the Republic and of ministries dealing with development and industry, justice, science and education, local entities. TIM holds moreover important relations with members of the committees involved with themes related (but not limited) to economic-financial issues, privacy, telecommunications and consumer protection.

Regionally, TIM Brasil maintains a permanent agenda with local institutions and authorities on general issues related to the telecommunications industry, with emphasis on the development of infrastructure and network coverage and other matters of interest of local communities.

Addressing proposals, stimulating debates, active participation in public hearings, contributions in public consultations, meetings with specific stakeholders on specific issues, are the main modalities of the daily intense interactions with all the above mentioned institutions.

The main industry associations in which TIM Brasil is active are:

- ABR Telecom (Brazilian Association of Telecommunications Resources), which focuses on centralized management of technology solutions;

- TelComp (Brazilian Competitive Telecommunications Association), which represents the interests of more than 60 operators for market competition;

- SINDITELEBRASIL (TLC operators National Syndicate), which works on the coordination, defense and legal representation of the member companies, including all mobile and fixed operators;

- GSMA, which represents the interests of mobile operators worldwide;

- AHCIET (Latin American Association of Research Centers and Telecommunication Enterprises), which strives for a common position among associates based on various studies on the numerous industry challenges in Latin America, through a public-private dialogue.

COMPETITORS

The importance of fair competition
for all stakeholders

[G4-DMA Anti-competitive Behavior]

STRATEGY

Telecom Italia is committed to promoting fair competition, a factor considered to be in its interests and those of all market operators, customers and stakeholders in general, promoting and participating in initiatives and projects, together with competitors, and in the management of technical round tables and the activities of trade associations.

RELEVANT STAKEHOLDERS

Our target audiences in this respect are:

- OLOs (Other Licensed Operators), telecommunications operators, large and small, of fixed and mobile networks;
- the Italian Communications Authority (AGCOM);
- the Italian Competition and Market Authority (AGCM);
- associations, federations and trade associations:

  - in Italy: Confindustria, CD Digital Confindustria, Asstel, Assinform, Ugo Bordoni Foundation, Audio and ICT District, FRT (Radio and Television Federation), HD Forum (High Definition Forum), DGTVì (the national association for terrestrial digital broadcasting), Auditel, CNID (Italian National Digital Committee);

  - in the world: ETNO (European Telecommunications Network Operators' Association), EIF (European Internet Foundation), EABC (European-American Business Council), ITU (International Telecommunication Union), EITO (European Information Technology Observatory), BIAC (Business and Industry Advisory Committee), BEREC (Body of European Regulators for Electronic Communications), GeSI (Global e-Sustainability Initiative).

RELATIONS WITH STAKEHOLDERS

Telecom Italia manages relations with associations, coordinating representation activities in respect of Confindustria and other Trade associations.

Initiatives at national and local level consist of actions and meetings for business development and the protection of the company's interests in the fields of economics, regulations, trade unions and labour. These initiatives are based on dialogue and comparing respective positions in order to identify, where possible, a common position for the sector to be presented to national and Community institutions.

The Group is a member of over 100 local associations, including, in particular, CD Confindustria Digitale and Asstel. Since 2010, Telecom Italia joined Assinform, the national aAsociation of leading Information Technology companies operating in the Italian market, which acts as a link

between the main economic, political and institutional entities for the development of Italy as a national system by recourse to innovation and new technologies.

Together with the other operators, Telecom Italia takes part in the Ugo Bordoni Foundation (FUB), which aims to carry out research and studies in the communication and digital technology sector for the purpose of promoting scientific progress and technological innovation. The Foundation, in which public administration performs management and control functions, provides advice to Parliament, the Government and independent administrative Authorities.

Telecom Italia also participates in the Audio and ICT District, a consortium of around 60 businesses operating in the information technology, telecommunications, networking and media sectors. Sponsored by the municipality of Rome, the Union of Industrialists and the Rome Chamber of Commerce, the objective of the District is to express and represent, within its field, the industrial activities and services operating in the new economic area of the great convergence or multimediality.

The TI Media Group is associated with Confindustria Radio Televisioni, an association through which the company's positions regarding TV frequencies are represented. The Italian Communications Authority AGCOM draws up frequency allocation plans, making use of the bodies of the Ministry of Communication, having consulted the public concessionaire and national associations representing the owners of private broadcasters and networks, in accordance with the national frequencies allocation plan. Confindustria Radio Televisioni was set up in June 2013 by Rai, Mediaset, TIMedia, SKY, La7, local TV stations and radio stations represented by the FRT (FRT PMI) association.

As regards other activities, the TI Media Group is present in:

- Tivù, a company in which TI Media has a 3.5% stake, which aims to promote a single platform for terrestrial digital and satellite services (Tivùsat). With regard to the free satellite platform, 2,293,276 cards had been activated as of the end of November 2014;
- HD Forum, the association that promotes the development of high definition as well as regulatory and standardisation initiatives.

COMPETITIVE POSITIONING

Quantitative surveys are periodically carried out on a representative sample of the adult Italian population to measure the effectiveness of the advertising for mobile telephony and telecommunication services.

These measure how well the individual operators are known, unprompted and prompted knowledge of advertising, recollection of advertising content and enjoyment of the advertising.

As of July, on a quarterly basis, Telecom Italia's reputation is monitored on the web using an automatic research and semi-automatic classification method which analyses the volume of conversations regarding Telecom Italia on the most significant Italian websites and main social networks and uses this information to rate the Company based on source, value and category. The objective is to track perception of the Telecom Italia and TIM brands in terms of their image. This process also involves the calculation of an index of reputation risk, based on an algorithm which weighs up the importance of the site/channel hosting the message (potential audience) against the valence (positive or negative) and relevance of the type of conversation to the Company.

SERVICES TO OLOs

The Telecom Italia National Wholesale Service (NWS) department is the point of contact for other licensed operators (OLOs) and ISPs (Internet Service Providers) regarding the provision of network infrastructure and services for subsequent marketing by the said OLOs of electronic communication services to their own end customers.

NWS is responsible for pre- and after-sales design, identifying requirements and drawing up offers and contracts, sales, support and billing for products/services supplied. Organisational and administrative separation between the retail departments of Telecom Italia and NWS, which is verified every year by an external body, ensures compliance with the principles of equal treatment and non-discrimination established by current regulatory provisions and in particular Resolution 152/02/CONS.

On an annual basis, NWS draws up and submits the reference offers (RO) for the various regulated wholesale services. The process of approval of each reference offer involves joint examinations and reviews designed to provide the clarifications requested by AGCOM, which approves its contents and monitors the work of the NWS in order to ensure that competition is safeguarded. AGCOM also acts as the guarantor and relevant authority in cases brought by OLOs/ISPs and end users on regulatory matters.

In addition to the regulated services, NWS offers infrastructure and transmission capacity, data access and transmission, TLC equipment hosting, outsourcing and all the added value services

that allow operator networks to be "virtualised".

Each OLO has a direct relationship with its own account manager in the marketing and sales department of NWS, who receives the customer's requests and customises the respective supply contracts in accordance with current regulatory requirements. In particular contracts relating to regulated services include clauses which provide for constant monitoring of the various stages of the supply of the service, ensuring that a number of the main indicators are subject to periodic notification to AGCOM. The interests of the client are therefore safeguarded on a continuous basis, formalised through a process of conference calls, video conferencing and meetings involving all the company departments concerned.

For further information regarding dialogue and involvement initiatives (Wholesale Forum, Wholesale Tour, Wholesale Portal), caring initiatives and the actions taken to measure OLO satisfaction go to the Telecom Italia Wholesale website at http://www.wholesale-telecomitalia.it.

THE ITALIAN TELECOMMUNICATIONS AUTHORITY (AGCOM)

Telecom Italia interacts with AGCOM in order to contribute to the administration of the regulatory process on matters considered concrete to the growth in value of the Company.

For this purpose, Telecom Italia pursues an honest dialogue and ongoing discussion with the Authorities and institutions with the aim of achieving a simple, effective and symmetrical regulatory framework. Furthermore, the Group makes its own knowledge available by participating in public consultations, institutional hearings, conventions, public meetings and by presenting appropriate testimony and petitions. The constant discussions with AGCOM and the institutions ensure that Telecom Italia gathers their opinions, supplying transparent, reliable responses, and anticipates events, creating and exploiting the best opportunities for the Company. For further information on legal provisions that regulate public consultations, market analyses, fact-finding surveys and dispute resolution among operators see the sustainability section of the website www.telecomitalia.com.

Telecom Italia provides the answers required (e.g. public consultations, defensive testimony, supply of data and information of various kinds, etc.) and always ensures the completeness and reliability of the contribution.

In the case of violation proceedings, Telecom Italia presents testimony, expert reports and other defence documents, requesting a hearing by those responsible for the proceedings on the facts that are the subject of the dispute. Telecom Italia may decide to present a proposal, subject to the termination of the disputed conduct, aimed at improving competitive conditions in the sector, removing the anticompetitive consequences through suitable and stable measures.

THE ITALIAN COMPETITION AND MARKET AUTHORITY (AGCM)

As part of the protection of competition and the consumer, Telecom Italia Group interacts with the Antitrust authority both in a preventative way and during proceedings launched by it.

For prior information purposes, in addition to responding to the requests regularly submitted by the Authority in performing the tasks assigned to it by Law 287/90 and the Consumer Code, the company's departments periodically organise meetings for the exchange of information. The objective is to facilitate understanding of the development of the market and the effects on the Authority's area of responsibility, in order to ensure transparency.

The areas in which prior information is provided include the development of the Group's offer, the company's position on strategic issues such as the development of the access network and Net Neutrality, the development of the criteria adopted for pricing in the markets in which the Company is in a dominant position, and the technical and economic characteristics of certain offers disputed by competitors.

In the event of dispute proceedings being launched, the Group presents its case in the appropriate forums, in some cases presenting the Authority with undertakings that will reduce the alleged anti-competitive aspects at the centre of the proceedings. After having assessed these undertakings, the Authority may make them compulsory and end the proceedings without imposing any financial penalty.

Within the Company there are preventive controls on processes with potentially significant impacts in Antitrust terms such as, for example, the drawing-up of marketing plans, the development of contracts, conditions for the provision of telecommunication services, the development of the company's information systems. The controls are aimed at ensuring that the operational management of the processes take into consideration these potential impacts. In order to raise awareness and disseminate a correct approach to the subject, as a follow-up to the online training programme launched in 2010, during 2013, management were offered a specific classroom training course on the application of competition law. In 2014, training activities continued for staff belonging to the NWS function.

UNDERTAKINGS REGARDING THE ACCESS NETWORK

In December, 2008, AGCOM approved the voluntary undertakings presented by Telecom Italia with Resolution 718/08/CONS, subdivided into 14 groups, plus three additional groups of a methodological nature (variation, expiry, modulation). The impact of the undertakings on stakeholders, both internal (shareholders) and external (customers, institutions, competitors, community) can be broken down into different aspects. Specifically:

- greater satisfaction of wholesale and retail customers, promoting innovation in internal processes, the qualitative development and improvement of the fixed access network and respective services, the reduction of disputes;

- development of fair competition among competitors, which is considered to be in the interests of the Group, the market, the customers and stakeholders in general, promoting equality of technical and economic treatment among the marketing departments of Telecom Italia and the other operators;

- maintenance of competitive conditions in the transition to new generation networks, in order to ensure the creation of an open network able to offer the Community high quality services;

- more transparency in the evolution of fixed access network for competitors and institutions through communication of the technical plans for quality and development of the infrastructure;

- fulfilment of requests received from AGCOM, consumer associations and alternative operators, contributing to the development of a relationship and problem resolution model based on constructive relationships founded on a climate of trust and continuous discussion.

A fundamental requirement for the fulfilment of these undertakings is the development of a new culture centred on the concept of Equivalence[1] and the role of Open Access, the structure set up in February 2008 in the Technology & Operations department to provide access services to the Retail sales department of Telecom Italia and other alternative operators through NWS (for further information see § Services to OLOs). The access network is an infrastructure of primary importance for the whole country and is used by alternative operators in the market to connect their infrastructures and offer services to the Community. The Open Access and NWS activities for the production and sale of access services are separate and managed independently from the other commercial departments of the Telecom Italia Group. Also in 2008, the Supervisory Board was set up, a supervisory Committee that verifies the proper fulfilment of the undertakings, the

---

1   The concept of Equivalence, introduced by Resolution 718 of 2008, exceeds the concept of equality of treatment referred to in Resolution 152 of 2002. Essentially, "being equivalent" means:

- behaving in a way that does not discriminate against competitors; or serving the customers of other operators as if they were retail customers of Telecom Italia, which means providing the same services, under the same conditions and above all an identical standard of quality;
- ensuring the transparency of the market, making technical, economic and commercial information public, including the terms and conditions for the supply and the use of services, and the characteristics and development plans for the access network;
- guaranteeing access to and use of network resources, accepting all reasonable requests from OLOs;
- setting cost-driven prices and having specific accounting information regarding these prices.

equality of access by other operators to the fixed network infrastructure and the achievement of service quality objectives.

In November 2011 AGCOM, with Resolution 600/11/CONS, acknowledged the full implementation of the undertakings by Telecom Italia while continuing monitoring activities with special reference to some particularly important aspects concerning guarantees of Equivalence (new provisioning system, information databases and equality of treatment indicators).

Following AGCOM resolution 1/12/CONS, with which Telecom Italia was named as an operator with significant market power in NGAN services as well, as of July 2012 the equivalence model was extended to these services as well.

Furthermore, the equivalence model, which is constantly monitored by AGCOM and the Supervisory Body, has evolved, transposing and adapting itself to the provisions recently defined by the Authority regarding the development of new generation networks, particularly in respect of the methods for achieving co-location and cabinet access obligations (resolutions 747/13/CONS and 155/14/CONS).

RELATIONS WITH THE TELECOMMUNICATIONS REGULATORY AUTHORITY AND THE ANTITRUST AUTHORITY IN BRAZIL

TIM Brasil holds a very participative and collaborative relationship with ANATEL and CADE, the authorities which deal, respectively, with regulation in the telecommunication industry and with market and competition.

With ANATEL (Agência Nacional de Telecomunicações) TIM Brasil cooperates for the development of the dialogue on a telecommunications regulatory framework suited to the sector and the general economic growth. The main goal is to identify the most relevant issues and to reduce barriers for the sector, especially by contributing to the development of the main regulatory chapters like spectrum management, quality of service, interconnection and network sharing, rural areas coverage.

TIM Brasil also maintains a transparent and collaborative relationship with CADE (Conselho Administrativo de Defesa Econômica). The company is responsible for notifying CADE about its mergers, acquisitions and agreements, as well as for providing in due time all necessary information. Also, TIM Brazil promotes debates and studies and it works with academic institutions in order to support research activities on competition policy in the country.
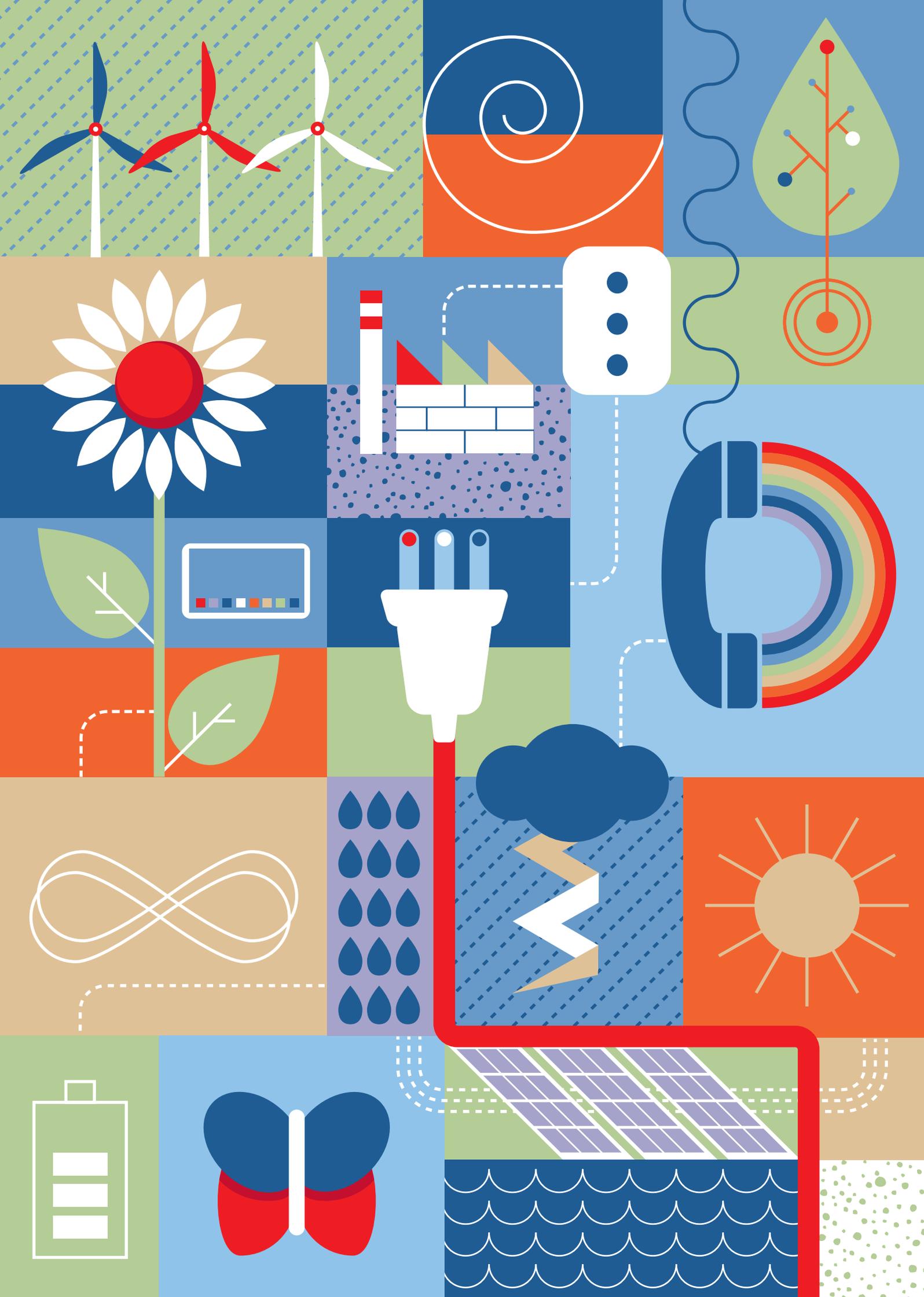
ENVIRONMENT

The contribution made by Information
and Communication Technology solutions
to safeguarding the planet for us
and future generations

STRATEGY

Protecting the environment, improving energy efficiency and offering services that reduce emissions of greenhouse gases and other pollutants are the main intervention policies adopted by the Telecom Italia Group to promote sustainable development in its areas of influence. The specific actions taken are therefore aimed at reducing its environmental impacts and offering technological solutions aimed at individuals, businesses and public administration for the creation of a more inclusive and viable digital society.

The environmental strategy of the Group's companies is founded on the following principles:

- optimising the use of energy sources and other natural resources;
- constantly seeking to improve environmental performance by reducing negative impacts and increasing positive ones;
- adopting procurement policies that take environmental issues into account;
- disseminating a culture that promotes a correct approach to environmental issues.

In order to ensure the effective and sustainable management of operational processes which have particular environmental impacts, Telecom Italia has equipped itself with an Environmental Management System (Sistema di Gestione Ambientale - SGA) which is ISO14001 certified. In some organizations, the Environmental Management System has been integrated with the Quality Management System (Gestione della Qualità), together with the Safety Management System based on the OHSAS 18001 standard: all of them have achieved the respective certification. Some activities have also achieved the certification for the Energy Management System against the ISO 50001 standard. For further details on this subject go to the telecomitalia.com website.

The main indicators used to measure the Telecom Italia Group's environmental performance in 2014 performed as follows:

Indicator	Trend
Total electricity procured and produced	Up
Total atmospheric emissions of CO_2	Significantly down
Total water consumption	Down
Eco-efficiency	Up

RELEVANT STAKEHOLDERS

The environment stakeholder consists of future generations and their right to live in a world not compromised by the negative effects of development by previous generations. The interests of this collective person are identified in the demands made by:

- national and international environmental organisations;
- national and supranational institutions;
- the community in general, particularly in the areas where Telecom Italia operates;
- industry associations and non-profit organisations dealing with issues relating to the environment. These include the following in particular: CSR Europe, Academy of Business in Society (ABIS), European Telecommunications Network Operators' Association (ETNO), European Telecommunications Standards Institute (ETSI), Global e-Sustainability Initiative (GeSI), Carbon Disclosure Project (CDP), European Round Table of Industrialists (ERT), International Telecommunication Union (ITU).

Telecom Italia is attentive to the requirements of stakeholders interested in protecting the environment and has developed various channels of communication with them, including the Festival of Science, the Venice Future Centre and the Group Internet/Intranet pages dealing with environmental issues, in addition to formal and informal meetings with these stakeholders. Telecom Italia promotes and in some cases coordinates national and international environmental projects.

ENVIRONMENTAL PERFORMANCE

The information regarding environmental and energy performances is drawn from management data, some of which is estimated.

The data shown below relate to energy use (heating, transport and electricity), eco-efficiency, atmospheric emissions, use of water, paper and waste production. Some of the Media BU's figures are up on the previous period, albeit with a very low incidence compared to the group as a whole, as a result of variations in the scope of the BU's business.

ENERGY

[G4-EN3], [G4-EN6] Energy consumption by the Telecom Italia Group is presented according to the guidelines proposed by the Global Reporting Initiative regarding direct consumption for heating, power generation and transport (Scope 1, according to the Greenhouse Gas Protocol[1]) and indirect consumption for the use of purchased electricity (Scope 2).

---

1   The Greenhouse Gas (GHG) Protocol, developed by World Resources Institute (WRI) and World Business Council on Sustainable Development (WBCSD), sets the global standard for how to measure, manage, and report greenhouse gas emissions.

Heating systems

Group breakdown by Business Unit (%) and % variation compared to the previous 2 years

		Group	Domestic	Brazil	Media
Energy generated by heating oil	MJ	107,863,648	100%	0%	0%
Energy generated by natural gas	MJ	609,854,508	100%	0%	0%
Total energy for heating	**MJ**	**717,718,156**	**100%**	**0%**	**0%**
2014 v. 2013		(10)%	(10)%	0%	0%
2014 v. 2012		11%	12%	0%	(100)%

The data in the table show that in 2014 there was a significant reduction compared to the data for 2013 and an increase compared to 2012; this effect was expected and was already highlighted last year, underlining that the significant increase shown did not represent a real increase in consumption but was the consequence of an adjustment on the previous period. The system used to measure the energy use of large buildings is now more efficient and precise.

In Brazil, given the particular climate conditions throughout the year, indoor heating is not used. The Media BU operates the broadcasting business and, as has already been said, it is extremely small compared to the Group as a whole.

Transport [†]

Group breakdown by Business Unit (%) and % variation compared to the previous 2 years

		Group 2014	Domestic	Brazil	Media
Energy from unleaded petrol	MJ	57,556,026	17%	83%	0%
Energy by heating oil	MJ	640,450,882	99%	0%	1%
Energy from LPG	MJ	4,846,838	100%	0%	0%
Energy by natural gas	MJ	375,843	100%	0%	0%
Total energy for transport (‡)	**MJ**	**703,229,589**	**92%**	**7%**	**1%**
2014 v. 2013		(3)%	(3)%	(4)%	2%
2014 v. 2012		(6)%	(6)%	4%	(20)%
Total number of vehicles	**no.**	**20,049**	**95%**	**5%**	**0%**
2014 v. 2013		0%	0%	(3)%	(7)%
2014 v. 2012		(1)%	(1)%	14%	(48)%
Total distance travelled	**km**	**301,777,289**	**94%**	**5%**	**1%**
2014 v. 2013		(3)%	(3)%	(6)%	1%
2014 v. 2012		(6)%	(6)%	3%	(31)%

(†)   The data shown in the tables relating to transport refer to all the Group's vehicles (industrial, commercial, used by senior managers/middle managers/sales people), both owned and hired. The vehicles, consumption and mileage of vehicles owned or in use by the sales force of Tim Brasil have been included only where usage is significant and continuous.

(‡)   Represents conversion into Megajoules of the consumption of unleaded petrol, diesel and LPG (expressed in litres) and natural gas - CNG (expressed in kg).

As a consequence of the reduction in distances travelled, the downward trend in the energy used for transport continues.

Consumption figures for electricity used to operate telecommunications and civil/industrial technological plants are shown below.

Electricity procured and produced

Group breakdown by Business Unit (%) and % variation compared to the previous 2 years

		Group	Domestic	Brazil	Media
Electricity from mixed sources	kWh	604,934,214	16%	80%	4%
2014 v. 2013		(74)%	(95)%	20%	39%
2014 v. 2012		(74)%	(95)%	33%	5%
Electricity from renewable sources	kWh	1,911,262,764	100%	0%	0%
2014 v. 2013		4,785%	4,785%	0%	0%
2014 v. 2012		3,842%	3,842%	0%	0%
Total electricity	kWh	**2,516,196,978**	**80%**	**19%**	**1%**
2014 v. 2013		5%	1%	20%	39%
2014 v. 2012		5%	0%	33%	5%

Energy use across the Group has risen as a result of the increased volume of traffic and services offered to customers. In particular, the rate of growth is significant in Brazil as a consequence of the expansion in the network and the market.

In 2014, Telecom Italia entered into an agreement, that also covers 2015, to buy guarantees of origin which certify electricity generated by renewable sources. This explains the big percentage changes shown in this table in the quantities of electricity used, by type, compared to previous years.

In accordance with the energy policy adopted, the Group continued to take action in the following areas this year:

• on one hand, seeking energy saving opportunities, i.e. recovering energy without structural changes but through organic action - e.g. temperature alignment and redefinition of Group policies, improving the efficiency of existing cogeneration plants, energy stations, recalibration of set-points in multi-system sites, cogeneration refrigeration systems, free cooling, disconnection of obsolete equipment; on the other hand, technological upgrading and distributed generation work, with investments aimed at achieving "less use at a lower cost", including new free cooling technologies, prioritising air conditioning, lighting of offices and industrial sites, trigeneration plants (including micro plants), geothermal and other renewable sources;

- work on increasing awareness of the impact of people's behaviour, in order to emphasise the "enabling factors" that help to save energy and reduce the carbon footprint, defining dedicated roles aimed at guiding the implementation of initiatives to disseminate the results achieved at all levels and promoting a culture of energy-saving and environmental respect within the Company.

Previously launched energy saving initiatives continued and new initiatives were undertaken in 2014 in Italy:

- technological modernisation and streamlining of exchange and Radio Base Station (RBS) equipment, involved 552 power stations, 676 air conditioning systems and 1,169 batteries during the year;
- in the context of IT efficiency projects, work continued on replacing and modernising technologically obsolete platforms with a consequent migration of data network services to innovative and more efficient ones; the gradual freeing-up of spaces, resulting from the transfer of traditional voice customers to VoIP platforms and the gradual expansion of the fixed ultrabroadband network, make it possible to increase the compactness of exchanges on the PSTN[2] network for fixed network equipment and to concentrate 2 or more SGUs[3] (SuperSGU project) with significant savings in electricity use;
- activities continued to assess and optimise the efficiency of the mobile network with multiannual objectives assessed over 5 years to achieve energy savings of 10% in infrastructure and 20% in transmission equipment. Once these targets are reached, a discount of 3% on the amount charged for LTE licences in Italy will be guaranteed;
- modernisation of mobile access network nodes with a "green" approach, i.e. paying particular attention to saving energy and to the energy certification of solutions adopted, as well as a "future proof" approach, intended to anticipate the future developments and benefits of technology by adopting multi-standard integrated 2G/3G/4G technologies;
- new solutions have been adopted that have allowed the greater energy efficiency of GSM radio base stations to be achieved; these solutions, which only involved work on the software, were implemented out together with the suppliers (Ericsson, Nokia and Huawei);
- efficiency development activities continued following the energy audits carried out on the 6 offices and Data Processing Centres in Bari and Rozzano;
- further efficiency works on the consumption of gas for property heating through the use of software for dynamic automatic boiler regulation. The work focused on the top 10 buildings sorted by consumption;
- as part of the lighting project, work began to install ceiling lights in office premises. The lighting systems will be fitted with presence detectors and variable light controls to adjust the lighting required depending on external lighting. Around 15,000 ceiling lights were installed in 2014;
- as part of the work done to increase energy self-generation, 7 new co-generation plants were installed, which will be tested during the first six months of 2015.

---

2   PSTN = Public Switched Telephone Network.
3   SGU = Stadio di Gruppo Urbano (Urban Group Stage); is a type of exchange that provides urban telephone switching.

There are also plans to take further energy saving measures in 2015:

- also in the context of IT solutions that do not require the replacement of hardware, field tests are set to continue, with the subsequent adoption of energy efficiency solutions in all suitable 2G stations, with similar solutions planned for the 3G and LTE access networks as well;
- the "SuperSGU" project mentioned previously will lead not only to a lower risk of interruption of the service and obsolescence of the equipment but also to a decrease in operating costs and the planned achievement of the energy efficiency certificates in the 2-year period 2015-2016;
- following the energy audits already carried out, work is also planned on the Bologna, Padua and Pomezia DPCs;
- the installation of more efficient ceiling lights will continue at a rate of around 1,000 replacements a week;
- the optimisations achieved on the consumption of gas for heating of non-industrial premises will be extended to other buildings across the country.

During 2014, Telecom Italia was awarded Energy Efficiency Certificates (in Italian: Titoli di Efficienza Energetica - TEE) for 27 projects relating to previous years, corresponding to around 47,000 Tonnes of Oil Equivalent (TOEs) per year saved and an estimated financial value, over 5 years, of 49 million euros. The certificates, also known as white certificates, certify the achievement of energy savings in the final use of energy as a result of work and projects carried out to improve energy efficiency. Established by ministerial decree of 20 July 2004, these certificates are issued by GSE[4] to reward entities carrying out innovative projects resulting in a significant saving of electricity or fuel. One White Certificate corresponds to 1 TOE saved, and to a negotiable financial value. In fact distributors of electricity and natural gas - so called "obliged entities", who are required to achieve specific annual quantitative targets for primary energy saving – can meet the reduction target requirements both by means of energy efficiency projects granting white certificates and by the procurement of EEC from other parties on the Energy Efficiency Certificates market[5].

During 2014, the ISO 50001 certification, obtained in 2013 with an audit of the Rome Parco de' Medici offices, was extended to the Bologna Corticella premises, which house offices and a major telephone exchange. ISO 50001 is a voluntary standard applicable to all kinds of organisations, public and private, which establishes the requirements to be fulfilled by organisations and management models that aim to improve energy efficiency; it promotes the best energy management practices and supports projects and initiatives to reduce greenhouse gas emissions.

Also with regard to certifications:

- in addition to the ISO 50001 certification, the Bologna Corticella site also achieved the ISO 14064 certification. The main aim of the ISO 14064 standard is to provide organisations with tools and procedures based on a scientific and systematic approach, in order to quantify, mon-

---

4   Gestore dei Servizi Energetici, GSE S.p.A. – www.gse.it.
5   Gestore del Mercato Elettrico, GME S.p.A. - www.mercatoelettrico.org

itor, record and validate or verify inventories of greenhouse gas (GHG) emissions or projects related to cutting these emissions;

• experiments were completed on the Rozzano 2 data centre to define its energy certification level or Power Usage Effectiveness (PUE)[6]. The value of the PUE indicator for Rozzano 2 was determined to be 1.66 in February 2014: this is a very good value that ranks among the best in the industry in Europe. Towards the end of the year, activities were launched to measure the PUE indicator of the Cesano Maderno, Turin, Pomezia and Rozzano 1 and 3 data centres as well.

ECO-EFFICIENCY INDICATOR

[G4-EN5] The Telecom Italia Group measures its own energy efficiency by using an indicator that establishes a relationship between the service offered to the customer, in terms of bits transmitted, and the company's impact on the environment represented by joules of energy consumed. The factors taken into consideration are the amounts of data and voice traffic of the fixed/mobile networks and energy consumption for industrial purposes (transmission and climate control in exchanges), domestic purposes (electricity for office use, air conditioning and heating in the offices) and vehicles. The following charts show the values and the trend of the eco-efficiency indicator over the past three years for the Domestic and Brazil BUs.

---

6   The PUE indicator is the parameter used internationally to measure the energy consumption and requirements of data centres. It was promoted by the US industrial consortium The Green Grid and compares the consumption of IT components to the total consumption directly associated with the operation of server rooms. The closer this index is to 1, the more the use of energy in the DC is efficient for the purpose of delivering ICT services.

Eco-efficiency

Eco-efficiency Indicator - Domestic BU
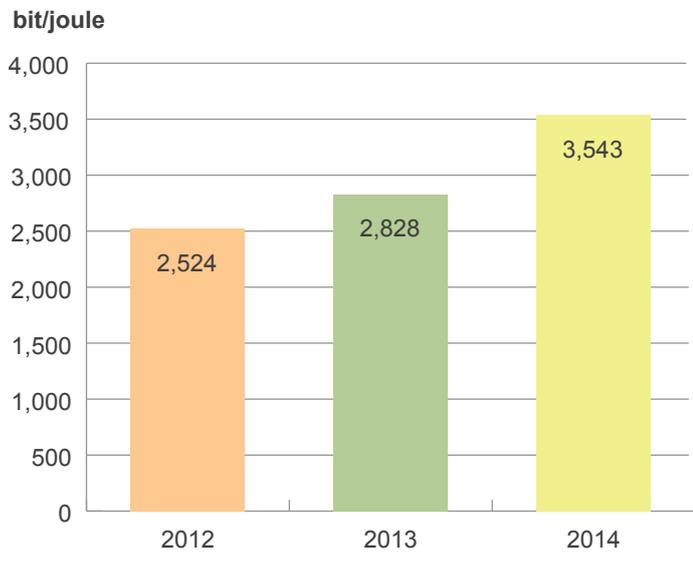
bit/joule

In 2014, the value of this indicator calculated for the Domestic BU once again exceeded expectations and the commitment continues with the establishment of a target for 2015 of 4,700 bit/joule, with an increase of +32% compared to the figure for 2014 (see 2015 Objectives in the Appendix).

Eco-efficiency Indicator - Brazil

bit/joule
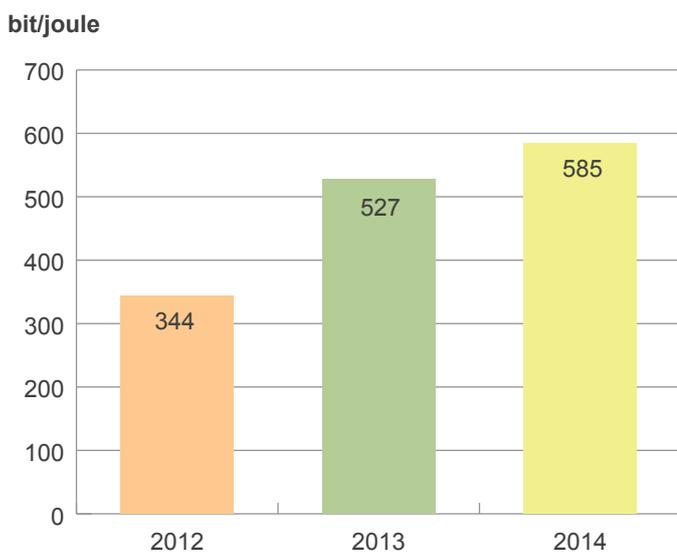
The Eco-efficiency indicator calculated for Brazil also continues to improve over time: in 2014 has grown by 11% compared to 2013 and 70% compared to 2012.

The values of the indicators calculated respectively for Italy and Brazil are not directly comparable because the two organisations are very different in operational and environmental terms: e.g. in Brazil the traffic is primarily mobile and, as previously mentioned, no heating fuels are used due to particular climate conditions.

ATMOSPHERIC EMISSIONS

[G4-EN15], [G4-EN16], [G4-EN19] Greenhouse gas emissions by Telecom Italia and the Group consist almost exclusively of carbon dioxide and are due to the use of fossil fuels for heating, transport, electricity generation, purchase of electricity produced by third parties and staff travel (for business trips and commuting between home and work). In addition to these, dispersals of hydro-chlorofluorocarbons and hydrofluorocarbons (HCFCs and HFCs) from air conditioning plants are also considered and converted into kg of CO_2 equivalent.

For atmospheric emissions as well, use is made of the Global Reporting Initiative - GRI Version 4 - guidelines, which refer to the definitions of the GHG Protocol, distinguishing between direct emissions (Scope1: use of fossil fuels for transport, heating, power generation), indirect emissions (Scope2: purchase of electricity for industrial and civil use) and other indirect emissions (Scope3). Unless otherwise stated, the atmospheric emission figures given in this Report have been calculated based on the emission factors made available by the GHG Protocol[7].

The following table shows the total CO_2 emissions of the Telecom Italia Group.

---

7   Emissions relating to the consumption of electricity purchased from mixed sources in the Italian market in 2012, 2013 and 2014 have been calculated by using the 2009 emission factor published by the GHG Protocol - which considers the national energy mix - equal to 386 grams of CO_2/kWh. For Brazil, the average emission factors for 2012, 2013 and 2014 have been used, as calculated and published by the *Ministério da Ciência, Tecnologia e Inovação* (Ministry of Science, Technology and Innovation), of approximately 65.3, 96 and 135.5, grams respectively of CO_2/kWh. This trend displays an increasing tendency by Brazil to use fossil fuels to generate electricity.

Atmospheric emissions

Group breakdown by Business Unit (%) and % variation compared to the previous 2 years

		Group	Domestic	Brazil	Media
CO_2 emissions from transport	kg	52,408,809	92%	7%	1%
CO_2 emissions from heating	kg	41,174,283	100%	0%	0%
Emissions of CO_2 equivalents for HCFC/HFC(*) dispersals	kg	7,357,860	100%	0%	0%
CO_2 emissions from electricity generation by cogeneration	kg	36,858,508	100%	0%	0%
CO_2 emissions from electricity generation using diesel	kg	2,851,373	81%	16%	3%
Total direct emissions of CO_2 - under Scope 1 GRI	**kg**	**140,650,833**	**97%**	**3%**	**0%**
2014 v. 2013		(11)%	(11)%	(4)%	2%
2014 v. 2012		(3)%	(3)%	3%	(24)%
CO_2 emissions from purchases of electricity generated by mixed sources	kg	79,005,678	4%	83%	13%
Total indirect emissions of CO_2 - under Scope 2 GRI	**kg**	**79,005,678**	**4%**	**83%**	**13%**
2014 v. 2013		(90)%	(100)%	69%	39%
2014 v. 2012		(90)%	(100)%	176%	5%
CO_2 emissions from work-home commuting[†]	kg	65,983,516	94%	6%	0%
CO_2 emissions from air travel[‡]	kg	11,370,398	55%	45%	0%
Total other indirect emissions of CO_2 - under Scope 3 GRI	**kg**	**77,353,914**	**88%**	**12%**	**0%**
2014 v. 2013		(4)%	(6)%	14%	5%
2014 v. 2012		(4)%	(5)%	8%	1%
Total CO_2 emissions	**kg**	**297,010,425**	**70%**	**26%**	**4%**
2014 v. 2013		(70)%	(78)%	54%	36%
2014 v. 2012		(70)%	(78)%	118%	3%

(*) Hydrochlorofluorocarbons (HCFCs) and hydrofluorocarbons (HFCs), in terms of equivalent CO_2 emissions are determined by reference to specific Global Warming Potential (GWP) parameters for the two gases: the index is based on a relative scale that compares the gas considered with an equal mass of carbon dioxide with a GWP of 1. The GWP of HCFC used was 1,780 and that of HFC was 1,300.

(†) In determining the impact of home-work commuting, reference is made to statistical data produced on the company's personnel. In 2014 all the companies within the Domestic BU have been included in the calculation, whilst in the past years only the main ones had been taken into consideration. In order to allow a proper comparison, the emissions generated in 2013 and 2012 have been re-calculated.

(‡) Emissions due to air travel were calculated by the study and research centre of American Express (the Travel Agency used by Telecom Italia) supported by UK DEFRA (Department of Environment, Food and Rural Affairs) based on the number of journeys actually made, subdivided by the duration of each individual journey (short or long).

The table showing emissions of carbon dioxide, particularly those under the GRI Scope 2, is strongly and positively influenced, compared to previous years, by the agreement signed for the purchase, in 2014 and 2015, of guarantees of origin which certify electricity generated by renewable sources. In 2014, the agreement related to almost 100% of the electricity purchased by the Domestic BU.

WATER

[G4-EN8]

Water Consumption

Group breakdown by Business Unit (%) and % variation compared to the previous 2 years

		Group	Domestic	Brazil	Media
Consumption of water drawn from artesian wells	m³	139,087	100%	0%	0%
Consumption of water provided by water supply companies	m³	4,628,029	95%	5%	0%
Consumption of water drawn from other sources	m³	22,475	0%	100%	0%
Total water consumption(*)	**m³**	**4,789,591**	**95%**	**5%**	**0%**
2014 v. 2013		(2)%	(3)%	9%	(27)%
2014 v. 2012		(16)%	(17)%	17%	(98)%

Water consumption has fallen compared to previous periods, which is particularly significant compared to consumption in 2012 and reflects the efforts made to reduce waste and speed up maintenance. Water continues to be an important indicator of environmental performance and a correct approach to the use of natural resources.

PAPER

Paper for office use

Group breakdown by Business Unit (%) and % variation compared to the previous 2 years

		Group	Domestic	Brazil	Media
Non-recycled paper purchased	kg	1,569	100%	0%	0%
Recycled paper purchased	kg	0	0%	0%	0%
FSC certified paper purchased	kg	350,700	87%	13%	0%
Total paper purchased	**kg**	**352,269**	**87%**	**13%**	**0%**
2014 v. 2013		(3)%	(1)%	(16)%	103%
2014 v. 2012		(24)%	(21)%	(30)%	(89)%

Purchases of paper for office and commercial use (telephone bills) continue to be directed at product types that meet the highest environmental standards based on the responsible management of forests according to the Forest Stewardship Council (FSC, see fsc.org) requirements.

The reduction in paper consumption for office use shown in the table is in line with a historical trend resulting from work done to raise awareness about the responsible use of paper in the

workplace and rationalisation of energy use through the "printing on demand" project, which provides for the use of shared high performance printers and printing methods that save energy and consumables. Activities continued with the aim of achieving overall reductions in the use of paper for business purposes, including the promotion among customers of electronic invoices and statements.

WASTE

[G4-EN23] The data shown in the table refer to the quantity of waste consigned[8] and recorded by law[9].

Waste consigned[7]

		Group	Domestic	Brazil	Media
Hazardous waste	kg	4,033,285	100%	0%	0%
Non-hazardous waste	kg	9,017,050	95%	5%	0%
Total waste consigned(*)	**kg**	**13,050,335**	**97%**	**3%**	**0%**
2014 v. 2013		(21)%	(20)%	(41)%	(3)%
2014 v. 2012		(32)%	(32)%	(36)%	(87)%
Waste sent for recycling or recovery	kg	12,617,183	99%	1%	0%
% Waste sent for recycling or recovery		97%	99%	39%	0%

The table is titled: **Group breakdown by Business Unit (%) and % variation compared to the previous 2 years**

(*) The data does not include the Domestic BU telephone poles because these are not disposed of as ordinary waste but under the framework agreement signed in 2003 with the Ministry of the Environment, the Ministry of Production Activities and the production and recovery companies, subject to the favourable opinion of the conference of State-Regions-Autonomous Provinces. In 2014, Telecom Italia decommissioned 120,156 poles weighing a total of 9,612,420 kg.

Waste data varies over time according to the quantities and types delivered to the companies contracted to treat it. The most important item of data for Telecom Italia's purposes is the ratio between waste produced and consigned for recycling/recovery, which reached a significant level. Ministerial Decree No. 65 of March 8th, 2010 (published in the Gazzetta Ufficiale on May 10th, 2010) implemented the collection of Waste Electrical and Electronic Equipment (WEEE) by all Telecom Italia sales channels as of June 18th, 2010, resulting in the company's registration as a "distributor" in the national Register of environmental managers.

Telecom Italia has entered into contracts aimed at recovering used, faulty and end-of-life products and materials, in order to allow components and raw materials to be reclaimed. In 2014, this al-

---

8   "Waste consigned" refers to the waste delivered to carriers for recycling or reclamation or disposal.

9   Slight variations compared to the situation on December 31 may occur until the following March 30, because the source of the data is the records of waste loaded and unloaded, which are consolidated once the actual weight at destination has been verified. The information is supplied to the producer of the waste within 3 months of consignment, which is the reason for the potential variations in the data.

lowed the landfill disposal of 1,200,000 products to be avoided and tangible financial benefits to be gained from their recovery.

The various management activities allowed logistics and network products (121,653 items) and commercial logistics products (156,527 items) to be regenerated, components and raw materials (824,213 items) to be sent for recovery and used products (95,104 items) to be resold.

This activity has a dual purpose: contributing to a reduction in WEEE produced while at the same time generating a financial benefit resulting from the difference between the cost that would be incurred for the purchase of new equipment and the cost of regeneration.

ELECTROMAGNETIC EMISSIONS

The actions of the Telecom Italia Group on the subject of electromagnetic emissions are essentially:

- careful management of its equipment during its entire life cycle and in compliance with current regulations and internal standards of efficiency and safety;
- deployment of, and constant research into, the latest technological instruments for checks and controls.

Systematic monitoring of the levels of electromagnetic emissions in installations aims to ensure that legal limits are respected and high safety standards are maintained for workers and the general population. According to the checks carried out in Italy, the electromagnetic emissions generated are well within legal limits.

As part of the certification of mobile phones sold on the market under the TIM brand, TILab performs tests on all technologically innovative products to check the SAR (Specific Absorption Rate) declared by suppliers. This parameter estimates the quantity of electromagnetic energy per unit of body mass absorbed by the human body in the event of exposure to the electromagnetic field generated by mobile handsets and other wireless devices. Telecom Italia certifies and sells through its sales network only mobile handsets with a SAR value lower than the limit set by European legislation. In determining this conformity Telecom Italia complies with the instructions given in the ICNIRP (International Commission on Non-Ionizing Radiation Protection) guidelines and subsequent declarations of conformity[10]. This qualification, which is carried out during the pre-marketing stage, when Telecom Italia does not often have the SAR value declared by the supplier, makes the test more valuable than a simple quality control check.

Joint activities are also taking place with a number of ARPAs (regional environmental protection agencies) to assess the electromagnetic fields generated by RBSs, considering the actual power transmitted based on traffic and power control mechanisms, in accordance with changes to the Prime Ministerial Decree of 8/7/2003 contained in the Decree Law on Growth 179/2012. Similar attention is paid to the emissions from mobile handsets using the frequency bands operated by Telecom Italia.

---

10 Guidelines for Limiting Exposure to Time-Varying Electric, Magnetic, and Electromagnetic Fields (up to 300 GHz). Health Physics 74 (4): 494-522; 1998; Statement on the "Guidelines for limiting exposure to time-varying electric, magnetic and electromagnetic fields (up to 300 GHz)". Health Physics 97(3):257-259; 2009.

COMPLIANCE WITH EXISTING ENVIRONMENTAL LEGISLATION

As active and responsible members of the community, the Group's companies are committed to observing and ensuring the observance of the laws in force in the countries in which they operate and adopt the organisational tools needed to prevent the violation of legal provisions[11]. The effectiveness of these tools is demonstrated by the fact that during 2014 no significant financial penalties[12] were imposed on the Group's companies for violations of environmental legislation in the areas in which they perform their activities. This statement applies to the Domestic BU and to the Media BU as well as to the Brazil BU and has also been true of the previous two years, Similarly, there are no non-financial administrative sanctions or environmental dispute resolutions via conciliation mechanisms to be reported for 2014 or the previous two years.

In Brazil, there is no arrangement for environmental disputes to be resolved by conciliation.

CLIMATE CHANGE

The Green Economy is recognised as the driving force for sustainable development and the eradication of poverty.

The Information and Communication Technology (ICT) sector can make a significant contribution to developing the economy, improving energy efficiency and combating climate change, as demonstrated by several studies and analyses of the ICT industry, recently confirmed by the SMARTer 2020[13] Report published in December 2012 by the Global e-Sustainability Initiative.

The Group's approach to the fight against climate change is based on three synergistic levels of action:

- reducing its own direct and indirect emissions of greenhouse gases;
- limiting the emissions of other sectors and customers in general by supporting virtualisation and the provisions of services that promote new ways of working, learning, travelling and living;
- contributing to disseminating a culture based on a correct approach to environmental issues inside and outside the Company.

---

11 Principles stated in the Group's Code of Ethics and Conduct.

12 Significant financial penalties for the Group are considered to be those that exceed 500,000 euros; for its own accounts, Brazil applies an amount of 100,000 reais.

13 The report entitled "GeSI SMARTer 2020: The Role of ICT in Driving a Sustainable Future" is an update of the SMART2020 report published in 2008.

REDUCTION OF EMISSIONS

The environmental impact of Telecom Italia in terms of CO_2 emissions is essentially determined, as shown in the preceding paragraphs, by direct emissions from the use of fossil fuels, indirect emissions through the procurement of electricity and other indirect emissions due for example to home-work commuting and air travel by staff. For details of current activities aimed at reducing emissions see the Environmental performance/Energy and Environmental performance/Emissions section.

RISKS ASSOCIATED WITH CLIMATE CHANGE

The risks associated with climate change for the telecommunications sector have implications of a physical, economical and regulatory nature, with major repercussions even on the image and reputation of the company. Climate change causes changes in meteorological models that can result in extreme situations.

In Italy, in particular, considerable flooding has occurred in recent years, which has had a devastating impact on vast areas of land, cities and infrastructure.

Telecom Italia's installations, network infrastructure and Data Centres are spread across the country and the company believes that flooding is one of the most serious physical risks and the one most likely to occur. The evaluated effects consist of damage ranging from reduced use to loss of properties and, in extreme cases, total loss of the ability to provide the service to customers.

In order to prevent or limit the potential damage, Telecom Italia's new exchanges and buildings are built at a safe distance from rivers and bodies of water in general and, in order to ensure continuity of service, the network is designed considering appropriate levels of resilience and redundancy.

In Italy, the situation of the network infrastructure, particularly in areas where there is a heightened hydro-geological risk, is monitored using the company's Ci.Pro. (Civil Protection) system, which uses a database of information relating to the territory and infrastructure, which is continuously updated with a view to planning the work required as quickly as possible.

Lastly, the physical risks to which company assets are in any case subject, are managed by insurance cover that takes into account the value of the structure and equipment as well as any effects that these catastrophic events would cause for the service.

Changeable weather conditions increasingly give rise to extreme meteorological conditions and TIM Brasil has developed technologies and applications for effective and continuous monitoring, particularly in areas at greatest risk. The Company has also invested heavily in advanced infrastructure and technologies, not only to guarantee the continuity and quality of the service offered to customers, but also to improve efficiency and reduce the consumption associated with its operations.

At the moment, most electricity in Brazil - 76.9% in 2014 according to data from the Balanço Energético Nacional, BEN - is generated by hydroelectric plants. Long periods of drought can lead to a dramatic reduction in the availability of electricity, to an increase in its cost and to increasing recourse to fossil fuels. Hydroelectric generation has fallen by 5% compared to the previous year

and this lower availability of water in water basins may lead to the rationing of energy and significant fluctuations in the cost per kWh.

In Brazil, in legislative terms, the national policy on climate change, which was defined in 2009 and is governed by decrees 7,390/2010 and 7,643/2011, supplemented by sectoral plans for mitigation and adaptation to climate change, provides for greenhouse gas emissions to be reduced by between 36.1% and 38.9% by 2020. The telecommunications sector is not currently involved directly, but it might be in a not too distant future. In the states of São Paulo and Rio de Janeiro, which are the ones where most of the country's industrial and commercial activities are concentrated, specific state laws have been introduced on climate change: in future, TIM might also be asked to develop its own greenhouse gas emission reduction plan if the telecommunications sector is expected to contribute by setting quantitative reduction objectives, even on a voluntary basis.

A considerable amount of TIM's emissions are associated with electricity consumption, particularly by the network infrastructure. Energy industry policies tend to lead to an increase in the cost of energy and these increases are in turn transferred to users, and therefore to TIM (although the cost of electricity accounts for less than 5% of the total operating costs), which may see an increase in the cost of the goods and services it buys from suppliers.

Extreme weather conditions like highly frequent high intensity storms can damage the network infrastructure, particularly transmission towers and pylons, thus increasing the cost of management and insurance against risks, reducing coverage, weakening the signal and interrupting the service. Variations in the levels of humidity and salinity in the air can reduce the service life of equipment. Furthermore, an increase in the average temperature can lead to a greater consumption of electricity by air conditioning and cooling systems. Potential flooding make it difficult for staff to travel and do their work, thus reducing the efficiency of the system.

OPPORTUNITIES ASSOCIATED WITH CLIMATE CHANGE

The ICT sector is required to play an important part in the fight against climate change by promoting the replacement of physical products and traditional services with digital products and processes (also see Customers/Innovative services) that can promote the virtualization of the company by reducing the need for people and goods to travel. In general:

- audio/video conferencing services and teleworking reduce the need for people to travel.
- on line invoicing and payments, in addition to saving paper and therefore the energy required to produce and transport it, eliminate the need for transport to make payments;
- telemedicine services reduce the need for doctors to meet patients in person;
- infomobility systems, using information obtained from mobile handsets, allow the optimisation of traffic flows, reducing travel times and the emission of greenhouse gases;
- systems for the monitoring and analysis of consumption allow the optimisation of the energy efficiency of offices and dwellings.

The efficiency improvements, savings achievable in economic terms and reduced environmental

impacts associated with the use of these services are an interesting business opportunity for the Company, particularly considering the sensitivity of its stakeholders and citizens in general to the need to achieve significant reductions in greenhouse gas emissions to ensure a sustainable future for the planet and society. One example is illustrated in the box and relates to the Digital Territory Programme.

In Brazil too, climate change can affect the behaviour of investors, who increasingly tend to give priority to companies that are transparent about how they manage emissions and show that they know how to assess and anticipate potential risks and seize opportunities. As a demonstration of its commitment, in 2015 TIM Participações S.A. was again included in the BM&FBovespa's Corporate Sustainability Index (ISE) for the seventh year running, and in January 2014 in the Carbon Efficient Index, ICO2, for the fifth year running.

TIM Brasil believes that in the not too distant future Brazilian legislation will make it compulsory for various industrial sectors to report their greenhouse gas emissions. For this purpose, its emissions have been quantified and communicated transparently since 2008, the CDP questionnaire was completed in 2007 and the company has been involved in the national EPC (Empresas pelo Clima) programme since 2010 and this could be a competitive advantage.

DIGITAL TERRITORY PROGRAMME (2012–2014) AND ITS DEVELOPMENT INTO DIGITAL LIFE (2015–2017)

In the context of public sector services, in accordance with the Italian Digital Agenda or ADI (Agenda Digitale Italiana) and European Directives, Telecom Italia has developed its offer of Smart Services: a range of services for energy efficiency and digital services in urban areas which achieved revenues of 1,016,000 euros in 2012 and 1,140,000 euros in 2013, Also in 2013, Telecom Italia launched a rationalisation of its Smart Services offer, which it combined with Urban Security and Nuvola It Energreen, which deliver new services dedicated to security, the environment and efficient energy management, providing a comprehensive response to the needs of cities and surrounding areas. The aim is to promote the "smart city" model to improve quality of life by developing innovative digital services. The programme thus defined (Digital Territory) in 2014 produced revenues of 2 million euros.

The following offers[1] will be part of the Telecom Italia Digital Life Programme and become the Service Elements for the creation of Smart Cities:

Smart Town for the integrated management of local infrastructure networks (for a description see Customers/Innovative services).

Energy saving is estimated within a range of values between 15% (light produced by high-efficiency lamps, e.g. LEDs) and over 30% in the case of light produced by old style lamps (e.g. sodium vapour or incandescence). Added to these values is the option of varying lighting by switching on and/or reducing the intensity of individual lamp posts.

Assuming that average per capita energy consumption in Italy is 107 kWh[2] and applying a 20% reduction (the replacement of conventional lamps with high efficiency ones is in progress in many towns) a town of 100,000 inhabitants would be able to achieve a total annual saving of 2,140,000 kWh, corresponding to 827 t of CO_2 emissions avoided[3].

---

[1]   The actual names of the services offered may vary once work is under way.

[2]   Source: blog of the Commissioner for Spending Review of the Italian Government.

[3]   Using the 2009 emission factor for Italy calculated by the GHG Protocol, which is around 0.386 kgCO_2/kWh.

Smart Building for the smart management and automation of buildings. (for a description, see Customers/Innovative services).

The energy saved can be estimated at around 10%, if only the Metering & Reporting function is implemented, but it can rise to over 50% for specific energy efficiency projects.

Nuvola IT Urban Security for the integrated management of security and control of urban areas (for a description see Customers/ Innovative services).

Nuvola IT ENERGREEN, for the remote management of energy consumption, implemented on Telecom Italia assets and services for the purpose of saving energy. The services proposed are the following:

- On-site energy audit: on-site analysis for energy efficiency
- Metering & Reporting
- Efficiency strategy: advanced reporting and Energy Management consulting services
- Energy Cost Management Services
- Special Projects: ad hoc energy efficiency improvement work.

The energy saved can be estimated at around 10%, if only the Metering & Reporting function is implemented, but it can rise to over 50% for specific energy efficiency projects.

The revenue trend (in millions of euros) assumed by Telecom Italia for this programme over the next three years is the following:

2015: 4.5

2016: 6

2017: 8

ICTs can influence the price, efficiency and relative convenience of products and services, eventually affecting the demand for services and increasing the overall demand for energy. They can also accelerate the obsolescence of products and require the resulting technological waste to be managed. It is the responsibility of the ICT sector, and therefore also of Telecom Italia, to consider these effects, focusing on research and development to create products with a low environmental impact throughout their entire life cycle (see Customers/Product responsibility).

In 2014, Telecom Italia handled centrally around 817 audio conferences and 5,219 video conferences between its offices in Rome and Milan. Using the specific automatic booking portal for audio and video conferencing services, employees independently held 34,165 video conferences (+25% compared to 2013) and 81,727 audio conferences (+14% compared to 2013). The use of these communication systems is estimated to have allowed a significant amount of carbon dioxide (and other pollutants) associated with the use of means of transport[14] to be avoided.

TELECOM ITALIA GREEN

At the end of the 1990s, Telecom Italia launched a series of internal research and development activities to build terminals with a reduced environmental impact.

In order to improve the environmental efficiency of products offered to private and business customers alike, attention has to be paid to their energy aspects, optimising consumption while meeting the needs of the services delivered and applying "Design For Environment" rules that reduce their environmental impact, particularly during the production phase and the end-of-life management of equipment.

Pursuing and expanding this logic, the Telecom Italia Green logo has been created to identify both Telecom Italia's "green" initiatives and projects and eco-friendly products.

For products and initiatives that bear this logo, information is provided about the features and specific solutions adopted, as a result of which their eco-friendliness and/or environmental benefit can be demonstrated. In the case of products, this information appears in the environmental declaration contained in the packaging, drawn up in accordance with the UNI EN ISO 14021 standard, as well as in the sustainability section of the telecomitalia.com website, where information can also be found about the "eco-friendly" features of initiatives and projects.

---

14 On average, around 10 people take part in each video conference and half of these would have travelled to take part in the meeting. It can be estimated, solely for video conferences carried out between the management offices in Rome and Milan, that there has been an overall reduction in emissions of more than 1,500 tons of carbon dioxide.

The Green range includes a number of products developed with the assistance of suppliers and dedicated to business and consumer customers alike.

The most recent environmental declarations issued relate to 3 new products launched in 2014, i.e.:

- the TIMvision decoder, which provides an electricity saving of more than 65% compared to the similar previous generation model, has a high energy efficiency (over 84%) power supply and is supplied in packaging with paper and cardboard parts obtained from 100% recycled material;

- the Cordless Facile Start telephone, which provides an electricity saving of more than 60% compared to a previous generation product with the same functions and includes an additional ECO mode which allows an additional energy saving of 10% to be achieved; the cardboard used to package the product is non-plasticised and 100% recycled;

- the "Sirio." (Sirio dot) fixed telephone manufactured by ATLINKS which, despite including advanced functions, provides an electricity saving of over 90%: in fact it has no power supply and works with the voltage and current supplied remotely, with no impact on the customer's electricity use; the total weight of the pack has been reduced by 22% and the cardboard used is non-plasticised and 80% recycled.

Starting from 2015, initiatives and eco-friendly products will be characterized by the new logo *TIM eco-friendly*; the new image is part of a rebranding process aimed at positioning TIM as a unique brand for fixed and mobile.

COMMUNITY

The role of a major Company
in the communities of the countries
in which it operates

STRATEGY

The Group companies intend to contribute to the prosperity and growth of Communities by delivering efficient and technologically advanced services.

Consistent with these objectives, and their responsibilities towards the various stakeholders, the Group companies view research and innovation as priorities for growth and success.

As private entities requiring cost-effective management, Group companies take the social impact of telecommunications services into account in their decision-making activities, responding to the needs of the Community, including the weakest members of society.

The Group looks favourably on and, where appropriate, supports social, cultural and educational initiatives aimed at the advancement of the individual and the improvement of living conditions.

[G4-DMA Local Communities]

MATERIAL ISSUES IN THIS CHAPTER

- *Innovation management*[i]
- *Network coverage and Disaster Recovery* [ii]
- *Anti-corruption programmes*

Relevant company policies:
Code of Ethics and Conduct of the Telecom Italia Group, Anti-Corruption Policy, Internal Control Reporting Procedure, Board of Auditors' Reporting Procedure, Telecom Italia Group Guidelines for voluntary contributions to the community, Guidelines concerning the relations between Telecom Italia and Local Administrations and other Local Entities, Guidelines concerning stakeholder engagement in Telecom Italia, available at www.telecomitalia.com.

Effectiveness and monitoring: in order to monitor the effectiveness of management processes and ensure the monitoring required by business procedures and internal control structures, the company uses some numerical KPIs. This chapter sets out the ones that relate to training on anti-corruption procedures and on corruption uncovered in the company and among its suppliers. Also important are the KPIs that relate to local broadband infrastructure coverage, as set out in the Customers chapter.

[i]   This subject is also dealt with in the Customers chapter.
[ii]   This subject is also dealt with in the Customers chapter and in Being sustainable: risks and opportunities.

The following table summarises the Group's Community investment strategy, which is also planned according to the inclusion and materiality principles of the AccountAbility 1000 standard: (see Sustainability and Governance/Reporting):

MACRO AREAS OF INTERVENTION	PROJECT IDENTIFICATION	PROJECT IMPLEMENTATION

The two main areas of intervention as regards investment in the community are the following:
• voluntary activities consistent with the Group's core business, associated with the provision of ICT services[1];
• activities aimed at the general development of the community, mainly including the activities of the Fondazione Telecom Italia
	Telecom Italia identifies the projects to be implemented by the following means:
	• consultation with the stakeholders and direct contact with civil society organisations;
	• partnership projects with stakeholders and associations;
	• benchmarking against the other European TLC operators;
	• involvement in industry associations;
	• sharing knowledge of industry-related issues with the other Group Functions;
	• external lobbying in response to social emergencies (e.g. earthquakes).
		Each project is implemented in 4 stages:
		• planning: which identifies the objectives to be achieved, the beneficiaries of the project, the timescales of the individual activities, the overall duration of the initiative, the methods used to monitor the project and the budget.
		• selection:
		  – through public tenders, as in the case of many projects pursued by the Fondazione Telecom Italia;
		  – by direct decision of the Company, following the stakeholder, consultation process, consistent with the guidelines for voluntary contributions to the community[2];
		• management: normally administered through partnerships or framework agreements. Sometimes cash disbursements are made, leaving the management of the activity to the beneficiary organisation/association.
		• Control: takes place in different ways according to the specific features of the individual projects.

1   In this chapter, only those products/services provided at no charge are reported, while those which, although they have a significant impact on the community, are provided for payment, are included in the § Customer chapter.
2   The guidelines for voluntary contributions to the community are available on the telecomitalia.com, website, sustainability section, under codes and policies, environmental and social policies.

RELEVANT STAKEHOLDERS

In the projects they implement with Communities, the Group companies interact with:

• civil society: all citizens and people with special needs (young people, elderly people, disabled people, etc.), their representative associations and non-profit organisations in general;

• institutions: local authorities and central, national and supranational institutions;

• university and research institutions;

• traditional media and social media.

RELATIONS WITH LOCAL COMMUNITIES

[G4-DMA Local Communities] Telecom Italia undertakes on a daily basis to ensure that its relations with public administration and local government bodies are lasting and satisfactory, in the belief that this is the only way to create the conditions for both parties to grow, allowing local authorities to improve the quality of life of their citizens and Telecom Italia to achieve its business objectives. In order to achieve this, Telecom Italia prioritises respect for the rights of local communities in its operations and offers to provide solutions suited to the needs expressed by local authorities on issues related to communication technologies, identifying requirements that arise spontaneously and informing local authorities about technological innovations that can improve quality of life.

Telecom Italia has a central department entirely dedicated to managing relations with local authorities which, amongst other things, coordinates relations between local offices and local authorities, particularly through the "local accounts". Furthermore, working with other relevant sectors in dealing with specific issues, this central department

- determines the criteria used to select the local authorities with which to establish relations, and the ways in which these relations are to be managed assesses
- the risks and opportunities arising from such relations
- establishes priorities
- contributes to drawing up agreements with local authorities
- listens systematically to all requests and reports from local authorities and directs them correctly to the relevant departments within Telecom Italia
- organises listening sessions and information meetings
- supports the other departments of Telecom Italia if they need to implement a project that has a local impact
- organises sessions with Local Accounts to share information about relevant matters
- performs a facilitating role for the implementation of projects.

As the primary mission of Telecom Italia is to supply ICT services, specific attention is paid to organisations that are involved in these services, in particular those dealing with:

- upgrading and developing networks
- improving public ICT services
- broadband coverage
- digital inclusion of a social type
- implementing the Digital Agenda

Joint projects between Telecom Italia and local authorities are managed in a way that specifies the roles and duties of each party, formal control mechanisms and measurement tools. Telecom

Italia promotes the formation of joint control committees, i.e. committees formed of representatives of all the parties involved. The composition and objectives of the committees are determined according to the specific requirements of the project and provide for the presence of stakeholders without any kind of discrimination, in particular without gender discrimination.

In full compliance with the principles of transparency and accountability, Telecom Italia responds flexibly to requests, regardless of how they are received.

[G4-SO1] Given the ubiquity of its network, Telecom Italia Group has relations with local authorities across the country, wherever it operates, and always assesses the impacts of its operations and development plans, regardless of the type of intervention, which in any case is always carried out in full compliance with current legislation and with the needs of local communities.

[G4-SO2] The potential negative impacts arising exclusively from excavations for installing cable ducts or positioning radio base stations, are mitigated through the use of low environmental impact technologies, such as mini-trenches, and thanks to prior agreements with local authorities, e.g. regarding aerial installation sites. In Brazil institutions in charge of environmental safeguard are regularly consulted in order to settle Radio Base Station location.

HOW THE CONTRIBUTION TO THE COMMUNITY IS MEASURED

The contribution made to the community by the Telecom Italia Group, calculated according to the London Benchmarking Group (LBG) guidelines, amounted to 22.5 million euros in 2014.
The contribution has been calculated using management data partly based on estimates.

More than 150 major international companies subscribe to the LBG, which was founded in 1994 and is the global gold standard for the classification of voluntary contributions made by companies in favour of the community.

In accordance with the LBG model, in order to measure and represent the Group's commitment to the community, the contributions disbursed have been subdivided into three categories (Charity, Investments in the community, Initiatives in the community), adopting the customary pyramid-shaped representation, which places initiatives of a charitable nature at the top and initiatives which in addition to being of benefit to the community are in the commercial interest of the Company at the bottom. For further information regarding the LBG model and its investment classification criteria on the 3 levels, see the sustainability section of the telecomitalia.com website and the lbg-online.net website.

LBG DIAGRAM   22.5 million euros
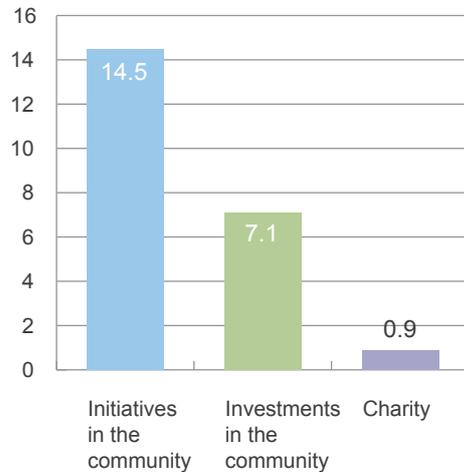
PERCENTAGE DISTRIBUTION OF THE TELECOM ITALIA GROUP'S CONTRIBUTION TO THE COMMUNITY

65%	31%	4%
Initiatives in the community	Investments in the community	Charity
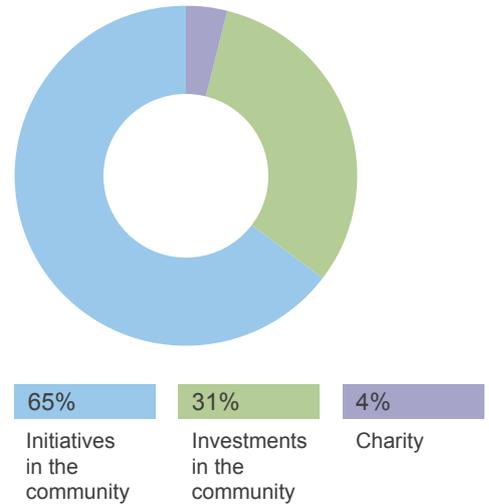
RESPONSES TO THE STAKEHOLDERS

INITIATIVES CONSISTENT WITH THE CORE BUSINESS

By way of example, here are some of the projects carried out in 2014 in response to the needs of the Community using the technologies that underlie the provision of services by Telecom Italia.

Fund raising

Fund raising is of particular importance, especially in dealing with emergencies. For over ten years, Telecom Italia has been a key player in the solidarity chain associated with humanitarian, scientific or environmental projects which it supports by allowing people to make a donation of 1 or 2 euros by sending a text message and of 2, 5 or 10 euros by calling a dedicated free number from a land line.

The money raised are passed on in its entirety, without any deductions, either by the tax authorities, who, thanks to an awareness campaign mounted by TLC companies and non-profit organisations, have exempted such operations from the application of VAT, nor by the company for the disbursement of its costs.

On November 25, 2014, Telecom Italia and the main telecommunications operators, MVNOs, broadcasters and national networks, signed up to the Memorandum of Understanding with the Department of Civil Protection. The memorandum establishes a procedure for the immediate implementation and prompt dissemination of donation telephone numbers to raise funds for people affected by natural disasters.

121 fund raising events were organised in 2014 and a total of over 21 million euros were collected.[1] These include 3.6 million euros donated to support people affected by floods in Sardinia and the earthquake in the Philippines.

Social Responsibility Projects

Telecom Italia has launched a programme with the dual purpose of improving the competitive position of the Company and contributing to the economic, environmental, social and cultural development of the communities in which it operates, actively involving various different stakeholders. The projects run in 2014 focused on three areas of activity: digital culture, social innovation and environmental protection. The common denominator of all the initiatives is the establishment of participatory, equitable and stable relationships and replicable intervention models both inside and outside the company.

Digital Culture

Telecom Italia has for a long time developed and supported digital education projects aimed at showing young people how to make an informed use of the Internet. During 2014, the Group worked with the Postal and Communication Police to implement the "Una vita da social" initiative, a road show designed to educate people regarding legality on the Internet, presenting students, families and visitors with the main pitfalls of the Web and in particular the risks children face when browsing the Internet, dealing with highly topical issues, including cyberbullying and online grooming. A bus specially fitted with multimedia technologies travelled over 9,000 km from northern to southern Italy, on a tour that stopped off in 40 cities. The initiative attracted over 400,000 students in schools and 100,000 in city squares, 8,000 teachers and 15,000 parents. The project's Facebook page received an equally high number of likes, with over 18,000 supporters.

In the field of digital culture, Telecom Italia also runs projects aimed at bringing high quality cultural content and digital languages together, making the most of the interaction opportunities offered by the Web. These include:

• the PappanoinWeb project, established as part of the partnership with the National Academy of Saint Cecilia, conceived for the purpose of bringing classical music to the Web and in its fourth year as of 2014. Over the four years of the programme, the concerts offered have been watched by over 150,000 users in streaming on telecomitalia.com, particularly thanks to the listening guides, exclusive interviews and the opportunities to interact with an expert musicologist at the Academy during direct broadcasts. A big open air rehearsal also allowed around 2,000 employees of Telecom Italia to experience the excitement backstage, with the protagonists, and to view the real difficulties of a high level musical performance;

---

1 The amount collected is not directly attributable to the campaigns run in the calendar year due to the time lag between invoicing and payment.

- the Eutopia webzine, originating from the partnership between Telecom Italia and Editori Laterza, which fulfils the aim of drawing the public, particularly the young, into the debate about the prospects for a new European model of society;

- the partnership with Scuola Holden of Turin, founded by Alessandro Baricco, which aims to experiment with new ways of teaching and sharing ideas, knowledge, creativity through digital technology. The Web becomes a vehicle to allow the public to participate in master classes and special events happening in the School. The collaboration has allowed a pioneering multimedia laboratory and original dissemination projects to be set up, including the #wehaveadream social writing experiment.

Social Innovation

At the end of 2014, the withyouwedo fundraising platform was launched to receive requests for donations from public and private entities intending to implement projects in the fields of social innovation, environmental protection and digital culture. In addition to providing the technological and communication support of the platform (withyouwedo.telecomitalia.com), Telecom Italia undertakes to make a 25% contribution (up to a maximum of 10,000 euros) to fund 9 projects.

Also renewed was the partnership with the Genoa Festival of Science, which promotes scientific culture internationally. Through the ScienzainWeb project, Telecom Italia provides the Festival with its technological and communication expertise in order to share cultural content with a bigger audience on the Web. The 2014 event, dedicated to Time, attracted over 200,000 visitors in person and around 20,000 users connected in streaming, live and on demand, on telecomitalia.com. New branched networks, collaboration models and sharing of values and objectives are the cornerstones for the development of social innovation. This is the context in which the Sustainable City partnership was born: a special project set up as part of the Economondo event in Rimini, which recreates an ideal city in which it is possible to come face-to-face with the models and factors that influence quality of life. Telecom Italia has launched EcomondoinWeb: a selection of streamed events allowing people to connect, even remotely, to the Città delle Reti Intelligenti (city of smart networks). The 2014 event attracted over 100,000 visitors in person and thousands of users connected in streaming, live and on demand, on telecomitalia.com.

In 2014, Telecom Italia became a Founding Member of the Digital Champions Association, set up in Italy following the establishment of the office of Digital Champion in the European Union. Digital Champions are appointed by each Member State to promote the benefits of an inclusive digital society and have three aims:

- they must act as a kind of help desk for public administrators on digital matters

- they must defend citizens where broadband access, Wi-Fi and other rights are denied

- they must promote digital literacy projects for everyone from children to their grandparents, by fund raising if necessary.

The association aims to appoint a digital champion in each Italian municipality. Telecom Italia's involvement is a demonstration of Telecom Italia's commitment to supporting digital inclusion.

Environmental Protection

The IORiciclo (I Recycle) initiative makes it easier to return old telecommunications appliances, offering a discount on the purchase of new appliances in TIM stores. Promoting the shared values involved, in addition to the environmental benefits, the initiative aims to increase visitors to the over 1,200 stores already included in the TIM Valuta[2] collection network and to extend the collection service to around 2,000 stores.

INITIATIVES FOR GENERAL COMMUNITY DEVELOPMENT

Telecom Italia Group companies are particularly attentive to the needs of the Community in which they operate and implement wide-ranging initiatives and projects dedicated to their social and economic development.

---

2   With TIMValuta you can have your mobile phone, smart phone or tablet valued without obligation at any TIM store participating in the initiative and immediately receive a discount to use as you prefer: to buy a new mobile phone, smart phone, tablet, dongle, Internet Pack or to top up your TIM phone. The initiative could be combined with IoRiciclo.

FONDAZIONE TELECOM ITALIA

The mission of the Fondazione Telecom Italia (FTI) is to promote the culture of digital change and innovation, promoting integration, communication, economic and social growth. FTI can operate, in Italy and abroad, by the methods and with the tools that are considered appropriate in each case for it to achieve its statutory purposes.

In accordance with this mission, three areas of intervention have been identified:

• Education: innovation in teaching and education, promoting initiatives aimed at updating the technology in Italian schools and introducing radical innovations in educational methods and tools.

• Innovation culture: becoming a reference point for innovation culture through an annual international conference, two university lectures and research publications on topics related to business and the history of innovation.

• Social empowerment: promoting the processes of change taking place in society through new technologies for social enterprises, to help them "do good well".

The Foundation's activities take place according to the following criteria.

TOOLS	STRATEGIC OBJECTIVES	PROJECT SELECTION AND MONITORING
• FTI operates by means of disbursements, the criteria and procedures for which are established by the Board of Directors, pursuing its goals by allocating contributions to projects proposed by third party individuals and non-profit-making institutions that fulfil the requirements set by the Board of Directors. In specific areas of its operations, the FTI can act directly as the operator and therefore manage the projects themselves	• FTI works to disseminate a culture of innovation, in order to promote solidarity and civil, cultural and economic development. FTI, which operates free of discrimination based on nationality, race or religion, intends institutionally to pursue the definition, implementation and promotion of initiatives and projects, operating in the following sectors in particular: - support for vulnerable or otherwise disadvantaged people; - education, training and scientific, economic and legal research; - protection, conservation and enhancement of historical and artistic heritage.	• Selection takes place by considering the social impact of projects, which must be measurable, sustainable and replicable, and giving priority to projects which, in keeping with Telecom Italia's DNA, have a high technological content. • The monitoring system is established according to the specific characteristics and objectives of each project. Monitoring is a requirement for all projects, whether selected by tender or directly. As well as being an eligibility requirement, it also provides an assessment parameter.

Open Call on communication impairments

With an open call, FTI decided to focus on language disorders, which account epidemiologically for over 70% of neuropsychiatric conditions in children and which the World Health Organization says are a warning bell for mental health, considering that in 2/3 of cases they tend to develop into psychiatric disorders in adolescence and adulthood unless dealt with appropriately. 205 projects were received and out of these 3 winners were selected.

Volis Project

Hearing loss affects 70,000 people in Italy. The Volis project aims to develop Italian sign language (LIS) and verbal language comprehension tests with the help of lip reading and all the available language techniques that can be used with deaf or hearing children with communication or language impairments associated with developmental disorders, such as intellectual disabilities and autistic spectrum disorders. These tests will be implemented on an online platform accessible to all the professionals involved (communication assistants, educators, teachers, speech therapists, psychologists, child neuropsychiatrists), subject to registration and authentication. The cloud-based platform will record the answers given by the child being tested, producing an output that will be related to the relevant medical history. This will allow the level of understanding of sign language by the child to be determined and any clinical treatment proposals to be made. Furthermore, the protocol created will be made available in OpenAPI mode.

SI DO RE MI Project

Autism affects 1 in 150 children in Italy. There are over 6.2 million children currently between the ages of 1 and 12 years old. The number of children interested by the project is therefore estimated to be around 42,000. The project provides for the development of a system that uses cloud computing to control sound and music generated by the gestures of children affected by autism. The acoustic feedback thus created is intended to emphasise and stimulate interaction with the surrounding world. The data related to children interacting with the system is monitored remotely by specialists to analyse trends in the disorder.

Cinque Petali (Five Petals) Project

Cinque Petali, a project run by the Piacenza local health authority, is dedicated to children with language/learning disorders. It aims to strengthen the technological tools available to support rehabilitation and develop preventive action for children, with a view to reducing the occurrence of forms of behaviour during development that can develop into psychiatric disorders. The Piacenza local health authority intends to support all the children in its care who are affected by serious communication impairment with a diagnosis of developmental disorders. The project intends to supply 11 iPads equipped with the main compensatory computer programs (which children will use at school, at home and in their leisure time) with individual and customised paths aimed at ensuring independent communication, integration and interaction for socialising with their peers,

networking and constant monitoring of the child by the healthcare system.

Tenders launched by the Foundation

Invisible assets, places and mastery of traditional crafts

2013 saw the end of a tendering process in which the "invisible assets" of historic and artistic heritage were associated with the recovery and reassessment of ancient crafts. The tendering process aims to demonstrate that creative spirit is alive in Italy and makes the country unique. This spirit can be combined with the enabling technologies of the web and digital connections, which are a vital component of the tender, as they provide a driving force for Italian culture and economy as a whole, promoting the tendered project both in Italy and abroad.

The tender process attracted great interest among non-profit-making organisations, municipalities and universities.

Projects received: 478 - Towns interested: 272 - Crafts involved: 168 . In 2014, the projects underwent a careful selection process: the criteria used to choose from among the proposals received are originality, degree of replicability, extent of interaction with the local community and future self-sustainability, as well as the use of innovative technologies. The following 8 projects were selected at the end of the assessment process:

• Fondazione Genti d'Abruzzo, Pescara (TessArt'è Project)

• Scuola Superiore Sant'Anna, Pisa (AMica Project. Immersive Virtual Environments for Communicating Handicraft Skills)

• Municipality of Vigevano (Shoe Style Lab Project - History and innovation in footwear in Vigevano)

• Fondazione Valle Delle Cartiere, Toscolano Maderno (Brescia) (Toscolano 1381 Project - A paper, a history, a future)

• Istituto Suor Orsola Benincasa, Naples (Art in Light Project)

• Arci Genova, Municipality of Genoa, Auser Genova and Liguria (Staglieno Factory Project)

• Associazione Clac, Palermo (Crezi Food Kit Project)

• Cooperativa Sociale Centro di Lavoro San Giovanni Calabria, Verona (Digital technology to relaunch black art Project)

Promoting the integration of foreign citizens

In 2013 FTI launched a tender process for "Promoting the integration of foreign citizens by using technological platforms". The purpose of this tender is to help towns with a resident population of over 50,000 inhabitants, where at least 9% of the population are foreign, to improve knowledge of the services available for foreign users, guiding users and operators and making it easier for them to use the available services by creating portals, communication points in the main meeting places and specific free apps.

Projects received: 25 out of 56 municipalities eligible - Regions involved out of the number eligible to take part: 9 out of 11.

AgendaImpegno

For the third year running, FTI and Telecom Italia have been working with "Libera Associazione contro le Mafie", an association founded by Father Luigi Ciotti, on a new project that aims to encourage action, contributions and discussions on important issues ranging from respect for the Italian Constitution to the right to work, from environmental protection to the fight against poverty, from respect for women to combating bullying. This all takes place through a dedicated space on the Internet. The contributions were often enriched by interviews with influential people.

Initiatives involving employees

FTI is also very careful to look within the Company with initiatives that promote the volunteering spirit of its employees actively engaged in social work with non-profit organisations.

In 2014, FTI also confirmed a corporate volunteering initiative that will be launched in 2015 involving many employee "angels" from all over Italy who passionately and enthusiastically support FTI in its philanthropic activities.

For further information regarding the strategy and projects of FTI go to the fondazionetelecomitalia.it website.

TIM PARTICIPAÇÕES

The social investment strategy implemented by Tim Participações aims to promote the social inclusion of disadvantaged groups in Brazilian society, particularly children and teenagers, by running education programmes that support the corporate "without borders" concept even in the social sphere.

In 2013, the TIM Institute was founded with the aim of defining strategies and providing resources for the dissemination of science and innovation to support the development of the community in Brazil, particularly by means of mobile technology.

Four areas of activity were identified in which to develop projects:

- education/teaching;
- application;
- work;
- social inclusion.

TOOLS	STRATEGIC OBJECTIVES	PROJECT SELECTION AND MONITORING
• Partnerships with organisations, institutions and public and private entities.	• Implementation of educational projects for the social inclusion of young people and teenagers. • Implementation of training projects to encourage daily use of the Internet and mobile phones as tools for social development and inclusion.	• Projects are selected according to their relevance to the company's strategies and requirements. • Initiatives are monitored and a final evaluation is carried out on completion. A report is drawn up for each project that provides a detailed description of the initiative and the results achieved, also in quantitative terms.

Maths Club

The poor quality of maths teaching is a serious obstacle to people acquiring the specific skills needed for innovative and technological development in Brazil. In order to overcome this, a creative and participatory way of teaching maths conceived by Bob and Ellen Kaplan at Harvard University has been set up called "Maths Club". Aimed at children in elementary school between the ages of 7 and 9, the initiative involved about 7,000 students in 2014. 200 selected public school teachers from across the country were trained by Bob and Ellen Kaplan themselves in how to replicate the Maths Club model in their classrooms.

Science without borders

The project was launched in 2011 by the federal government to promote exchanges of Brazilian students and researchers with foreign universities. The aim is to develop the knowledge, innovation and competitiveness of Brazil in the field of science and technology. The TIM Institute invests in this programme through an agreement with the National Council for Technological and Scientific Development (CNPq), an agency linked to the Ministry of Science and Technology (MCT), and the Foundation for the Improvement of Higher Education Conditions (Capes), a public foundation based at the Ministry of Education (MEC). From the beginning of the programme to the end of 2014, over 44,000 scholarships were paid out, which will have increased to over 100,000 by the end of 2015.

For further information about the community support projects run by Tim Participações visit the tim.com.br website, Sustainability section, under Community.

RESEARCH AND DEVELOPMENT

Research and development activities at Telecom Italia are carried out by the Information Technology, Engineering & TILab, Innovation & Industry Relations departments, which oversee the analysis of new technologies and the engineering of services offered to customers.

Also particularly important are the research laboratories and business incubators.
TIM #WCAP is Telecom Italia's open innovation structure that provides support and resources for ideas and projects that contribute to the future of entrepreneurship.

Since it was launched in 2009, TIM #WCAP has brought together over 7,000 projects, supported 220 start-ups and disbursed 4.5 million euros, and 21 start-ups have become suppliers to Telecom Italia, thus making a strong contribution to the whole digital economy supply chain.

Since 2013, TIM #WCAP has had 4 accelerators in the nerve centres of Italian digital innovation: Milan, Bologna, Rome and Catania. A total area of over 3,000 sq.m. providing start-ups with

dedicated spaces to accelerate their development and the technical resources and infrastructure needed for them to grow and launch onto the market.

The 2014 programme ended with 1,600 participants, 1,300 completed projects, including 67 international applications, the award of 41 business grants worth 25,000 euros each and access to the acceleration path in the 4 acceleration centres. During the course of the year, the TIM #WCAP programme was boosted by a major innovation: the new reward-based crowdfunding platform, on which projects and businesses can receive funding from the community.

RELEVANT STAKEHOLDERS

The relevant stakeholders for research and development are:
- the areas of the company involved (e.g. Marketing and Purchasing);
- the suppliers, for the joint development of solutions in accordance with the technical requirements of Telecom Italia;
- Research centres and universities, for cooperation and joint projects. 29 new cooperation agreements with Italian universities were launched in 2014 on research topics relating to new technologies, coding algorithms, new communication services and paradigms; the standardisation bodies and forums (including NGMN, OpenIPTV Forum, OMA, 3GPP, ETSI, TM Forum, W3C, ITU-T) in which Telecom Italia is actively involved;
- the Ministries (Ministry for Economic Development and Ministry of Education, Universities and Research), the European Union and public authorities (e.g. CNR and local authorities) for projects funded through participation in competitive tenders, and partnership initiatives;
- non-governmental organisations, associations, alliances and industry forums (e.g. GSMA, m-health) which bring together all the entities involved in the value chain of the specific market;
- international research and development organisations (e.g. EURESCOM and Joint Technology Initiative).

RELEVANT ISSUES

The themes on which projects are developed are identified on the basis of the Three-Year Technological Plan, the reference document for the Group, which provides guidelines for the evolution of the network, platform and services.

Published annually, following a wide-ranging process involving all the areas of the company involved, the Plan identifies the main external factors (regulations, standards, vendors, other market operators) that may influence the company's strategies and highlights the emerging and cross-cutting technologies in other sectors that may be of interest to the Group.

Projects and initiatives in this field can be divided into 4 macro-areas:
- New generation networks
- Future Internet applications

- Positive environmental impacts
- Positive social impacts

New generation network projects

- Telephone app: "Home and office cordless" for Wi-Fi voice calls via FIBRE and ADSL Modem, including functions such as access to the contacts directory integrated with the original one of the device, viewing of recent landline calls (received, made, missed) and access to supplementary services and voice mail.

- The 187 app has been boosted by new functions intended to speed up the provision of technical and sales support to customers.

- Light Cabling: as part of the "SKY via Telecom Italia" project, allowing the SKY video decoder to be connected with the Telecom Italia Fibre modem, a non-invasive cabling solution has been identified that can be used when neither traditional cabling nor a Wi-Fi connection are feasible.

- Access Gateway (modem/router) for ADSL and Fibre services: in particular some Wi-Fi ADSL and Fibre Modems have undergone technological improvements and extensions of their functions with particular attention paid to privacy issues.

- TIM Vision has also benefited from the introduction of telemetry, to monitor quality of service, and a new design with an optimised user interface.

- During the year, a commercial trial was launched for the sale of a smart home service associated with the purchase of a monitoring/video surveillance kit that uses proprietary technologies for both the application software and the connectivity with the sensors.

- As part of the activities done to support Open Access engineers, Augmented Reality apps were developed to guide installation/maintenance activities on the new generation network. The "PermutO" app for Android was devised and distributed to engineers to assist anyone required to carry out a replacement in an exchange to do his work correctly, with simple, clear and always available instructions.

- An activity is under way to develop the so-called "Capillary Networks", which are a new segment of the multi-service access network for meters and sensors in the world of the IoT[3], integrated with fixed and mobile network assets and with the engineering, design, planning and management processes of Telecom Italia. The Capillary Networks are the first concrete element for the development of Smart Urban Infrastructures, the enabling platforms for the development of new services characterising the Smart Cities of the near future.

- With regard to the mobile access network, the necessary simulation and experimental activities were completed in 2014 to introduce the Carrier Aggregation service, allowing the introduction of Advanced LTE[4] in the Telecom Italia 4G network. For the first time in Italy, this allowed customers to experiment on a live network the potential of developments in the 4G mobile network, demonstrating a connection speed "in the field" of up to 180 Mb per second.

---

3   IoT: Internet of Things.
4   Long Term Evolution, also known as G4, is an advanced, high speed mobile telephony standard.

Marketed under the 4G+ brand, the service became commercially available in 60 cities at the end of 2014. The launch of Advanced LTE based services is a stage in the process undertaken by Telecom Italia to develop the new 4G LTE network in which TIM is a leader thanks to its coverage of over 2,500 towns and cities, accounting for 74% of the Italian population.

Future Internet application projects

Proximity technology services that make life easier for users

- The TIM Wallet Consumer/Business service allows physical wallets to be replaced by virtual ones on mobile phones using NFC technology[5]. Purchases are made or access is gained to sites by placing the phone close to a reader, such as a POS or turnstile. Already tested by Telecom Italia employees, the application has been marketed under the TIM Wallet brand. In particular, Mediolanum payment cards and a co-branded TIM SmartPAY card as a collaboration between Telecom Italia, VISA and Intesa Sanpaolo have been launched, plus the Badge app for access to company offices. In some cities, the app also allows bus tickets to be purchased with you phone credit. Other cards from other banks will be available in future. Furthermore, virtual coupons available to spend at commercial retailers have been tested on a group of employees.

Smart applications for the Internet of the future

- Telecom Italia is actively involved in creating the Future Internet platform (FI-WARE) and ser-vices, also through cooperation projects funded by the European Union (Future Internet Public Private Partnership - FI-PPP), to enable and support customers in creating and using services based on advanced Internet technologies. Telecom Italia is also promoting these technologies through the involvement of smart cities which, as ideal users of the experimental FI-WARE (FI-Lab) environment, can make their data available in an open format and promote the devel-opment of services and applications for the benefit of citizens. In this respect, a demonstration app has been created with partners connected to the city of Turin (Polytechnic of Turin, Torino Wireless) to produce textual and graphic information on the degree of safety perceived by citizens based on non-emergency reports made to the city's police. An interactive graphic test questionnaire was given to citizens during the event entitled "La notte dei ricercatori" [Night of the Researchers] on September 26.

- Telecom Italia has directed the end-to-end design and implementation of mobile solutions for EXPO 2015 with a smart city app prototype for Expo 2015 and an app for the "Padiglione Ita-lia" (the Italian Pavilion). The smart city app supplies information, services and entertainment during the event, regarding the participating countries, the city and the country, the partners and players involved. The purpose is to establish an ongoing relationship with the visitor, using LTE mobile broadband connectivity. The Padiglione Italia app allows the use of information and multimedia content and enables an innovative "virtual tour" mode. It is currently being used to

---

5   Near Field Communication: a technology that supplies short range bi-directional wireless connectivity (up to a maximum of 10 cm).

show what Padiglione Italia will look like - starting with a model - and in 2015 it will be used by visitors to the actual pavilion that will house the exhibition. Both apps are leveraging innovative technologies created by Telecom Italia in the field of augmented reality and visual searching.

- Following the launch of the Android version at the end of 2013, the iPhone and iPad version of FriendTV is now available in the app store. FriendTV is a guide for the main television channels, strongly integrated with social media, which allows users to participate in real time in the most highly commented programmes on the Web. The app was designed and developed as part of the SocialTV project, which aims to leverage the spread of "second screen" services and real time interactivity conveyed through social media.

- Telecom Italia has contributed to developing the new ISO/IEC MPEG "Compact Descriptors for Visual Search" international standard and holds four of the patents in the regulatory and informative part of the new standard. The visual search technology was implemented on the Duser server and on the build.it framework, allowing cloud services to be requested. MPEG CDVS was also implemented on mobile devices using GPU to speed up image and video analysis by ensuring a high degree of parallelisation of calculations. These technologies are used by mobile apps to allow information on the image framed by the photo camera to be obtained without the help of codes. They are also the basis of Visual Intelligence, the extraction of information from multimedia content, which constitutes the great majority of data sent via the Internet.

- Building on its collaboration with RAI in broadcasting live interviews conducted on the 4G mobile network using the Smart Reporter product, and on dedicated web streaming events for business customers (LiveOnLTE), Telecom Italia is designing a Cloud platform, called Cloud Reporter, to allow consumer or business customers to create their own streaming videos live on the Web. This is a portal which will allow a Live video streaming channel to be set up independently and in a few steps to allow everyone to follow it using their web browser. Video content is produced very simply by smart phones or tablets or using consumer video cameras, webcams and a PC. Filming can take place on the move, making the most of the 4G mobile network. The service is also intended to create professional events using high end cameras and the Smart Reporter product (portable encoder carried in a backpack) developed from experiments conducted with RAI. The target market for the service is both Consumers and Small Businesses and enhances the offer of broadband connectivity from TIM (4G LTE) and Telecom Italia (ADLS and Fibre). In addition to providing a specific service, Cloud Reporter provides APIs (Application Programming Interfaces) for other services to be built that involve managing a video resource for the purpose of streaming via the Internet. These APIs are offered via the Build.it platform, which provides the building blocks for Cloud functions to be created. Cloud Reporter is also therefore an evolved Building Block which, by combining other Build.It components, offers a specific service logic for processing video files to be streamed via the Internet.

- TIM CheckApp is the free app that Telecom Italia provides for customers to understand and manage the apps on their smartphones, ensuring that a context that is not without its potential

pitfalls (in terms of security, privacy and usage, all critical aspects) is more accessible and understandable for all categories of customers. With TIM CheckApp, customers are made aware of the potential dangers of each app, in terms of privacy, and can view data usage (mobile and Wi-Fi) by each individual app on their device.

Development of big data solutions[6]

The Joint Open Lab Trentino SKIL (Semantics & Knowledge Innovation Lab) has developed the CitySensing big data platform which, using advanced data analysis technologies, processes the flow of data from the Telecom Italia mobile network and social networks to monitor urban phenomena, such as the possible pedestrianisation of areas, mobility, etc., during particular events. These technologies are currently used by Telecom Italia in many application contexts, including monitoring the flow of tourists, preferences regarding travel on public transport or support to public administration in urban planning activities.

Mobile Territorial Lab (MTL)[7] is the SKIL project for the processing of personal big data: the combined data that individuals generate via their smartphones and that transform people into local sensors, as theorised in the smart city models. MTL has developed advanced transparent personal data management technologies, including My Data Store, an example of personal data store which was one of the top reference cases at the World Economic Forum[8].

Working with local institutions in Trentino, SKIL is experimenting with advanced solutions for citizen services based on personal data, one example being the joint monitoring of air quality with the involvement of citizens using personal sensors.

One of the Open Innovation initiatives was the first Telecom Italia Big Data Challenge 2014[9], which brought together over 1,100 participants from around the world to discuss the creation of smart city projects using large amounts of geo-referenced data. A panel of judges consisting of representatives from academia, industry and the media assessed the best three projects: a method for predicting energy consumption based on mobile network traffic, a web application for classifying urban areas based on phone and other traffic, and a visualisation which shows the impact of vehicle traffic and the weather on levels of pollution in the city of Milan. Given the success and effectiveness of the initiative in promoting the Big Data topic internationally, Telecom Italia is now committed to organising another event in 2015.

Projects with positive environmental impacts

• The smart mobility innovation project continues with the development of application prototypes aimed at testing the solutions developed, focusing first of all on tests conducted with the

---

6 Definition coined by the Computer Community Consortium in 2008 for a set of diverse pieces of information that is so large and complex as to require capture, processing, management, analysis and display tools that differ from conventional ones.

7 www.mobileterritoriallab.eu.

8 http://www3.weforum.org/docs/WEF_IT_UnlockingValuePersonalData_CollectionUsage_Report_2013.pdf.

9 www.telecomitalia.com/bigdatachallenge.

participation of employees in Italy, with a view to then extending this to Brazil. In particular, a prototype ride sharing and multimodal transport app for commuting, smart parking solutions and company care management, with the aim of optimising and reducing the flow of vehicles, are being developed.

- In the field of Internet of Things (IoT) applications, 2014 was the year in which gas metering was launched for domestic meters (over 20 million), a field in which Telecom Italia is able to supply network and management solutions. Telecom Italia also participated in a tender launched by AEEG[10] Electricity, Gas and Water System Authority, which it won with IREN, for multi-service trials aimed at extending the use of gas metering networks to other metering and smart city services. Testing and assessment campaigns have been launched on new generation IoT networks for services with low transmission speed requirements, high coverage and extremely low cost and consumption.

- Telecom Italia is the coordinator of the INTrEPID "INTelligent systems for Energy Prosumer buildings at District level" project, a pilot project for which was launched with the involvement of various users in Italy and Denmark. The pilot project provides for the use of remotely controlled Wi-Fi fridges, a series of energy monitoring sensors available for various technologies and the use of an IoT platform and business intelligence modules to generate suggestions for users, aimed at saving energy. The project is being carried out with external Partners including ENEL Ingegneria e Ricerca, Honeywell and RSE (Ricerca sul sistema energetico).

- Telecom Italia, Enel Distribuzione and Indesit Company conducted an experiment with various users to verify the environmental benefits of improving the end customer's awareness of electricity consumption. Customers were supplied with a prototype web app and electricity metering devices, including a device for communicating directly with the Enel electricity meter. During the testing period of around twelve months – thanks to the active involvement of users through appropriate feedback and newsletters - an average reduction in consumption of around 9% was recorded which, nationally, would allow residential consumption to be reduced by 5.6 TWh, leading to a fall in CO_2 emissions of around 3 million tonnes.

- Working with partners in the Energy@home Association and the i3P Incubator of the Polytechnic of Turin, Telecom Italia organised a Hackathon at the end of November on the topic of the Smart Home: a competition for business ideas and fast prototyping involving 115 people, including Italian start-ups, university students and young researchers. Over a weekend, participants created prototypes of their ideas, integrating pre-commercial products from Energy@home companies: the Enel electronic meter, Indesit's connected household appliances, Telecom Italia's broadband gateway and home automation devices. The winning project was Hiris, developed by 3 Italian start-ups: thanks to a wearable device connected to the home network, like a watch or a bracelet, which reacts to a series of preset movements, Hiris allows objects which are themselves connected to the network to be remotely controlled, meaning

---

10 Electricity, Gas and Water System Authority.

that shutters can be raised with a single gesture, the temperature of the home thermostat can be changed or lights can be switched on and off.

- Experiments have been launched at the Telecom Italia Data Centre in Rozzano where service robotics are applied to environmental monitoring to save energy and prevent potentially anomalous heat situations known as hot spots.

Projects with positive social impacts

- The guiding principle behind the "Robot a corte" project is to develop an online cultural heritage enhancement model in which the asset becomes a real catalyst to attract public interest in the heritage of a particular area. This is done by training and professionalising the operators (tour guides and entertainers). The first robotics experiment has been launched at the Racconigi Castle where, thanks to the "Virgil" robot, visitors can view areas that are not currently open to tourists.

- The digital island innovation project is continuing on two fronts: by setting up an internal prototype within Telecom Italia, for the purpose of creating an open platform for testing smart city services, and through the project funded by Smart Metro Quadro. In particular, a public workshop was organised, with the involvement of the city of Turin, for the purpose of determining the best scenarios for the use of digital islands.

- Collaboration was consolidated with the eco-design department of the faculty of architecture of the Polytechnic of Turin with the aim of promoting a systemic approach to designing solutions, even in research projects, so that all the relevant elements are taken into account (materials, processes, lifecycle of the solution), including the impact on the ecosystem.

- The innovative LIVEonLTE has been set up to test the new TIM 4G network as a means to send live video, with no satellite link or radio bridges, using a simple smartphone. LIVEonLTE continues as LIVEon4G, an official TIM channel.

- Telecom Italia and Anonima Fumetti, working with the Accademia Albertina di Belle Arti in Turin, are bringing comics to the Web with UltraMe, an innovative publishing project that integrates the creativity of young artists and professionals in the field with the advanced multimedia technologies developed by Telecom Italia.

- In the Telecom Italia Joint Open Lab S-Cube "Smart Social Spaces" new technologies and services are being tested for future smart spaces, where Internet technologies, proximity wireless connections (Bluetooth Low Energy, Wi-Fi Direct, LTE-Direct) and smart and wearable objects (smart screens, smart glasses, smart watches, etc.) are being studied and used to create new ways of interacting and communicating between people, objects and physical spaces themselves. These technologies will allow users to make immediate use of strongly personalised and contextualised services and information, making it easier for citizens to participate in the creation of smart cities, and will enable new forms of communication mediated by physical spaces. During events, such as Expo 2015, smart communication between visitors, citizens and organisers will be a key element for the success of the event itself.

Commitment to Ambient Assisted Living (AAL) with European projects and field tests

- In the field of health, development of the Fisio@Home application continued for the remote rehabilitation of patients affected by orthopaedic problems. Working with JOL WHITE, which perfected the Android app and developed the respective data collection platform, each patient's work plan can now be determined, checking performance and communicating with the patient by messaging and video calls.

- Vrehab, the monitoring and telerehabilitation¬ system for patients with Parkinson's disease ¬developed with CNR-IEIIT in Turin, the University of Parma and the Italian Auxology Institue of Verbania, has entered the validation phase. The system allows the patient's state of health to be validated by analysing the movements of the upper and lower limbs. Patients who took part in the trial are members of the Amici Parkinson Piemonte Association (AAPP) and the tests were conducted at the offices of the Association with around 80 people. With the support of the Association, a trial is being organised in patients' homes.

- Telecom Italia is also focused on the world of the elderly. The aim of the European WIDER (green groWing SMEs: The Innovation and Development in the energy sector in mEd aRea) project is intended to achieve better management and sharing of knowledge for small and medium sized companies on the subject of ecosmart dwellings for the elderly. Telecom Italia is part of the scientific committee and contributes to guiding technical and technological activities

- Using Cassiel 2.0, remote assistance is provided to elderly people, monitoring them and receiving alarm signals in cases of emergency. The data collected by sensors located in dwellings are processed to perform behavioural analyses with a view to improving quality of life. The complete solution also supports video calling and a reminder service called RicordaTI to monitor all kinds of events that must not be forgotten, such as drug therapies. With the involvement of pharmacies in entering dosages on the system, and using a simple tablet app, the system also becomes usable by people with mild cognitive impairments.

- WebSensor is a prototype for remote monitoring of progress in Parkinson's disease developed with the support of neurologists. A set of sensors worn on the feet and hands monitors the exercises performed by the patient and sends the respective data to a platform that processes them and supplies parameters that can be used to assess the status of the disease.

- A prototype called PAPI has been developed for the remote rehabilitation of patients affected by slight cognitive function deficits. The system provides a kit of interactive games for Android tablets, designed with neurologists to simulate the patient's various cognitive functions. The games communicate with a remote server to send data relating to the patient's performance and to download the game settings. The games are being tested on 30 people over 65 in the area of Pisa, working with NeuroCare in Cascina (Pisa).

- Phaser is a project funded by EIT ICT Labs to prevent cardiovascular diseases. The consortium includes Philips, which provides a special sensorised watch to detect the quality of sleep, the heart beat and an estimate of stress levels. The system works out a cardiovascular risk index with a series of associated suggestions and an indication of the stress level, taking a series

of static and dynamic parameters detected by the watch and by electromedical equipment as a basis. The first service prototype benefits from the advice given by the team of epidemiologists at Imperial College London and cardiologists at Scuola Superiore Sant'Anna, Pisa. To achieve the greater involvement of patients, the service is also delivered with gamification techniques, creating teams that challenge one another to achieve personalised objectives.

Solutions for "scuola 3.0" ("school 3.0")

- As part of the collaboration between Telecom Italia and the Regional Education Department of Piedmont, a training course was held for secondary school teachers to teach them how to use the platform to publish programs or "robotic apps" in a social environment involving support and discussion among the network of schools. This was a preparatory course for the launch of field tests with a school during the next school year.

- SOCIETY (SOCIal Ebook communiTY), the multidevice collaborative reading tool with which Telecom Italia supports young people affected by specific learning disabilities (SLD), was redesigned between 2013 and 2014 to make the experience of using the service generally simpler and more interactive. This was made possible thanks to the feedback from teachers and students during the trial taking place in schools across Italy and thanks to a number of interviews specifically conducted with students affected by SDL.

TELECOM ITALIA PEOPLE

The value of people as a business success factor

STRATEGY

In a competitive context, where business, technological and consumption models undergo continuous major transformations, the change necessary to successfully overcome the market challenges must include the valuation of people and the development of their professional skills.

The Group's People Strategy for the three-year period 2014-2016 is focused on the motivation and skills of people and the organisation underlying their working activities. The activities and processes involving staff, from management to training, from remuneration to organisation, have undergone a major rethink, involving numerous managers from all over the company. Thus nine inter-departmental working groups have been formed (the so-called "Workshops"), with people from the operating lines, from the other departments and associated companies, tasked with the goal of calibrating and modulating motivational, training and organisational processes and techniques.

Telecom Italia Workshops

1. NEW PROFESSIONAL DEVELOPMENT MODEL	2. NEW SKILL DEVELOPMENT PLAN	3. CONSTITUTION OF THE KNOWLEDGE HUB
To prepare paths for valuing people and allowing them to grow, renewing the career plans architecture	To identify and acquire new cutting-edge skills in terms of the market and technological evolutions	To direct the knowledge management processes and oversee the generation and dissemination of knowledge

4. DEVELOPMENT OF THE ORGANISATIONAL IDENTITY	5. DEVELOPMENT AND DISSEMINATION OF A PAYING FOR VALUE MODEL	6. IDENTIFICATION AND DISSEMINATION OF A PROCESS DESIGN AND FUNCTION MODEL
To identify the common traits of the organisational identity and promote values and actions hinged on increasing a sense of belonging, and renew the trust enjoyed by the company and its people	To prepare a model for measuring the work factor, based on the concept of value as the ratio of cost, productivity and quality	To map out the business processes and introduce a single method for design, planning and operation, through the identification of an international standard (E-TOM)

7. ACTIVATION OF A MANAGEMENT MODEL THAT CREATES VALUE FOR PEOPLE	8. DEVELOPMENT OF A TOTAL REWARDING MODEL	9. DEVELOPMENT OF A PERFORMANCE MANAGEMENT MODEL
To develop management responsibility models and a management aimed at valuing people and their skills, increasing levels of caring and motivation	To use all levers available, not just remuneration, to value merits and to recognise and satisfy the specific needs and motivations of people	To identify a new leadership and performance measurement model that appraises individual merits and the separate skills of all people of the Group

RELEVANT STAKEHOLDERS

The people who work in the Group are clearly the figures with the greatest interest in the success of their relationship with the Company and, with them, the trade union representatives. In the same way, the families of employees are significantly involved in this relationship and, to a lesser extent but in any case to an important degree, the communities within which the Telecom Italia people go about their daily lives. The Group's size also justifies a major involvement not only of the Public Institutions and Entities dealing with matters relating to the world of work, but also of the Government itself.

[G4-DMA Employment], [G4-DMA Labor/Management Relations], [G4-DMA Occupational Health and Safety], [G4-DMA Training and Education], [G4-DMA Diversity and Equal Opportunity], [G4-DMA Equal Remuneration for Women and Men], [G4-DMA Labor Practice Grievance Mechanisms]

MATERIAL ISSUES IN THIS CHAPTER

- *management of the workforce, generational renewal and promotion of talent;*
- *health and safety at work*

Relevant company policies: Code of Ethics and Charter of Values; Three-year People Strategy; Social Responsibility Policy on child labour, forced labour, health and safety, freedom of association and the right to collective bargaining, discrimination, disciplinary procedures, working hours and pay; Equal Opportunities Charter. In this context, the agreements reached with the trade union representatives and, in particular, the Collective Labour Agreements, are essential.

Effectiveness and monitoring: in order to monitor the effectiveness of processes and ensure the monitoring required by the numerous internal procedures and company-trade union committees, the Company uses some numerical KPIs. This chapter explains those relating to the structure and the evolution of the workforce, training, health and safety, remuneration, non-conformities and work-related reports. The KPIs for which the Company has established numerical targets have been given as an appendix to the report. More specifically, the training targets, and in particular those relating to training on health and safety, and accident-related targets, are listed.

TELECOM ITALIA PEOPLE: CONCISE FIGURES[1]

[G4-9] A summary of the numbers relating to the Group people can be seen in the table below:

(units)	31.12.2014	31.12.2013	Changes
Italy	52,878	53,152	(274)
Abroad	13,138	12,467	671
Total personnel on payroll	**66,016**	**65,619**	**397**
Agency contract workers	9	4	5
Total personnel	**66,025**	**65,623**	**402**
Non-current assets held for sale - abroad	16,420	16,575	(155)
Total	**82,445**	**82,198**	**247**

Excluding personnel concerned with non-current assets held for sale (Telecom Argentina Group) and supervised workers, the Group's workforce has increased by 397 units compared to 31 December 2013.

These changes are due to

- exit due to sale of the Olivetti I-Jet business unit (8 units);
- entry into the scope of consolidation of the company Rete A (12 people);
- net turnover (net of changes to scope) up by 393 units, as detailed below by individual Business Unit:

(units)	Recruited	Departed	Net change
Domestic	822	1,119	(297)
Brazil	5,216	4,515	701
Media and others	2	13	(11)
Turnover	**6,040**	**5,647**	**393**

The people in the Telecom Italia Group, net of "Non-current assets held for sale and temporary contract workers", can be broken down in various ways:

---

1 Unless otherwise stated, the data shown in the tables contained in the Telecom Italia People chapter relate to all the Telecom Italia Group companies (see Sustainability and Governance/Reporting).

**TELECOM ITALIA GROUP:
EMPLOYEE DISTRIBUTION
BY PROFESSIONAL CATEGORY**
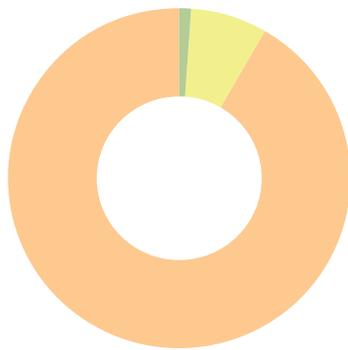
92%	7%	1%
Office staff	Middle managers	Senior managers

**TELECOM ITALIA GROUP:
EMPLOYEE DISTRIBUTION
BY ACADEMIC QUALIFICATION**
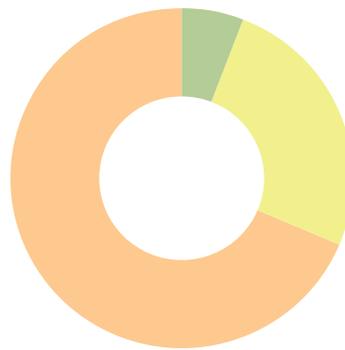
69%	25%	6%
Diplomas	Graduates	Other

Distribution of employees and new employees by geographic area

Distribution of Telecom Italia Group employees by geographical area

(units)	31.12.2014	31.12.2013	31.12.2012	Changes (14/13)
Italy	52,878	53,152	54,380	(274)
Abroad	13,138	12,467	11,961	671
Total	**66,016**	**65,619**	**66,341**	**397**

Distribution of intakes of Telecom Italia Group employees by geographical area

(units)	31.12.2014	31.12.2013	31.12.2012	Changes (14/13)
Italy	575	410	896	165
Abroad	5,224	4,901	5,818	323
Total	**5,799**	**5,311**	**6,714**	**488**

For more information on the characteristics of Group personnel, please refer to the appendix to this chapter, which, in compliance with the requirements of standard GRI G4, gives the KPIs relating to the workforce [G4-10], [G4-LA1], [G4-LA3], [G4-LA6], [G4-LA13], [G4-LA9]. In reading the KPIs, note that:

- [G4-10e] Telecom Italia does not use self-employed workers to go about its business activities, although it is possible that, on an occasional basis, some consultancy type activities may be entrusted to self-employed professionals.

- **[G4-10f]** The Group's activities do not vary seasonally, hence changes in the workforce are correctly shown by the annual trends.
- **[G4-LA3a]** All employees are entitled to parental leaves.

GENDER BALANCE

[G4-DMA Equal Remuneration for Women and Men] Like all sectors whose core business is closely linked to the research and development of new technologies, in the decades following the wars, telecommunications continued to have a mainly male workforce in terms of its engineering and technology maintenance staff. As women have embraced the world of work and, in a parallel fashion, scientific and technological culture and studies, their presence has gradually grown within companies, seeing them take on more important roles with higher salaries. In Telecom Italia S.p.A., for example, the female workforce has grown by 8% in 12 years, and on a Group level, in this same period, it has grown by 9%.

Despite this, there is still a long way to go before true gender balance can be achieved. This is why in Telecom Italia,

- the Group's By-laws require the least represented gender in the BoD to account for at least one third of the total number of directors, rounded up to the next unit in the event of a fraction;
- the current development model pays close attention to ensuring that individual growth paths, starting from the time of employment, do not contain any restrictions relating to gender or age differences, and particular attention is paid to the female component, where skills and performance are equal.

[G4-LA12a] Members of the Board of Directors by gender and age

	31.12.2014	31.12.2013	31.12.2012
Men < 30	0	0	0
Men 30 -50	4	1	2
Men > 50	4	9	12
Women < 30	0	0	0
Women 30-50	0	0	0
Women > 50	5	1	1

[G4-LA12b] Members of the Group's professional categories by gender and age

	Year 2014				Year 2013				Year 2012			
	Senior Managers	Middle Managers	Office Staff/ Workers	Total	Senior Managers	Middle Managers	Office Staff/ Workers	Total	Senior Managers	Middle Managers	Office Staff/ Workers	Total
Men	733	3,459	37,616	**41,808**	744	3,387	37,244	**41,375**	784	3,464	37,756	**42,004**
Women	135	1,254	22,819	**24,208**	132	1,201	22,911	**24,244**	142	1,237	22,958	**24,337**
Total	**868**	**4,713**	**60,435**	**66,016**	**876**	**4,588**	**60,155**	**65,619**	**926**	**4,701**	**60,714**	**66,341**
Up to 32 years	0	22	10,600	**10,622**	0	31	11,022	**11,053**	0	32	12,344	**12,376**
From 33 to 45	113	1,271	19,823	**21,207**	133	1,375	21,552	**23,060**	192	1,616	23,267	**25,075**
over 45	755	3,420	30,012	**34,187**	743	3,182	27,581	**31,506**	734	3,053	25,103	**28,890**
Total	**868**	**4,713**	**60,435**	**66,016**	**876**	**4,588**	**60,155**	**65,619**	**926**	**4,701**	**60,714**	**66,341**

The generational imbalance is mainly due to the Italian component that, due to adverse market conditions and in order to guarantee work for its employees, has in the past renounced the generational renewal comprising new important hiring campaigns.

PEOPLE CARING

Telecom Italia is firmly convinced that social and economic sustainability depends first and foremost on respect and attention for the people working in the Group. On the basis of this belief, numerous initiatives are taken to ensure that people can go peaceably about their work and, as far as the Company is able to assist in this respect, their day-to-day personal lives. A group of people in the Company is dedicated entirely to listening to the needs expressed by employees and to developing initiatives which can satisfy them. Thus, thanks to the investigations and information collected, and after having held meetings and focus groups with employees, four areas have been identified for the development of specific initiatives:

- improving the balance between working life and free time, supporting employees and their families in their requirements;
- contributing towards volunteering initiatives taken by employees;
- promoting diversity in the workplace;
- promoting psychological and physical well-being.

The main initiatives taken in 2014, under the scope of "Work-life balance" were:

- 20 Nurseries - in addition to the 10 nurseries (in 8 cities), 10 discount agreements were signed with an equal number of external nurseries at the Turin, Rome, Padua, Bologna and Trento;
- Company loans - 393 loans disbursed for various requirements, 161 loans for home purchases and renovations and 182 granted to new parents with children under three years of age;

- Time-saving - handling of official formalities, laundry/shoe repairs, newsagents, wellness area and specific agreements (relating to property, travel and holidays, banks and financial institutes, pay TV, car hire, transport and miscellaneous);
- Stays for employees' children;
- Initiatives relating to sport, art, culture, entertainment and historical events;
- Mobility management to assist people with commuting between home and work.

In order to contribute towards volunteering initiatives taken by employees, 2014 activities were:
- long-distance child adoption - approximately 1,000 employees have renewed their commitment to help CIAI (Centro Italiano Aiuti all'Infanzia), Comunità di Sant'Egidio and Save the Children, subscribing to long-distance adoption programmes;
- Telecom Blood Donors Group - 70 blood donation days were organised;
- 204 *"banchetti della solidarietà"* (solidarity stalls) were set up by charities in company premises, with the involvement of employees.

In 2014, Telecom Italia continued an intense programme of activities and projects connected with Diversity Management, with a view to valuing diversity as a form of enrichment and stimulus, as well as seen as a vehicle in an inclusive climate that is open to contribution by all:
- in partnership with the charity I-Ken and the training consortium S.A.F.IM, in September, Naples hosted the launch of the "Diversity on the Job" project, with 8 traineeships dedicated to people suffering from severe social alienation. The project was financed by the Ministry of Employment, the Department for Equal Opportunities and Italia Lavoro, using European Union funds, with the aim of offering three months' work experience to people excluded from the world of work due to human and social discrimination. In our case, in particular, these are people who are discriminated against due to their sexual orientation and/or gender identity. The 8 people who have been assigned to the Company as trainees have been included in various operational departments in Naples;
- in Rome, the first "Telecom Italia Factory" has been opened, devoted to optimising diversity and the culture of discussion and differences. It is a versatile place, open both within the company and externally. It is a space that is open to everyone, where knowledge can be given and received, where people can meet, workshops, performances, debates, study and working groups can be organised, where perspectives can be expanded and other people's differences be adopted as one's own;
- in November, Telecom Italia took part in the most important European event of the year on non-discrimination and equal opportunities policies: the "Shaping the future of equality policies in the EU" conference organised by the Italian Presidency of the Council of the European Union and European Commission. The event started with the viewing of the video on diversity created by Telecom Italia;
- in the area of gender diversity, and in collaboration with TIMReading, a free e-book has been

developed entitled "LeadHERship al femminile" [Feminine leadHERship]; using text and images, it tells of 22 meetings with successful woman role models held in the company in 2013. The e-book was released on 25 November to celebrate the International Day for the Elimination of Violence against Women;

- In the field of "age diversity", in order to ensure the full integration and promotion of the skills of senior employees in the Company and overcome age-related stereotypes, two role model meetings were organised (in Milan and Naples) involving 120 employees;
- in collaboration with other companies, three "Welfare Labs" were organised: Parental Leave Management, Remote Working, Welfare Plan and Taxation;
- The Comunico-IO project continued with the aim of promoting communication between the hearing impaired and other employees, improving their ability to operate fully independently using state-of-the-art technological tools. In previous years, the 57 employees involved in the project had been supplied with a mobile phone - with Comunico-IO application software on the Android platform - and a high definition web cam, which interact with a computer running the internal chat and Internet access services. In 2014, the new Comunico-IO Desktop applications were unveiled (extension to PC use of the version of Comunico-IO for smartphones). The project has also been extended with the Comunico-IO IPO APP that enables the sight-impaired to use a smartphone.

To promote psychological and physical well-being [G4-DMA Occupational Health and Safety], the People Caring Centre (PCC) counselling service continued, provided by professional psychologists across the country. Since the service was launched (January 2011), 386 employees, by telephone or email, have enquired about the operation of the service. In total 254 people have used the PCC:

- 221 have started a counselling process;
- 62 company cases have been referred to the Head of People Caring Department and taken under the care of the People Value Department.

In the People Caring Centre intranet area, information, advice and suggested reading lists were published, to help improve psychological well-being. A new "wellness area" has also been created on the intranet, gathering together all services offered by Telecom Italia for personal health, accident prevention and physical well-being, in collaboration with the Fondazione Telecom Italia and the Fondazione Veronesi.

OTHER INITIATIVES FOR EMPLOYEES

[G4-DMA Occupational Health and Safety] ASSILT (supplementary healthcare association for the employees of Telecom Italia Group companies), funded by the Group companies, by employee members and retired members, is a non-profit-making organisation providing services to its members and beneficiaries that are supplementary to those provided by the Italian national health service, including - together with public healthcare establishments - collective and individual research, knowledge-gathering initiatives and health prevention activities, and the promotion of

health education initiatives to protect the health and physical well-being of its members.

In 2014, the association disbursed refunds totalling approximately 58 million euros (around 610,000 cases). As of December 31, 2014, the Association had 154,000 members, including 51,000 employees, 34,000 pensioners and 69,000 family members.

ASSIDA provides senior management staff with refunds for the cost of supplementary health services to those provided by the Italian national health service. As of December 31, 2014, the Association had 4,000 members in service or retired, in addition to family members, making a total of more than 8,900 assisted members.

[G4-EC3] TELEMACO is the national complementary pension fund for employees in the telecommunications industry, established in 1998 as a non-profit association and operative since October 2000; its objective is to ensure that those subscribing are able to maintain their standard of living when retiring, thanks to the creation of supplementary social security, over and above the public provisions.

It is intended for workers, office staff and middle managers of companies that apply the national telecommunications contract, for employees on permanent, apprenticeship or placement contracts and for people who are physically supported by the workers subscribing to the Fund.

Subscribing employees of Group companies numbered just over 40,000 in late October, whilst total subscribers come to approximately 60,000 and there are 175 associated companies.

CRALT is the recreational club for employees of the Telecom Italia Group and organises sight-seeing, sports, cultural and recreational activities for its members, employees, pensioners and their families. By entering into specific agreements, CRALT also allows members and their families to purchase goods and services at particularly good prices, which can also be settled in instalments. One of the most significant of these is the agreement and the resulting contribution provided for the purchase of school and university books for the children of members, as a valuable contribution to household purchasing power. As of December 31, 2014, there were 43,759 members, including 37,551 employees and 6,208 pensioners.

[G4-LA2], [G4-DMA Employment] All Group workers, whether full or part-time, on permanent or fixed-term contracts, enjoy the same benefits, whilst, in Italy, the supplementary welfare institute is extended to workers on apprenticeship or placement contracts, as well as to employees on permanent contracts.

NEW SKILLS AND DEVELOPMENT

One of the most important times in people's working lives is when they stop to consider what they have completed, their relevance to the Company and future prospects. The performance analysis process provides the opportunity to make this kind of reflection, aimed at identifying areas of strength and improvement, as well as helping employees to enhance their individual performance through an open discussion with their manager.

[G4-LA11] The method used in Telecom Italia to assess performance is frequently analysed and reshaped, so as to ensure that the assessment reveals a correct, complete profile of the person assessed, their needs and prospects. For example, the process that resulted in the 2013 performance review had been partially revised with respect to previous editions, in view of the evidence that had emerged from a survey in which all employees could take part, and specific focus groups that involved a panel of evaluators and evaluatees from the various areas of the company[2]. Thereafter, the method used was further analysed with an investigation that involved 1,200 employees. In actual fact, the new Group People Strategy provides for a detailed examination aimed at developing a renewed performance management model. Thus a specific "workshop" has been established with the task of preparing a new performance system; this will be implemented on a Group level early 2015 and is set to involve all professional and managerial levels, enabling individual merits to be appraised from several viewpoints, on the basis of a competence model that is the same for everyone. The results will feed into the other development systems in an integrated way.

---

2   The process is repeated regularly each year and involves all employees of the domestic BU, apart from managers with MBOs, who are assessed according to the targets of said MBOs (in the future they too will be subject to the same assessment methods as the other employees). In one case, to assess 2011 performance, a campaign was missed for organisational purposes. In Brazil too, assessment campaigns are repeated each year, involving all employees who have worked at least 149 days in the company. For the Brazilian call centre operators, performance is assessed by means of an ad hoc programme.

THE TELECOM ITALIA LEADERSHIPMODEL

The idea on which the Model is based is that leadership can be spread, i.e. can be exercised by everyone in relation to their activities. The Model therefore targets the whole of the company population, so as to allow everyone to contribute towards the major, necessary evolution of skills, in order to achieve the transformation process undertaken by the company.

The three key concepts of the Telecom Italia strategy and culture underlying the Leadership Model are:

- The future can be constructed and guided: **LEADING THE FUTURE**.
- Value takes shape and is created through people and their everyday interaction with customers: **LIVING VALUE**.
- Our value can be multiplied if we network: **LINKING NETWORKS**.
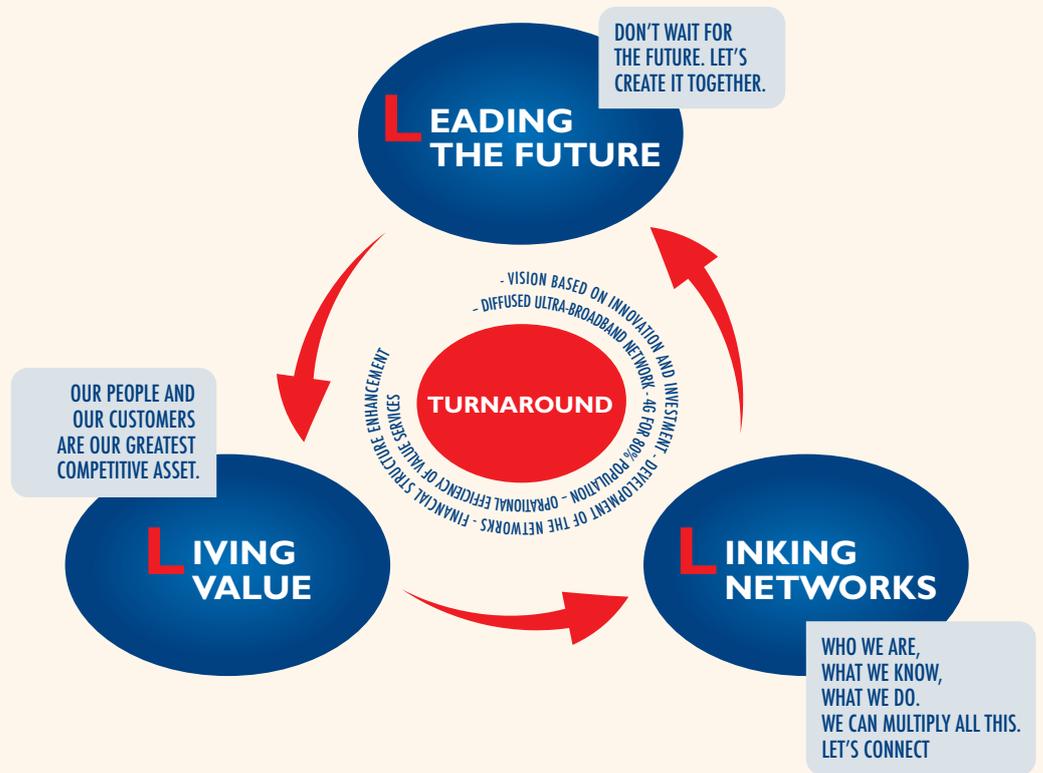
The **9 Skills** comprising the new Telecom Italia Leadership Model ensue from these three dimensions:

LEADING THE FUTURE
» EXPLORE THE NEW
» BROADEN HORIZONS
» CHOOSE CHANGE

LIVING VALUE
» REALISE POTENTIAL
» DISSEMINATE RESPONSIBILITY
» EXCEED EXPECTATIONS

LINKING NETWORKS
» NURTURE COMMUNICATION
» DEVELOP RELATIONSHIPS
» ENCOURAGE COLLABORATION
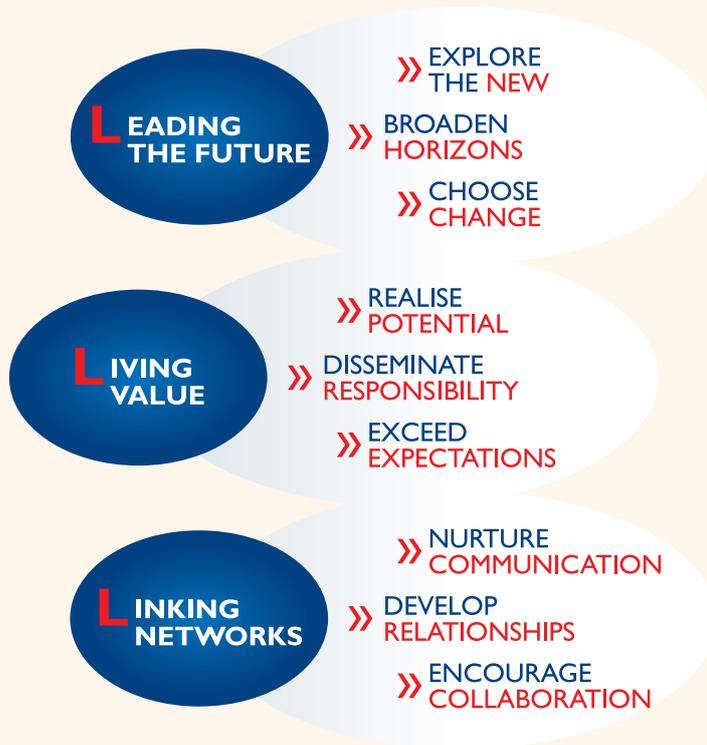
the 9 skills, translated into observable conduct, will be included in the all-new performance management system as from this year.

Performance management is part of a broader, more extensive Development Model hinged on the value of the person through the creation of transparent, fair, inclusive and differentiated assessment and development systems able to reveal capacity, aptitude and knowledge of the individual and encourage continuous improvement of people and the organisation.

Talent in action was another initiative taken to identify talent within the company. Initially, this involved a survey whereby employees could identify their most worthy colleagues. In complete transparency, each person identified was able to view his/her profile in terms of characteristics and quantity of feedback received. Subsequently, the process of identifying the pool of "talent in action" was split into two stages:

- drawing up the "top ranking reputation" list with the aim of ensuring the continued comparability of individual data and the same opportunities;
- drawing up the "talent in action" list, in which, in addition to the reputation data, representing the view of the professional community, individual elements, such as performance, were taken into consideration, representing the career history of each individual.

Those on the "talent in action" list were contacted to launch the individual enhancement process by participating in an on-line self-assessment system aimed at creating a snapshot of their professional profile in terms of skills and motivation. By September, everyone on the "talent in action" list will have put together their enhancement plans, which will include "on-field" and motivational training.

In addition to performance assessment and talent scouting, potential and skill assessment activities to map the skills needed for specific positions and internal recruiting activities to enhance internal expertise also take place. For internal recruiting activities, in addition to the job posting tool, a project posting process was tested which gives people the opportunity to apply to run fixed-term projects exploiting their skills and acquiring others.

As regards External Recruiting activities, starting from the second half of the year, the "2014 Recruitment Plan" was launched, enabling 203 young new employees to be hired on permanent contracts. These new additions, 28% of whom came from the stabilisation of higher apprenticeship paths and 72% from the external market, brought the portfolio of company skills into line with the technological and business evolution of the reference market. More specifically, computing, engineering and technological skills were added, divided up into 20 different professional profiles. The new additions were both recent graduates (34%) aged an average of 26 years old and junior professionals (66%) with an average age of 30 years old. The basin consisted of one third women and two thirds men and was characterised by a medium-high level of education insofar as 75% of people had a specialised university degree, mainly in TLC Engineering, Computing, Electronics or Economics (Business, Management or Marketing).

In Brazil, the main selection programmes implemented in 2014 were:
- "Jovem Aprendiz" (Young Apprentice), a programme to promote the training of young people between the ages of 16 and 24 for potential employment in the Company. An administrative training course is provided for young people to prepare them to enter the world of work. This path naturally takes place in complete compliance with the law;

- "Talentos sem Fronteiras" (Talents without frontiers), intended to scout the market for young graduates in order to create a talented team of people who can be trained to build the company management team of the future. In 2014, 13 young talented people were recruited in strategic areas of the business;

- "Estágio sem Fronteiras" (Internships without frontiers), selects talented interns with the aim of offering young university students an opportunity to develop in diverse ways and prepare for the labour market, as well as to increase their potential for finding permanent employment in the company and possibly access the "Talenti senza Frontiere" programme. TIM selected around 120 young people in 2014.

COLLABORATION WITH UNIVERSITIES

Telecom Italia has launched a new relationship model with leading universities and national and international research centres, which focuses on enhancing talent to transfer innovation to the company. The goal is to strengthen and accelerate Telecom Italia's ability to innovate while at the same time contributing to the development of young people by offering them the opportunity to gain new skills and experiences.

Initiatives include:

- financing of scholarships to help young engineering and economics graduates achieve a post-graduate qualification - 100 doctorate scholarships have been assigned for the development of specific research projects of interest to the company, the subjects of which range from cloud computing to geomarketing, from big data to e-health, from LTE to robotics, including issues related to web law and economics. For the 2014-2015 academic year, over 20 doctoral scholarships are envisaged;

- collaboration with postgraduate study courses - 5 master's courses have been launched, of which for one, "Smart Solutions-Smart Communities", developed jointly with Scuola Superiore Sant'Anna, 80% of the participants in the first edition are expected to be hired;

- a permanent national and European observatory on issues connected with the transition from school to work and the development of new skills for young people;

- sponsorship of the Tim Chair in Market Innovation at the Bocconi University of Milan, as part of the Master's Degree in Economics and Management of Innovation and Technology. The programme includes the main technological product and service development, creation and marketing models;

- support of the CReSV (Centro Ricerche su Sostenibilità e Valore [Sustainability and Value Research Centre]) for the improvement of innovative and sustainable business models;

- collaboration with secondary schools, under the scope of the "Network Scuola Impresa" (school business network) project. The project, which was launched in 2009, aims to create a structured relationship with senior schools, particularly in order to enhance our internal skills, get in touch with young people across the country and promote the company's image.

TRAINING AND KNOWLEDGE MANAGEMENT

[G4-LA10]

For a telecommunications company that wagers its future on offering cutting-edge technological and commercial solutions, training and managing its people's knowledge is a must.

Telecom Italia training activities are guided by the desire:

- to strengthen leadership styles in order to provide managerial skills that can support the strategic development of the company in the coming years;
- to enhance the individual and collective skills needed to compete in the new business scenarios, paying particular attention to the specialised skills needed in the sector;
- to provide people with the capacity to cope with everyday challenges;
- to accompany and support the transformation of organisational identity and culture.

[G4-LA10] All the Group's training programmes aim to provide tools for professional growth that will then remain as part of the employee's personal baggage both within and outside the company[3].

In Italy, the main training programmes implemented in 2014 fell into five main groups:

- Management education, involving 1,250 Group managers between 2014 and 2015. The programme was set up to support the Business Plan by disseminating and strengthening agreed forms of leadership behaviour;
- Induction training, a programme designed for new employees, with the aim of speeding up professional growth and consolidation of skills through a gradual inclusion route;
- Space for growth, a programme offering many of the company's workforce support by strengthening specific behavioural areas, including communication, change, team work, problem solving and focus on results:
- Post skill assessment training, which includes training aiming to update competences and develop new skills;
- Talent in action (see Telecom Italia People/New skills and development), a development and training project intended for those chosen following the "talent in action" survey, seeking to define individual action plans.

Extensive training plans have also been developed on topics of compliance and safety, intended for the whole of the company workforce. [G4-HR2], [G4-HR4], [G4-HR5], [G4-HR6], [G4-HR7] An on-line course on Human Rights is currently being prepared, ready for delivery in 2015 to all Domestic Business Unit employees.

---

3 At present the Group does not have any courses running for career-end management, also because the need has never been highlighted by workers or their trade union representatives.

In Brazil all new recruits are required to attend training courses on company-wide issues, such as ethics and sustainability. In 2014, basic training and refresher courses were also carried out dedicated to Sales and Call Centre staff.

[G4-LA9] The tables below show Group training hours by professional category. A comparative focus of training by gender is given in the appendix.

2014	Hours Totals	Hours Per head	Participation[1]	Participants	Coverage[2]
Total	**2,837,986**	**42.99**	**453,968**	**63,023**	**95.5%**
Senior Managers	23,966	27.61	4,238	800	92.2%
Middle Managers	133,036	28.23	17,293	4,284	90.9%
Office Staff/Workers	2,680,983	44.36	432,437	57,939	95.9%

2013	Hours Totals	Hours Per head	Participation	Participants	Coverage
Total	**3,765,649**	**57.39**	**453,188**	**63,806**	**97.2%**
Senior Managers	23,091	26.36	2,387	675	77.1%
Middle Managers	114,123	24.87	14,214	3,902	85.0%
Office Staff/Workers	3,628,435	60.32	436,587	59,229	98.5%

2012	Hours Totals	Hours Per head	Participation	Participants	Coverage
Total	**2,276,006**	**27.4**	**356,858**	**62,760**	**75.5%**
Senior Managers	45,563	37.9	4,618	1,029	85.5%
Middle Managers	151,305	23.3	16,266	4,482	69.0%
Office Staff/Workers	2,079,138	27.6	335,974	57,249	75.9%

1   Shows the overall number of participation in training sessions, in the various forms provided (classroom, online, training on the job).
2   Refers to the percentage of participants compared to the total, i.e. the % of human resources who took part in at least one training session compared to the total number of human resources in each individual category (senior managers, middle managers, office workers).

[G4-HR2]

Training connected with respect for human rights mainly related to compliance with the Code of Ethics and Organisational Model 231 (see *Sustainability and Governance*), with rules relating to health and safety at work and privacy matters.

Number of hours of training on human rights[1]

	2014	2013	2012
Domestic	397,414	394,682	82,674
Media	950	755	4,304

Percentage of employees trained on human rights[1]

	2014	2013	2012
Domestic	94.12%	94.36%	26.91%
Media	93.18%	53.57%	51.93%

1   The figure relating to the Brazilian BU will be provided as from the next FY.

[G4-HR7] All personnel operating in the Security Department of Telecom Italia are trained and updated on national and European Community legislation and regulations governing company safety, and go about their duties in complete compliance with all current company procedures and policies in force. More specifically, in order to protect the Company's human, tangible and intangible resources and infrastructures, Security staff analyse risks and reports of safety incidents, preventing loss and limiting damages, interfacing with the Civil Protection Department and the other institutional entities responsible for managing emergencies or major events involving the various company assets. Security personnel do not perform crowd control duties nor escort people or values, which is instead a task institutionally assigned to the police force.

In addition to the more traditional training activities, 2014 saw the addition of Knowledge Management, aimed at making it easier, in a stable manner, for the company as a whole to establish the way it learns (learning organisation), initiating the exchange and mutual "contamination" of ideas, knowledge and solutions.
The first knowledge management project was the mapping of the formal and informal places where the Group's internal know-how is developed. Mapping took place through semi-structured interviews with key staff, aimed at understanding how knowledge is generated and spread. Particular emphasis is placed on the "idea generation" process and the gathering of the Group's best practice.

INTERNAL COMMUNICATION

In a complex organisation, unilateral communication is no longer sufficient to encourage involvement and develop thought. For this reason, there is a gradual "conversion" of the traditional communication channels to more innovative ways of favouring two-way communication inspired by web 2.0 logic, promoting the exchange of ideas, dialogue and discussion between members of the corporate community.

In this respect, the Intranet and the company portal are fundamental tools as they allow everyone to get involved, provide information and implement formal and informal forms of "listening", such as climate surveys, blogs and open virtual communities. In this way, discussion and debate are encouraged on internal issues linked to the business and more general current topics, including environmental and social issues, making structured channels available for the purpose of collecting contributions and proposals.

"2.0" communication initiatives have been added alongside the more traditional forms of relationships that in any case continue to be important. Below is a list of the main traditional and other communication activities carried out during the year:

- the format of a road show held throughout Italy was particularly innovative, with 50 editions involving more than 8,000 people to present the People Strategy programme;

- as usual, awards were given for the "Archimede" project, which every year rewards the best innovative ideas to optimise the processes and services supplied, gathering proposals from the people directly involved in operational processes;

- in two editions of the Parli@mone format, broadcast via video-streaming to the whole company, the company management pursued dialogue with people;

- a new internal communication events system has been launched, which on a cascade basis will involve the whole Company, with a structured system for monitoring participation and results;

- meetings were organised for around 4,000 field engineers, designers, on-line technicians and managers, as well as members of the Caring Services Division;

- in the context of the *School of Industrial Relations* programme, which involves significant networking activities with social partners, the academic world, the media and Group managers, a meeting and interview were held with Raffaele Bonanni, in January 2014, general secretary of CISL trade union;

- as regards the company Intranet, the move has been made to a new social platform that allows exchanges, sharing, the creation of working groups and direct interaction on the network, ensuring people's active involvement;

- *Sincronizzando* is the Telecom Italia newsletter that evolved in 2014 into a webzine. The webzine allows contributions from managers, colleagues and external colleagues to be included and promotes online interaction between the editorial office and the readers. All the articles have associated wikis, tag clouds and online sharing methods allowing readers to make direct comments;

- the ninth edition of the climate survey was carried out in Italy and Brazil, involving around 66,000 people. The 2014 form included a specific section dedicated to identity. The results have been analysed and the process for disseminating them and assigning responsibility for action plans, established according to the results recorded, is underway.

In Brazil, 2014 saw numerous internal communication initiatives taken in order to promote integration between people in the workplace, bring them into line with the company's strategic objectives and improve psychological and physical well-being. For example, the *Diversidade Tim* campaign aimed to promote diversity and proper, prejudice-free integration, whilst the *Campanha de segurança* disseminated the key notions of health and safety in the workplace within the company.

HEALTH AND SAFETY

The Health and Safety at Work Management System implemented by Telecom Italia ensures that the company complies in full with national legislation and agreements reached with trade unions; it also establishes numerous initiatives aimed at ensuring increasing safety for workers.

[G4-LA5] In Italy, the reference legislation is the Consolidated Law on Health and Safety at Work, which, amongst other aspects, specifically requires participation and consultation on the matter with the workers' representatives. The regulation requires the workers' safety representative to be elected or designated by the workers from the trade unions present in the company.

[G4-LA8], [G4-LA5] The number and method of designation or election of workers' safety representatives, together with the salaried working hours and the tools used to fulfil duties, are established during collective bargaining. The legislation is applied throughout Italy and, in particular, as concerns Telecom Italia S.p.A., Health and Safety Committees have been established. According to the agreements stipulated with the trade union organisations, these Committees play a participatory and collaborative role aimed at guaranteeing joint analyses and discussion by the company party and the union party of all matters relating to health and safety at work, on a national and territorial level. To this end, the agreement establishing the Committees states that both the Joint National Health and Safety Committee (CPSSN) and each of the four Joint Territorial Health and Safety Committees (CPSSTs) shall number three members appointed by the company and three members appointed by the trade unions signing the agreement. Apart from the specific duties assigned by the agreement to the Committees, the CPSSN has the task of coordinating and instructing the CPSSTs, which, in turn, act as an interface with, and support, the workers' representatives.

[G4-LA7] In Telecom Italia S.p.A., working activities have been classified as low and medium risk, in line with the definitions provided by the reference legislation, in accordance with the ATECO classification of the National Statistics Institute. There are no high-risk activities present in the

company. No significant numbers of cases have been recorded for any occupational disease. Nor indeed are there any high-risk activities carried out in the other Group associates.

[G4-DMA Occupational Health and Safety] In terms of risk assessment, special care was taken over evaluating work-related stress: in May, the "Accompagniamo il cambiamento" [Accompanying change] project that had been carried out in 2013 and 2014, drew to a close; its aim had been not only to assess the individual work-related stress factors but also to define the impact of the constant organisational changes on the psychological and physical health of some customer care and technical workers. Both during analysis and when identifying improvement measures, the company was monitored by a research team consisting of the Occupational Medicine Section of the "Tor Vergata" University of Rome and an expert partner; the project saw the active involvement of all managers of the departments concerned.

The project was designed and developed to analyse the organisational context and investigate workers' experiences, with the ultimate aim of conceiving and proposing possible instruments by which to manage, communicate and monitor the effects of company change, so as to provide a valid aid both to the managerial line and the working population involved. To this end, it was necessary to directly involve a very large sample of employees (approximately 2,300), who collaborated not only towards identifying the most critical areas, but also in proposing interventions to make improvements. Moreover, the analysis and assessment also saw the active participation, alongside the research team, of a group numbering 12 employees with relevant experience and competence, from different areas of the company. The group received specific training on the analysis and management of work-related stress and worked alongside consultants in on-field activities. Telecom Italia thus sought to constitute its very own in-house basin of experts who can provide a permanent supervision of future activities regarding the assessment of the stress risk and, more generally, of psychological-social work-related risks, in support of all and any initiatives taken relating to psychological and physical well-being.

At the end of the investigation, the critical areas (organisation, training, communication, optimisation of human capital) in which action is required and the specific improvements to be made, launched as from the second half of 2014, were identified. For each action, the timescales for implementation and the efficacy indicators were defined. The plan of action was shared with the trade union representatives and was thereafter published on the company intranet, so as to enable all workers concerned to view and monitor its progress.

The path undertaken has been considered a best practice by sector experts and institutions on a national and international level. In this respect, Telecom Italia has become a partner of the 2014-2015 "Healthy Workplaces Manage Stress" campaign promoted by the European Agency for Safety and Health at Work. The partnership means becoming part of an international network of businesses in order to pool experiences and projects on the matter and thereby help ensure greater awareness.

As regards prevention and with the aim of identifying any critical areas in which to intervene with improvements, as from 2013, an analysis and investigation method has been defined based on the preparation of information documents in the case of accidents at work with a large number of days' absence initially forecast or with particular dynamics. The activities carried out last year on the scope of on-field technicians made it possible to intervene in the risk assessment update process, identifying and introducing further protection and control measures. In 2014, the analysis was extended to cover the whole company, providing further elements of assessment and ideas for improvement under the scope of the operational organisation.

In 2014, the Company continued with its significant commitment to providing safety training. The programmes involving the workers were differentiated according to whether the tasks at hand were classified as low or medium risk and envisaged four hours of on-line training for everyone as well as 1,206 classroom sessions, each of four or eight hours that, in 2014 alone, involved approximately 44,000 employees.

As regards the management, July saw the launch of the path organised over two training days aimed at further investigating the company's current organisational structure as regards safety and the managerial role played in prevention. The project involves approximately 1,400 senior and middle managers in positions of responsibility; it will draw to a close in June 2015.

Finally, as each year, on road and off road safe driving courses were held for approximately 650 personnel using company cars.

In terms of discussion, the benchmarking activities promoted by Telecom Italia with the involvement of the main companies of the Italian networks (Enel, Poste Italiane, Ferrovie dello Stato, Terna, Anas, Autostrade per l'Italia, Vodafone, etc.) continued, with regular meetings to discuss matters of health and safety and workshops, organised on a rotation basis by each company, with the participation of sector experts and institutional entities. The meetings and workshops aim to share the best practices adopted by the companies adhering to the working party and identify shared solutions to problems common to the networked companies.

In Brazil

[G4-DMA Occupational Health and Safety] At TIM Brasil, all newly hired employees receive training on health and safety in the Company. Controls are also regularly run to identify the risks and related control measures, the results of which are given in the document entitled "Environmental Risk Prevention Programme". This document, which is prepared for each TIM site, is updated once a year, as established by the law.

Each year, the Internal Accident Prevention Week is held, during which employees are informed on the risks relating to the workplace and the related control measures.

[G4-LA5] TIM Brasil sites with more than 50 employees set up internal committees for the prevention of accidents at work (Cipas). There are 10 of these committees across the country. These committees are made up of employees, 50% of whom are elected by employees in roles of responsibility and the remaining 50% by employees without roles of responsibility. In company sites with fewer than 50 employees, one employee is specifically trained to follow these activities.

[G4-LA8] As a rule, in Brazil the collective agreements establish that information shall also be given on the prevention of accidents and occupational diseases, and TIM Brasil adopts this practice. Moreover, SINTTEL, one of the unions representing workers in the telecommunications sector in Brazil, has committed to collaborating with TIM Brasil to carry out studies and campaigns relating to worker health and safety.

Accidents

million euros	31.12.2014	31.12.2013	31.12.2012
Number of accidents (excluding travel)	566	538	577
Severity index(*)	0.33	0.21	0.15
Frequency rate(*)	8.96	8.34	8.10
Average duration in hours	130.36	132.83	97.46
Unproductivity index(*)	1.38	1.40	0.94
Accidents per 100 workers	1.30	1.23	1.23

*   The indices of severity, frequency and unproductiveness are respectively:
- the number of conventional working days lost due to accident per thousand hours worked;
- the number of accidents per million hours worked;
- the number of hours lost due to accidents per thousand hours worked.

Details on accidents, occupational diseases and absences required by standard GRI-G4 [G4-LA6a] are given in the appendix to this chapter. The types of injuries recorded were, in decreasing order: falls, road accidents, sprains, pulled muscles, handling of materials, impacts and other minor types. In the period 2012-2014, one death occurred (in 2014, a man) as a result of a road accident during working hours.

As regards occupational diseases, the reports made to INAIL during the year of reference and processed for acknowledgement, were considered.

In 2014, the occupational diseases reported by workers mainly concerned cases of "inappropriate posture and repeated micro traumas" and "psychological/psychosomatic illness". The vast majority of the procedures for acknowledgement of the occupational diseases reported by workers, by INAIL, are still in progress and, in our experience, acknowledgement is only granted to very few cases.

[G4-LA6b] In the only part of the Company where the core business is partly performed by suppliers' employees (IT Telecom), no accidents or occupational diseases have been reported.

[G4-LA6c] Telecom Italia has a procedure in place describing the rules and requirements of each subject in the "genesis" process, the management and closure of reports of incidents at work and/ or while travelling involving workers for which companies are required to pay an INAIL [Italian national institute for insurance covering accidents at work] premium. The procedure establishes that when an injury occurs, the worker shall send an injury certificate to his manager and to the HR management. The latter shall then submit a report of the injury to INAIL, which, after suitable checks, shall either confirm or reject the injury. If the injury is not recognised, the days for which the worker is absent will automatically become days of absence for ordinary sickness.

INDUSTRIAL RELATIONS

[G4-HR4], [G4-DMA Employment] Telecom Italia has always entertained open, transparent relations with the trade unions and workers' representatives, in the belief that it is only through continuous, constructive dialogue that the best possible balance can be struck with respect to the expectations of all stakeholders.

[G4-11] All Group workers, both in Italy and in Brazil, are covered by Collective Labour Agreements reached with Trade Union Organisations and all personnel are guaranteed the possibility of attending union meetings, in terms of paid leave and company space to enable them to be held, as well as of freely participating in consultation procedures for the election of trade union representatives. In no Group operations is the right to union participation at risk or disputed. Amongst other things, union agreements lay down the ways in which these rights can be enforced and establish the bodies in charge of controlling compliance therewith. [G4-LA4] Organisational changes with significant effect on employment levels and personnel are discussed with the trade union representatives and, in some cases, an ad hoc agreement is stipulated, in which case said agreement shall specify the terms and conditions of the reorganisation. [G4-HR5], [G4-HR6] Collaboration with the workers' representatives, together with the internal control systems and procedures, has meant that no violation or risk has been reported with regards to the application of the Group's Social Responsibility policies protecting the essential rights of employment, such as the ban on forced labour or child labour[4].

TELECOM ITALIA S.P.A.

The Telecom Italia S.p.A. system of relationships has evolved according to a well-established participatory system. Participation is perceived as a value to be sought in all kinds of discussion, not only in negotiations. In 2014, information sessions and discussions with the unions were intensified (particularly through specific permanent or ad hoc joint committees), with the task of carrying out a detailed examination of issues identified by the national coordination office for Unitary Workplace Union Structures (RSU) including work shifts, telework, new forms of work and geolocation of field engineer vehicles.

---

4   In terms of child labour, the policies allow for some, completely legal exceptions, such as, for example, training contracts for which incentives are provided by the Brazilian government.

The search for constant dialogue and constructive discussion with the unions led to major agreements being reached with the unions and the national coordination office for Unitary Workplace Union Structures (RSU) aimed at reconciling the needs of the business with those of the people who work in the Company.

One example of collaboration between the Company and the trade union representatives to achieve solutions sustainable for both parties is the agreement signed between the Company and the union representatives of the Group's senior management.

The agreement provides for executives to contribute, in various ways, to the charges borne by employees subject to solidarity contracts, charges which have actually increased as a result of the reduction in the wage subsidy introduced by the Stability Law in 2014[5]. The application of this agreement will provide financial resources estimated at around 4 million euros, which will be added to an additional 4 million euros made available by the Company as a result of productivity gains. The full amount will go towards paying the contributions owed by employees registered with the closed complementary welfare funds. Non-registered colleagues will receive equivalent one-off amounts in their pay packets.

The business transformation plan for the re-launch of the retail sales channel was also fully explained to the trade unions and, during intensive discussions, an agreement was reached on the process for implementing it, with the common goal of identifying sustainable solutions for people, particularly in order to safeguard their professional status.

The Company and the unions have also identified agreed solutions for the introduction of new work shifts for people working in the Caring Services 191 service, which will contribute to manning the service more intensively and fulfilling the needs of the relevant customers. In this context, a series of tools has been provided to guarantee a better work-life balance for people, such as accepting requests from mothers with children of pre-school age to transfer to part-time work and introducing a specific electronic notice board to make it easier for operators to swap shifts.

As a tangible measure taken to support internal employment levels, the company has developed a significant plan for insourcing activities of added value, agreed with the Trade Union Organisations. This has led to the opportunity to access professional requalification paths, accompanied by significant, specific training programmes, thereby assuring a "second working life" for hundreds of people affected by the change. The optimisation of use of the resources, together with the increased productivity qualified by the union agreements mentioned above, has allowed Telecom Italia to successfully insource during the two-year period 2013-2014 for approximately 2,860 full-time equivalents, thereby exceeding the envisaged target.

---

5   Solidarity Contracts are agreements that provide for working hours to be reduced in order to avoid downsizing. For the workers to whom the contract will be applied, provision is made for INPS [social security] to make up part of the remuneration not received due to the reduction in working hours.

BRAZIL

Meetings to discuss changes to the collective agreement - ACT 2014/2016 began in August and ended in November. Negotiations took place with the two national Federations (FENATTEL and FITTEL), which together represent the country's 27 trade unions. The meetings with workers for the new collective agreement were held in November throughout the country and, on a national level, the conditions proposed and voted in these meetings were then approved. In addition to some changes of an economic nature, the agreements related to the inclusion of 23 new corporate clauses, including the transformation of the days of December 24 and 31 into holidays, recognition of *de facto* couples (both homosexual and heterosexual) and their children (including adopted) and the right to permits for female workers who were victim to domestic violence.

REMUNERATION POLICY

The Group remuneration policy is established in such a way as to guarantee the necessary levels of competitiveness of the company on the employment market. Competitiveness translates into supporting the strategic objectives, pursuing sustainability of results in the long-term and striking a correct balance between the unitary needs of the Group and the differentiation of the various reference markets. What follows is a remuneration structure that by way of priority seeks to guarantee a correct balance of the fixed and variable components and the short and long-term aspects, alongside benefit systems and other instruments such as the Employee's Share Ownership Plan.

More specifically, the fixed component reflects the breadth and strategic nature of the role performed, measured against the market, and appraises the distinctive subjective characteristics and strategic skills of the employee. The short term variable remuneration (MBO) on the other hand aims to establish a transparent link between pay and the degree of fulfilment of annual targets. To this end, the targets are fixed according to qualitative and quantitative indicators that represent and are consistent with the strategic priorities and business plan, measured according to pre-established and objective criteria. Furthermore, in order to make the management incentive scheme more challenging, in 2014 a "gate" mechanism was introduced, i.e. a threshold for access to company objectives only: in the event of a failure to achieve the "gate" objective, this mechanism prevents the bonus associated with the achievement of other business objectives being awarded.

The long-term variable component aimed at achieving consistency between the interests of management and those of shareholders, by sharing in the business risk, with positive effects expected in terms of growth in the value of the company's shares. To this end, on 26 June 2014 the 2014-2016 Stock Option Plan was launched, involving the Managing Director, the Top Management

and a selected number of other managers[6].

It should also be stressed that the 2014 meritocratic policy was included within a broader overview of Total Rewarding, whereby the more classic compensation instruments (fixed and variable remuneration and benefits) were accompanied and integrated by not directly monetary components (development and training).

Finally, possible instruments of the remuneration policy include the Employee's Share Ownership Plan or PAD (*Piano di Azionariato Diffuso*), aimed at supporting employee motivation and reinforcing a sense of belonging. In June 2014, the company launched a new PAD under which all permanent employees of Telecom Italia S.p.A and its subsidiaries with registered office in Italy could buy shares with a 10% discount on the market price. Compared to the similar initiative launched in 2010, the new PAD included a few innovations: increase in the maximum investment (3,000 to 5,000 euros) and the option to pay by using the employee severance indemnity.

Furthermore, if the shares were held and the owner remained in employment, one free share (bonus share) was awarded for every three shares bought.

The operation was highly successful: approximately 18,000 employees subscribed to it (twice the 2010 figure) and more than 96 million shares were requested for subscription (as compared with the 54 million available).

Below are the main types of objectives connected with sustainability present in the company MBO system

Stakeholder of reference	Targets subject to incentives	% of managers (to whom the target applies)
Customers	- Customer satisfaction	99%
	- Quality of the service delivered	22%
	- Quality of the service perceived by consumer and business customers	99%
	- Quality of the service perceived by other national fixed and mobile telephony operators	9%
Human Resources	- Health and safety of employees	
	- Programmes of training and professional growth	3%
	- Welfare activities (People Caring) and the wellbeing of employees	
Environment	- Consumption of materials, energy	2%
Shareholders and Institutions	- Quality and speed of company information delivery	1%
The Community	- Organisation of corporate events	1%
	- Quality of corporate initiatives/projects	

Details on the remuneration required by standard [G4-LA13] are given in the appendix to this chapter.

---

6 [G4-54], [G4-55] The ratio between the annual total compensation of the highest paid individual and the median annual total compensation for all employees was not disclosed for confidentiality constraints. It was judged to fall under the category of information subject to the Policy for the Classification and Management of confidentiality Information in that the datum, once disclosed and if not properly understood, could cause the company a reputational damage. Telecom Italia provides some indications, useful to the calculation, in the standard table form used in the Report on Remuneration (page 24) and in the Annual Financial Report (page 274).

REPORTS RECEIVED THROUGH THE INTERNAL CONTROL PROCEDURE

[G4-LA16] Below are the reports received through the Internal Control Reporting Procedure (see the Sustainability and Governance chapter/Corporate Governance Outline) on work-related matters for the three years 2014-2012

	2014	substantiated	2013	substantiated	2012	substantiated
Total number of reports regarding work matters received through the formal mechanisms in the reference period	7	0	3	0	14	4
Handled during the reporting period	7	0	3	0	14	4
Resolved during the reporting period	7	0	2	0	14	4
Total number of reports regarding work matters received previously, which were resolved in the reference period	1	0	0	0	0	0

In Brazil, the Reporting Procedure has been in place since 2014, during which year seven reports were received on work-related matters, of which six were found to be substantiated. They were all managed and resolved during the year.

APPENDIX - DETAILED TABLES

Below is the analytical data for the company workforce, broken down according to the indications given in standard GRI G4. The Group figure includes not only the Domestic, Brazil and Media Business Units, but also other minor entities, for a total of very few units. In accordance with the principle of relevance, no specific column has been added for these entities.

[G4-10a] Employees by contract type and gender

	2014 Permanent contract		2013 Permanent contract		2012 Permanent contract	
	Man	Woman	Man	Woman	Man	Woman
Group	41,753	24,166	41,313	24,182	41,887	24,235
Domestic	35,793	17,180	35,988	17,266	36,399	17,402
Brazil	5,884	6,957	5,256	6,884	5,073	6,549
Media	66	22	58	25	404	276

	2014 Fixed-term contract		2013 Fixed-term contract		2012 Fixed-term contract	
	Man	Woman	Man	Woman	Man	Woman
Group	55	42	25	21	74	62
Domestic	55	40	24	18	61	54
Brazil	0	0	0	0	0	0
Media	0	0	1	0	13	6

[G4-10b] Employees on permanent and fixed-term contracts, by type and gender

Employees on permanent contracts

	2014 Full Time		2014 Part Time		2013 Full Time		2013 Part Time		2012 Full Time		2012 Part Time	
	Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman
Group	39,742	15,039	2,011	9,127	39,155	14,945	2,158	9,237	39,625	15,005	2,262	9,230
Domestic	34,783	11,107	1,010	6,073	34,904	11,201	1,084	6,065	35,226	11,353	1,173	6,049
Brazil	4,884	3,905	1,000	3,052	4,183	3,715	1,073	3,169	3,988	3,392	1,085	3,157
Media	66	21	0	1	58	23	0	2	401	255	3	21

Employees on fixed-term contracts

	2014 Full Time		2014 Part Time		2013 Full Time		2013 Part Time		2012 Full Time		2012 Part Time	
	Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman
Group	8	8	47	34	2	3	23	18	16	11	58	51
Domestic	8	6	47	34	1	0	23	18	3	3	58	51
Brazil	0	0	0	0	0	0	0	0	0	0	0	0
Media	0	0	0	0	1	0	0	0	13	6	0	0

[G4-10c] Employees on the payroll and supervised workers, by gender

Employees on payroll

	2014		2013		2012	
	Man	Woman	Man	Woman	Man	Woman
Group	41,808	24,208	41,338	24,203	41,961	24,297
Domestic	35,848	17,220	36,012	17,284	36,460	17,456
Brazil	5,884	6,957	5,256	6,884	5,073	6,549
Media	66	22	59	25	417	282

Supervised workers

	2014		2013		2012	
	Man	Woman	Man	Woman	Man	Woman
Group	3	6	1	3	21	19
Domestic	3	5	1	3	1	3
Brazil	0	0	0	0	0	0
Media	0	1	0	0	20	16

[G4-10d] **Employees by geographic area and gender**

	2014			2013			2012		
	Italy	Abroad	Total	Italy	Abroad	Total	Italy	Abroad	Total
Men	35,706	6,102	41,808	35,876	5,499	41,375	36,682	5,322	42,004
Women	17,172	7,036	24,208	17,276	6,968	24,244	17,698	6,639	24,337
Total	**52,878**	**13,138**	**66,016**	**53,152**	**12,467**	**65,619**	**54,380**	**11,961**	**66,341**

[G4-10e] **Employees of suppliers working at the Group offices and whose activities are part of the core business of Telecom Italia[1]**

	2014	2013	2012
External FTE on site	985	1,869	3,452

1   The only core business operations that require a significant working contribution from the employees of suppliers at the company offices relate to the development of IT platforms. The data in the table refers exclusively to these cases.

[G4-LA1a] New employees by age and geographic area

	2014			2013			2012		
	<30	>=30 <=50	>50	<30	>=30 <=50	>50	<30	>=30 <=50	>50
Group	3,917	1,779	114	3,795	1,409	87	4,976	1,602	54
Domestic	241	258	82	186	172	51	555	227	23
Brazil	3,675	1,511	30	3,606	1,237	34	4,414	1,334	28
Media	1	10	2	1	0	2	4	41	3

[G4-LA1a] New employees by gender and geographic area

	2014		2013		2012	
	Man	Woman	Man	Woman	Man	Woman
Group	2,781	3,029	2,111	3,180	2,699	3,933
Domestic	384	197	245	164	431	374
Brazil	2,387	2,829	1,863	3,014	2,237	3,539
Media	10	3	2	1	28	20

[G4-LA1b] Turnover by gender and geographic area

	2014		2013		2012	
	Man	Woman	Man	Woman	Man	Woman
Group	2,350	3,058	2,416	3,010	4,046	3,693
Domestic	583	306	719	344	2,279	703
Brazil	1,763	2,752	1,695	2,664	1,720	2,990
Media	2	0	1	1	46	0

[G4-LA1b] Turnover by age and geographic area

	2014			2013			2012		
	<30	>=30 <=50	>50	<30	>=30 <=50	>50	<30	>=30 <=50	>50
Group	3,283	1,682	443	3,450	1,588	388	3,621	1,785	2,333
Domestic	129	355	405	267	451	345	239	454	2,289
Brazil	3,151	1,326	38	3,183	1,133	43	3,382	1,284	44
Media	2	0	0	0	2	0	0	46	0

[G4-LA3b] Employees who benefited from parental leave, by gender

	2014		2013		2012	
	Man	Woman	Man	Woman	Man	Woman
Group	191	1,796	177	1,775	131	1,856
Domestic	81	1,244	71	1,290	51	1,415
Brazil	110	549	106	483	74	413
Media	0	2	0	1	6	27

[G4-LA3c] Employees who returned after having benefited from parental leave, by gender[1]

	2014		2013		2012	
	Man	Woman	Man	Woman	Man	Woman
Group	*	*	175	1,759	130	1,807
Domestic	*	*	71	1,278	51	1,399
Brazil	*	*	104	473	73	407
Media	*	*	n.a.	n.a.	n.a.	n.a.

1   Please note that in the table, the year of return of employee x has not been calculated according to the year in which x effectively returned, but according to the year in which x took leave. Therefore, if x took leave in 2013 and returned in 2014, his return is in any case reported in the 2013 column. This is why the data for the 2014 column is still partial and not yet able to be published.

*   The data will be available from end 2015.

[G4-LA3d] Employees at work after a year from the end of parental leave, by gender[1]

	2014		2013		2012	
	Man	Woman	Man	Woman	Man	Woman
Group	*	*	145	1,586	115	1,620
Domestic	*	*	70	1,260	49	1,363
Brazil	*	*	75	326	66	253
Media	*	*	n.a.	n.a.	n.a.	n.a.

1   Please note that in the table, the year of continued work of employee x has not been calculated according to the year in which x was at work after 12 months of leave, but according to the year in which x took leave. Therefore, if x took leave in 2013 and after 12 months was still at work in 2014, his continuation at work is in any case reported in the 2013 column. As we do no yet know which, of the employees who went on leave in 2014 will still be at work after 12 months, we are unable to calculate the figure for 2014.

*   The data will be available from end 2015.

[G4-LA3e] (return to work rate) Percentage of employees returned to work after parental leave out of total employees benefiting from leave (LAc/LAb)

	2014		2013		2012	
	Man	Woman	Man	Woman	Man	Woman
Group	*	*	99%	99%	99%	97%
Domestic	*	*	100%	99%	100%	99%
Brazil	*	*	98%	98%	99%	99%
Media	*	*	n.a.	n.a.	n.a.	n.a.

*   The data will be available from end 2015.

[G4-LA3e] (retention rate) Percentage of employees at work after 12 months from the end of parental leave out of total employees benefiting from leave (LAd/LAb)

	2014		2013		2012	
	Man	Woman	Man	Woman	Man	Woman
Group	*	*	83%	90%	88%	90%
Domestic	*	*	99%	99%	96%	97%
Brazil	*	*	72%	69%	90%	62%
Media	*	*	n.a.	n.a.	n.a.	n.a.

*   The data will be available from end 2015.

[G4-LA6a] Injury rate out of total workforce* (number of injuries over hours worked)

	2014		2013		2012	
	Man	Woman	Man	Woman	Man	Woman
Group	8.12	3.63	7.70	3.19	7.73	3.63
Domestic	9.57	4.80	8.75	4.16	8.49	4.43
Brazil	0.88	1.40	1.63	1.17	2.61	1.69
Media	0.00	0.00	0.00	0.00	n.a.	n.a.

* Temporary workers are not considered in this type of record. Their incidence on a Group level is in any case very small (9 people as at 31.12.2014).

[G4-LA6a] Days lost over workforce* (days of injury over working hours)

	2014		2013		2012	
	Man	Woman	Man	Woman	Man	Woman
Group	0.29	0.07	0.17	0.07	0.12	0.06
Domestic	0.35	0.10	0.20	0.09	0.14	0.08
Brazil	0.01	0.01	0.03	0.01	0.01	0.02
Media	0.00	0.00	0.00	0.00	n.a.	n.a.

* Temporary workers are not considered in this type of record. Their incidence on a Group level is in any case very small (9 people as at 31.12.2014).

[G4-LA6a] Absenteeism rate out of total workforce*
(total hours of absenteeism over working hours)

	2014		2013		2012	
	Man	Woman	Man	Woman	Man	Woman
Group	6.39	10.28	6.87	12.52	6.85	12.99
Domestic	7.14	11.74	7.58	15.07	7.49	15.26
Brazil	2.34	7.27	2.44	6.72	2.29	7.00
Media	12.01	13.01	10.90	10.77	n.a.	n.a.

* Supervised workers are not considered in this type of record. Their incidence on a Group level is in any case very small (9 people as at 31.12.2014).

[G4-LA6a] Occupational disease rate out of total workforce**
(number of cases over workforce)

	2014	
	Man	**Woman**
Group	0.03	0.01
Domestic	0.04	0.02
Brazil	0.00	0.00
Media	0.00	0.00

* The figure on occupational diseases has only been recorded as from 2014, hence it has not been possible to also include data for 2013 and 2012.

** Supervised workers are not considered in this type of record. Their incidence on a Group level is in any case very small (9 people as at 31.12.2014).

[G4-LA9] **The following tables report training carried out in Telecom Italia S.p.A., broken down according to gender**

2014					
	Total hours	Per-head hours	Participations*	Participants	Coverage**
Total	**1,458,591**	**33**	**266,328**	**43,388**	**98.2**
Senior Managers	**20,576**	**30.8**	**3,870**	**660**	**98.8**
of whom women	4,508	42.9	834	105	100
of whom men	16,068	28.5	3,036	555	98.6
Middle Managers	**63,113**	**19.6**	**12,991**	**3,072**	**95.6**
of whom women	17,356	19.9	3,652	818	94
of whom men	45,757	19.5	9,339	2,254	96.2
Office Staff/Workers	**1,374,902**	**34.1**	**249,467**	**39,707**	**98.6**
of whom women	263,838	22.2	80,882	11,702	98.3
of whom men	1,111,064	39.1	168,585	28,005	98.7

2013					
	Total hours	Per-head hours	Participations*	Participants	Coverage**
Total	**1,405,825**	**31.7**	**218,038**	**42,946**	**96.8**
Senior Managers	**17,967**	**26.5**	**1,964**	**509**	**75.2**
of whom women	3,980	39	426	91	89.2
of whom men	13,987	24.3	1,538	418	72.7
Middle Managers	**73,971**	**23.8**	**9,210**	**2,784**	**89.6**
of whom women	21,158	25.8	2,693	731	89.1
of whom men	52,813	23.1	6,517	2,053	89.8
Office Staff/Workers	**1,313,887**	**32.4**	**206,864**	**39,667**	**97.7**
of whom women	323,310	26.9	63,652	11,539	96
of whom men	990,577	34.7	143,212	28,128	98.4

2012					
	Total hours	Per-head hours	Participations*	Participants	Coverage**
Total	**1,324,216**	**29.7**	**160,703**	**34,342**	**77**
Senior Managers	**29,458**	**42.3**	**3,045**	**658**	**94.5**
of whom women	5,150	49	502	103	98.1
of whom men	24,308	41.1	2,543	555	93.9
Middle Managers	**62,503**	**20.5**	**5,904**	**2,153**	**70.5**
of whom women	16,765	21.1	1,684	553	69.5
of whom men	45,738	20.3	4,220	1,600	70.9
Office Staff/Workers	**1,232,255**	**30.2**	**151,754**	**31,535**	**77.2**
of whom women	276,704	22.9	48,934	8,076	66.7
of whom men	955,551	33.2	102,820	23,459	81.6

*   Shows the overall number of participation in training sessions, in the various forms provided (classroom, training on the job, on line).

* *   Coverage refers to the percentage of participants compared to the total, i.e. the % of human resources of TI SpA who took part in at least one training session in each individual category (senior managers, middle managers, office staff/workers).

[G4-LA13a] Ratio of women/men according to basic salary and ratio of women/men according to remuneration, broken down according to each professional category

Italy (Telecom Italia S.p.A.)		2014	2013	2012
Senior Managers	GAS	0.92	0.93	0.91
	TAR	0.92	0.93	0.90
Middle Managers	GAS	0.95	0.95	0.95
	TAR	0.94	0.94	0.94
Office Staff/Workers	GAS	0.95	0.94	0.97
	TAR	0.94	0.96	0.97

Brazil		2014	2013	2012
Senior Managers	GAS	0.76	0.78	0.74
	TAR	0.73	0.80	0.73
Middle Managers	GAS	0.94	0.94	0.95
	TAR	0.94	0.94	0.96
Office Staff/Workers	GAS	0.61	0.58	0.59
	TAR	0.62	0.58	0.58

GAS= Gross Annual Salary, comprising recurring fixed remuneration.

TAR= Total Annual Remuneration, comprising the Gross Annual Remuneration + bonuses awarded during the reference year (the bonuses may refer to individual or group incentive systems or take the form of special awards or meritocratic policy awards).

SHAREHOLDERS

The importance of correct information for all

STRATEGY

The Group companies are fully aware of the importance of supplying accurate information about their activities to the financial market, investors and the community in general.

Subject to the need for confidentiality in the running of thebusiness, communication with the financial market is carried out in a way that ensures transparency, fairness, clarity, promptness and equality of access to information, ensuring equality of treatment for all categories of shareholders, as required by the Bylaws. The external communication of information is governed by specific internal procedures, in line with the regulations in force.

The Company has set up dedicated channels of communication with shareholders, bondholders and other stakeholders interested in receiving information about the financial and non-financial aspects of the Company (see Financial communication).

RELEVANT STAKEHOLDERS

The Investor Relations department manages relations with the main stakeholders : institutional and retail investors (including small shareholders' associations), bondholders, socially responsible investors, equity and credit analysts.

Their shared expectations - together with the certainty of a prompt and comprehensive response to their requests for information - relate to:

• confirming the objectives reported to the financial market through the strategic plan;

• strengthening the Group's position in the markets in which it operates.

The Investor Relations team also considers the expectations expressed by each stakeholder category, and in particular:

Stakeholders	Needs
Institutional and retail investors	• Positive financial and operational performance by the company • Positive total shareholder return (stock market performance of the shares and dividends distributed) • Good reputation of the Group's brand • Involvement in the Group's activities and initiatives
Socially responsible investors	• Attention paid to the social and environmental impacts of the company's business and to the Group's governance • Positive total shareholder return • Good reputation of the Group's brand
Bondholders and credit analysts	• Stability of the yield from the investment • Certainty of repayment of the debt at maturity • Improvement of creditworthiness
Financial analysts	• Positive financial and operational performance by the company • Direct contact with Investor Relations in order to obtain detailed information promptly • Contact with the Group's Top Management as an opportunity for a more detailed examination of matters relevant to the Group's business

The shareholding structure as of December 31, 2014 is shown below[1].

14.5%
Other shareholders
Italy

3.0%
Legal entities abroad

0.8%
Legal entities Italy

54.6%
Institutional
shareholders abroad

0.1%
Others shareholders
abroad

22.3%
TELCO SPA

1.2%
Telecom Italia Group

3.5%
Institutional
shareholders Italy
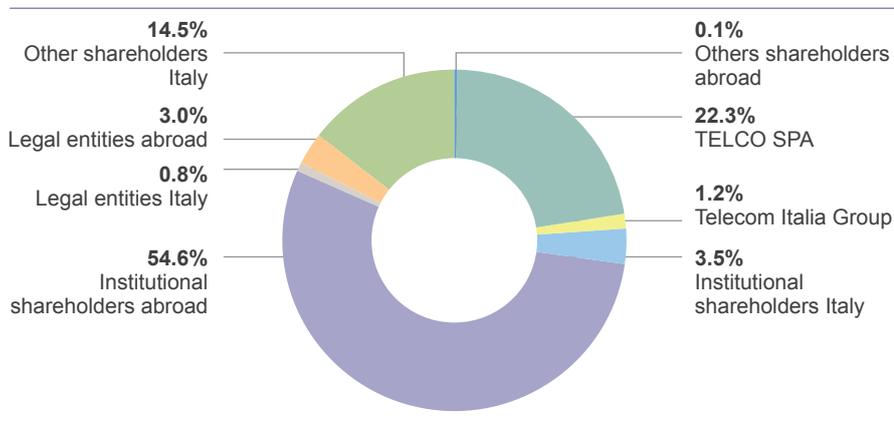
[G4-13]

An examination of the share capital structure in the three-year period 2012–2014 shows an increase in 2014 in shares held by foreign institutional investors (+5.3pp) and a decrease in the shares held by Italian institutional investors (-1.8pp). The shares held by foreign legal entities, during this three-year period, fell gradually to half its previous level (from 6.01pp in 2012 to 3.02pp in 2014); the shares held by Italian legal entities however remained unchanged.

As for the categories of other Italian and foreign institutional investors, there was a growth in interest in 2013 and a return to 2012 levels the following year. Changes were more pronounced among other Italian investors, small among other foreign investors.

FINANCIAL COMMUNICATION

In the course of 2014, the Company organised quarterly conference calls, road shows and meetings abroad in the Group's corporate headquarters (reverse road shows) as well as attending industry conferences. During these events, the Company met over 600 investors. In addition to these there are the direct contacts and telephone conversations that the Investor Relations team has on a daily basis. Furthermore, in order to improve communication with the stakeholders, considering the growing importance of this issue over the last 12 months, Telecom Italia organised meetings and detailed discussions on corporate governance matters.

The responses given by the Group to the financial market are based on criteria of relevance, information sensitivity, consistency and topicality in respect of the Group's structure and the actions undertaken to achieve the targets of the strategic plan.

---

1   Source: Register of shareholders as of December 31, 2014, supplemented by communications received and by other available information.

Financial communication also considers the needs of investors linked to Socially Responsible Investing (SRI), which favour in their investment choices companies that pay attention to ethical, social and environmental factors as well as financial ones. Interaction with this category of investors is developed through individual contact and conference calls.

As regards relations with individual (retail) shareholders - more than 400,000 holders of ordinary shares - Telecom Italia's strategy aims to strengthen communication channels in order to respond quickly and effectively to queries regarding the performance of shares and the Group strategy as a whole. The messages and ideas that emerge from dialogue with retail investors are collected and reported to Top Management.

In this respect, the "TI Alw@ys ON" (telecomitaliaclub.it) Shareholders' Club was launched in 2006 as a virtual meeting place between the Company and its individual investors. Access to the Club is not exclusive. Non-shareholders can also simply register to receive the same services provided to shareholders. Both registration and delivery of the services are completely free of charge. The following services are currently available:

- sms alert, which provides a daily report of the closing price and percentage variations of Telecom Italia's ordinary and savings shares compared to the previous day, as well as the daily percentage variations in the FTSE/Mib index;

- weekly stock market report, sent every Monday morning, which summarises performance in the week ending the previous Friday, with a focus on the Italian index, the European TLC industry and global stock markets, providing a weekly update on changes in the advice given by analysts on ordinary shares;

- Quarterly newsletter: available on the website, contains the main messages drawn from the press releases published when the Group's results are released.

With regard to on line financial communication, the telecomitalia.com website is constantly updated and innovated.

TOWARDS THE TELECOM ITALIA CORPORATE SHARED VALUE MODEL

"The concept of Corporate Shared Value (CSV) can be defined as the set of policies and operating practices that strengthen the competitiveness of a company while improving the economic and social conditions of the community in which it operates. Sared value creation focuses on identifying and expanding the connections between economic progress and social progress."

Michael E. Porter, Harvard University

Companies are increasingly aware of the importance of Corporate Social Responsibility (CSR) as a strategic lever for their long-term success. In recent years, there has been a perceived need to bring closer and integrate social responsibility with business activities, using it as a source of opportunity to create value for society and the business itself. At the same time, tools are needed to enable stakeholders, including shareholders, to perceive the contribution that sustainability can make to the company's operating results and to the community in terms of social value.

In this context, best practice has in recent years launched a process of evolution towards the concept of Corporate Shared Value (CSV). The culmination of this process is the integration of the sustainability approach conventionally adopted by companies as part of their overall corporate strategy, turning it into a vehicle for creating economic and social value.

Given the interdependence between business success and the company's social contribution, CSV can also be viewed as the ability to create economic value in ways that allow both the company and society to benefit, so as to reconcile economic and financial success with social progress by responding to the needs expressed by society ("social needs").

In this context, Telecom Italia, already a pioneer in the field of corporate sustainability in Italy, is currently engaged in defining a new corporate strategy based on creating shared value, developing the existing CSR model into a new CSV model.

This process will allow Telecom Italia steadily to improve its response to emerging social needs, particularly through its business activities, strengthening its position as an innovative company that is able to provide real solutions to the needs of the community in which it operates and guarding against the social and environmental risks that are likely to affect business performance.

The new approach adopted by Telecom Italia therefore defines a different way to respond to the social needs expressed by stakeholders, as well as the economic ones of the Company, and to interpret the role of the business in society based on an awareness that there can be no long-term economic development unless it guarantees an improvement in social welfare and the protection of natural resources at the same time. The latter consideration is particularly relevant for Telecom and the ICT sector in general, especially where digital technologies are concerned, as these are increasingly emerging as a key factor and enabler for the country's economic and social growth. With its ability to connect people and to ensure an effective exchange and processing of information, digital technology in fact allows new solutions and opportunities to be developed which have an impact on the economic and social life of citizens and companies, employment and environmental protection.

Telecom's activities therefore respond to the objective of providing the country with innovative infrastructure, IT skills, products, services and ICT solutions that meet the needs of society. Furthermore, the Company is strengthening this commitment through its active contribution to achieving the country's digitisation objectives as defined in the Italian Digital Agenda, developed by the Italian government by transposing the directives set out by the EU in the European Digital Agenda.

THE TELECOM ITALIA CSV MODEL

According to this logic, Telecom Italia is engaged in defining a CSV Model that expresses the strategy adopted to help create shared value through its business activities by devising and implementing projects that generate economic value for the Group ("Business Value") and social value for the community ("Social Value").

Based on an analysis of the country's main needs ("social needs") and of the objectives set by the Digital Agenda, Telecom Italia has identified areas of intervention that can respond to these needs, through technologies, skills and specific projects.

SOCIAL NEEDS — Social need priorities for the Country

ENVIRONMENTAL PROTECTION

DIGITISATION, CONNECTIVITY AND SOCIAL INNOVATION

DIGITAL CULTURE

Telecom Italia's strategic intervention areas

SHARED VALUE

BUSINESS VALUE
- Growth (revenue)
- Efficiency (Reduction of costs)
- Risk Management

SOCIAL VALUE
- Digitization
- Contribution to the Country's wellbeing
- Innovation ability
- Environmental protection
- Support to universities
- Economic growth for the Company and the community
- Knowledge dissemination

CSV driver: Business & Social Value driver

KPIs — Revenue, Saving, Reputation, Emissions, Digital Inclusion, Employment

ANALYSIS OF TELECOM ITALIA'S SOCIAL NEED PRIORITIES

Telecom Italia launched an analysis of the main mega trends and social need priorities of the country to which the Company, as an ICT industry operator, is best able to provide a concrete and effective answer.

The analysis focused above all on examining the aspects considered by the Italian Digital Agenda, since it is closely linked to the ICT sector, as well as on several Italian and international studies, including: the ISTAT document on "Fair and Sustainable Well-being" in Italy, the OECD "Better Life Initiative" document, the European Commission's Europe 2020 Strategy and the World Economic Forum's Global Risks 2014 document.

Global social, economic and environmental trends were also analysed. These macro trends, defined by the term "megatrends", are outlined in several international studies (including the KPMG Future State Report, the Oxford Economics Digital Megatrends 2015 and the UN Millenium Development Goals 2014) and they express the main global changes in the social sphere (e.g. the changing socio-demographic mix), the political and economic sphere (e.g. the growing economic interconnection between countries and the shift in the global centres of power) and the environmental sphere (e.g. climate change and the increasing scarcity of resources), which are generating significant changes within the various countries, with the consequent emergence of new challenges and needs for society

KEY GLOBAL MEGATRENDS...

1 Socio-demographic mix

SOCIAL

The gradual increase in life expectancy and the consequent ageing of the population create a need to establish new balances between young and old and to review existing welfare systems.

- Ageing population
- Pension systems under pressure
- Increasing expenditure on healthcare
- Integration of young people

2 Enabling technology

SOCIAL

Technological innovations are creating new opportunities that push governments to identify strategies to make the most of digital innovations and review the management of issues related to security and privacy.

- Transformation of communication
- Big Data
- Convergence of public and private interest
- Focus on IT security
- New social service models
- New opportunities for companies
- Transformation of transport

3 Importance of the individual

SOCIAL

Advances in education, health and technology have facilitated the development of individual skills, leading to a greater demand for "active participation" and transparency in the public decision-making process.

- Increasing spending power
- Increasingly connected population
- Higher standards of education
- Faster dissemination of information through social

4 Economic interconnection

ECONOMIC

The world's economic systems are gradually aligning themselves with increasingly correlated dynamics, resulting in a globalisation of opportunities and risks.

- Trade and investments that support growth
- Reduction in commercial barriers
- Increasingly complex commercial and investment relationships
- Greater risks of contagion from international economic or financial events

5 Public debt

ECONOMIC

The ability of governments to control the growth of debt and find new tools with which to deliver public services will influence their ability to respond to the main social, economic and environmental challenges.

- Increasingly important international and inter-governmental fiscal relationships
- Ageing population increasing public debt
- Increasing exposure to global market risks
- Limited ability to respond to the growing demand for new services
- Less ability to respond to future international economic shocks

6 Shift of economic power

ECONOMIC

Emerging economies are having an increasing influence on the global economy, establishing themselves as new centres of gravity for both production and consumption.

- Emerging countries driving global growth
- Innovation as a source for sustainable growth
- Emergence of a multi-polar world balance
- Economic opportunities from new markets

7 Climate change

ENVIRONMENTAL

Increasing greenhouse gases are causing profound climate changes resulting in increasingly unpredictable changes in the ecosystem that endanger the stability of the natural and urban system.

- Dramatic and unpredictable impacts on ecosystems
- Increasingly important role of cities
- New challenges for global collaboration
- Adaptation to phenomena resulting from global warming

8 Resources scarcity

ENVIRONMENTAL

The combined effect of demographic growth, economic growth and climate change is leading to a gradual increase in the scarcity of natural resources.

- Pressure on food production
- Competition for metals and minerals
- Increasing demand for water
- Nationalisation of resources
- Increasing demand for energy

9 Urbanisation

ENVIRONMENTAL

By 2030, urban systems will have established themselves as the engine of global development, creating big challenges for innovation and the sustainability of urban models and giving rise to new opportunities for sustainable socio-economic development.

- Urbanisation caused by global development
- Need for large scale urban infrastructure
- Interrelationship between urban environment and natural environment
- Increasing urban poverty

...AND THE COUNTRY'S KEY SOCIAL NEEDS

Innovative and secure IT infrastructure

Developing new IT infrastructure and paying constant attention to its security are the cornerstone for the development of innovative solutions to respond to the main requirements expressed by society, and to guarantee continuous growth.

{ The development of new ICT infrastructure is the strategic enabling factor for the introduction of new products and services with which to respond to the other social needs }

Research and innovation for companies	Adequate standards of education and training	Health of citizens	Quality of work	Efficiency and transparency of politics and institutions
Research and innovation are an indirect determinant of well-being. They form the basis for social and economic progress and make a fundamental contribution to sustainable and lasting development.	Education, training and skill levels influence people's well-being and open up otherwise precluded opportunities.	Health is a central element in life and an essential condition for individual well-being and people's prosperity.	Adequately remunerated activity, which is reasonably secure and corresponds to the skills acquired, contributes decisively to people's well-being. Having work commitments that allow work to be reconciled with family and social life also has a positive impact.	A transparent relationship with public and private institutions operating in the political, economic and social field, their efficiency and the level of appreciation of their operation strengthen institutional and interpersonal trust.

Economic well-being	Protection of the environment and the landscape	Quality of services	Global economic and geopolitical balance	Safety
For the purposes of overall well-being, earning capacity and economic resources are the essential means by which an individual can maintain a decent standard of living.	The environment and the impacts upon it (climate change, scarcity of resources, emissions, etc.) have an effect on current and future generations. It is increasingly necessary to adopt new sustainable business models.	The availability of good quality public services (social and health care, justice, children's services, etc.) and access to them are fundamental to guaranteeing people a minimum standard of well-being and equal opportunity	The stability of geopolitical relationships between countries is an important element for concrete and ongoing social development	A subjective perception of serenity and an objective experience of safety in one's daily life are key to building individual and collective well-being. The subject of digital security is also becoming increasingly important.

Thanks to the initiatives launched, particularly in response to the Italian Digital Agenda and by virtue of the industry in which it operates, Telecom Italia has a bearing on the well-being development factors described above and therefore contributes to meeting the needs of the country through its products, solutions and services. Investments in broadband and ultrabroadband infrastructure, in research and development and in network security, the development of smart solutions and services to improve people's quality of life (e.g. in the context of digital healthcare, justice, smart cities) and education (e.g. in the field of digital schools and digital inclusion), are just some of the activities in which the Company is involved. Innovative ICT solutions contribute to increasing the digitisation of the country (citizens, businesses and government bodies) and improving its efficiency, with significant impacts on costs, on the development of economic opportunities and on the environment.

CSV GOVERNANCE AND CULTURE

The definition of a form of governance and internal dissemination of a CSV culture are fundamental to ensuring the full integration of sustainability with the Company's business, fostering its fully integrated, cross-cutting management throughout the company structure. Based on these considerations, the process launched by Telecom Italia also provides for the involvement of all the main departments of the company that are able to support the implementation of the CSV model, from identifying areas of intervention to monitoring the results of projects undertaken.

To complete the governance system, a corporate CSV policy will be drawn up and appropriate internal communication processes established to create a framework of values to be used as a reference by the whole Company.

THE STRATEGIC AREAS OF INTERVENTION FOR CSV CREATION

In practice, the new Telecom strategy involves implementing projects that can generate an economic benefit for the company while being beneficial for society and the environment, in such a way as to reconcile economic and financial success with social progress.

Telecom Italia has identified three strategic areas of intervention which contribute to creating value for the Company and community in response to the Social Needs and objectives of the Italian Digital Agenda (as already reported in Marcella Logli's letter page III):

- **Digitisation, connectivity and social innovation**. The development and implementation of innovative IT infrastructure is the cornerstone for the economic and social development of the country. With their ability to connect people and to ensure the effective exchange and processing of information, ICT solutions contribute to making the country (citizens, companies, government bodies) more digitised and efficient, with a significant impact on costs, on the development of economic opportunities, on the quality of services and on the environment. In this context, Telecom stands as a digital ecosystem "enabler", connecting companies, government bodies and local communities in general, so as to create positive synergies for development.

- **Environmental protection**. Generating shared value requires the environment to be protected

and respected. These are two of the most important challenges that companies are required to deal with across the globe. In this context, Telecom Italia is committed to implementing activities aimed at reducing the environmental impact of its activities and those of its customers, in addition to promoting more "sustainable" lifestyles.

- **Digital culture**. For growth and social development to be achieved in the digital era, all citizens must be able to acquire the digital skills they need to make full use of the benefits offered by the Web and new technologies. To this end, it is important to improve digital skills and reduce gaps and the cultural digital divide (e.g. between generations). In the knowledge that an effective schooling system and adequate standards of education and training play a fundamental role in the growth and socio-economic development of the country, Telecom Italia is committed to implementing projects to support digital education and schooling, including by supplying infrastructure and tools.

BUSINESS AND SOCIAL VALUE - KPIs

Each of these strategic areas of intervention is broken down into specific areas of action, within which projects are implemented that create value for the business and society. The value generated by each project is measured by means of a financial and non-financial KPI dashboard which expresses the value generated for Telecom Italia and the community.

Within these strategic areas of intervention, projects are identified and subsequently implemented that are able to achieve the greatest possible amount of shared value, assessing what the value creation factors are for the Company (particularly in terms of increased revenue, the enhancement of intangible assets and the reduction of costs and socio-environmental risks) and for society (in terms of satisfying the social needs to which the project is intended to respond).

PROCESS OF CONSOLIDATION OF THE VALUE GENERATED
BY SELECTED CSV PROJECTS - BUSINESS AND SOCIAL VALUE DRIVERS

The generated value consolidation process has allowed 3 Business Value and 7 Social Value descriptive drivers to be identified.

3 | BUSINESS DRIVERS

REVENUE AND ASSETS	Consolidation KPIs related to the analysed projects that generate an increase in revenue for the Company and KPIs associated with increased assets
COST REDUCTION	Consolidation KPIs related to the analysed projects that generate a decrease in costs for the Company
REPUTATION INCREASE	Main KPIs related to the analysed projects that allow the company to achieve an increase in its reputation value

7 | SOCIAL DRIVER

WELFARE OF THE COUNTRY	Main KPIs related to the analysed projects that generate positive impacts on the country's wealth and employment
CAPACITY TO INNOVATE	Main KPIs related to the analysed projects that generate innovation
ENVIRONMENTAL PROTECTION	Main KPIs related to the analysed projects associated with environmental protection
DIGITISATION	Main KPIs related to the analysed projects that are intended to increase digitisation in the country and digital culture (e.g. school, etc.)
SUPPORT FOR UNIVERSITIES	Main KPIs related to the analysed projects that provide support to the world of universities and research
PROFITABILITY OF BUSINESSES AND HOUSEHOLDS	Main KPIs related to the analysed projects that generate a positive impact on the spending power of businesses and households
DISSEMINATION OF KNOWLEDGE	Main KPIs related to the analysed projects that are intended to provide training and disseminate knowledge within the Company

APPENDIX

RESULTS FOR 2013 AND 2014

The results achieved are shown below, compared to the objectives published in the previous sustainability Report for the year 2014 and in relation to the Customers stakeholder only, for the year 2013[1].

Telecom Italia S.p.A. – Customers[2]

Area of reference	Indicator	Unit of measurement	2013 Target	2013 Final result	2013* Target status	2014 Target
CUSTOMERS MOBILE	Activation time for voice service (pre-paid service) – Percentage of valid orders completed within the maximum period laid down in the contract	%	97	100	●	97
CUSTOMERS MOBILE	Activation time for voice service (post-paid service) – Percentage of valid orders completed within the maximum period laid down in the contract	%	97	100	●	97
CUSTOMERS MOBILE	Consumer customer assistance services – Average response time of the operator to incoming calls	sec.	35	27	●	35
CUSTOMERS MOBILE	Disputed charges – Ratio between the number of disputed charges in invoices received within the survey period and the number of invoices issued in the same period (post-paid service)	%	1.2	0.44	●	1,2
CUSTOMERS MOBILE	Disputed charges – Ratio between the number of disputed charges on pre-paid cards within the survey period and the average number of active SIM/USIM in the same period (pre-paid service)	%	1.2	0.25	●	1,2
CUSTOMERS INTERNET	Activation time for broadband Internet access services – Percentage of valid orders completed within the date agreed with the customer (active telephone lines)	%	95	97.7	●	95
CUSTOMERS INTERNET	Activation time for broadband Internet access services – Average time of supply (active telephone lines)	days	9	7	●	9
CUSTOMERS INTERNET	Broadband Internet access service faults – Average repair time	hours	26	17	●	26
CUSTOMERS INTERNET	Disputed charges – Ratio between the number of disputed charges in invoices regarding all Internet access services (received during the survey period) and the total number of invoices issued in the same period	%	1.0	0.36	●	1,0
CUSTOMERS IPTV	Customer assistance response time – Average time of operator response to incoming calls	sec.	70	76	●	70
CUSTOMERS IPTV	Disputed charges – Ratio between the number of disputed charges in invoices regarding the IPTV service (received during the survey period) and the total number of invoices containing charges regarding this service (issued during the same survey period)	%	1.0	0.38	●	1,0
CUSTOMERS IPTV	Availability of IPTV service - Average unavailability of the service	hours/ year	36	6.9	●	36

2   The full list of mobile service quality indicators, and the respective objectives for 2013, are available at tim.it. The full list of quality indicators for fixed network and IPTV Internet access services, and the respective objectives for 2013, are available at telecomitalia.it.

*   Status Target: ● achieved - ● not achieved.

---

1   The actual figures of the above mentioned objectives for 2014 will be available in July 2015 on the websites stated in note 2.

Telecom Italia S.p.A. – Other stakeholders

Area of reference	Indicator	Unit of measurement	2014 Target	2014 Final result	2014 Target status
HUMAN RESOURCES TRAINING	Training in health, safety and environment issues[1]	Training hours	105,000	375,364	🟢
HUMAN RESOURCES TRAINING	Training – Training hours per head[1]	Training hours per head	28	33	🟢
HUMAN RESOURCES TRAINING	Training – coverage (percentage of employees out of the entire workforce who have taken part in at least one training session)[2]	%	80	97.94	🟢
HUMAN RESOURCES ACCIDENTS	Accidents per 100 workers	Number	1.28	1.30	🔴
THE ENVIRONMENT ENERGY	Eco-efficiency indicator[3]	bit/joule	3,100	3,543	🟢
THE ENVIRONMENT ENERGY	Self-generation of energy from cogeneration	GWh	115	85	🔴
THE ENVIRONMENT ELECTROMAGNETIC EMISSIONS	SAR qualification[4]	%	100	100	🟢
THE ENVIRONMENT ELECTROMAGNETIC EMISSIONS	SAR qualification of other technologically innovative devices (USB memory sticks, tablets and routers) marketed under the TIM brand	Number	10	10	🟢

1   The data includes classroom, online and on-the-job training.

2   The data has been calculated on 2014 average headcount.

3   The indicator has been calculated for Domestic BU. For further information on the eco-efficiency indicator see The Environment/ Energy.

4   This is the percentage of mobile phones subject to the SAR (Specific Absorption Rate) qualification. The percentage has been calculated on the most widespread and technologically innovative models of mobile phone handsets.

TIM Brasil

Area of reference	Indicator	Unit of measurement	2014 Target	2014 Final result	2014 Target status
HUMAN RESOURCES	Training (total hours: in class, online and on the job) provided to its own employees, outsourced employees and interns	Training hours	1,000,000[1]	1,087,215	🟢
HUMAN RESOURCES	Sustainability training (percentage of employees, outsourced employees and interns out of the total workforce who have taken part in at least one training session on sustainability issues)	%	30	72	🟢
THE ENVIRONMENT	Collection of mobile phones, batteries and other accessories to be sent for recycling	Tons	13	0.92[2]	🔴
THE ENVIRONMENT	Ratio between recycled waste and the total waste generated in the offices	%	68	58	🔴
SUPPLIERS	Suppliers assessed under sustainability criteria	Number	50	53	🟢

1   In 2013 sustainability report a typo indicated a 2M training hours target for 2014, more likely to be extimated in 1M.

2   In 2014 the mobile phone, battery and accessory collection program has not been relaunched. In 2015 a communication plan will be addressed to the points of sale in order to train the personnel and to favor recycling among public. Moreover an internal campaign will aim to collect phones, batteries and accessories through TIM Brasil personnel.

2015 AND MULTIANNUAL TARGETS

2015 and multiannual targets are shown below.

TELECOM ITALIA S.p.A. – CUSTOMERS

Area of reference	Indicator	Unit of measurement	2015 Target
CUSTOMERS MOBILE	Activation time for voice service (pre-paid service) – Percentage of valid orders completed within the maximum period laid down in the contract	%	97
CUSTOMERS MOBILE	Activation time for voice service (post-paid service) – Percentage of valid orders completed within the maximum period laid down in the contract	%	97
CUSTOMERS MOBILE	Residential customer assistance services – Average response time of the operator to incoming calls	seconds	35
CUSTOMERS MOBILE	Disputed charges – Ratio between the number of disputed charges in invoices received within the survey period and the number of invoices issued in the same period (post-paid service)	%	1.2
CUSTOMERS MOBILE	Disputed charges – Ratio between the number of disputed charges on pre-paid cards within the survey period and the average number of active SIM/USIM in the same period (pre-paid service)	%	1.2
CUSTOMERS INTERNET	Activation time for broadband Internet access services – Percentage of valid orders completed within the date agreed with the customer (active telephone lines)	%	95
CUSTOMERS INTERNET	Activation time for broadband Internet access services – Average time of supply (active telephone lines)	days	9
CUSTOMERS INTERNET	Broadband Internet access service faults – Average repair time	hours	26
CUSTOMERS INTERNET	Disputed charges – Ratio between the number of disputed charges in invoices regarding all Internet access services (received during the survey period) and the total number of invoices issued in the same period	%	1.4
CUSTOMERS IPTV	Customer assistance response time – Average time of operator response to incoming calls	seconds	*
CUSTOMERS IPTV	Disputed charges – Ratio between the number of disputed charges in invoices regarding the IPTV service (received during the survey period) and the total number of invoices containing charges regarding this service (issued during the same survey period)	%	1.0
CUSTOMERS IPTV	Availability of IPTV service - Average unavailability of the service	hours / years	36

* AGCom resolution no. 79/09/CSP, which establishes targets for call centres, is currently being updated.

Telecom Italia – Other stakeholders

Area of reference	Indicator	Unit of measurement	2014 Final result	2015 Target
HUMAN RESOURCES TRAINING	Training in health, safety and environment issues[1]	Training hours	375,364	100,000
HUMAN RESOURCES TRAINING	Training – Training hours per head[1]	Training hours per head	33	27
HUMAN RESOURCES TRAINING	Training – coverage (percentage of employees out of the entire workforce who have taken part in at least one training session)	%	97.94	75
HUMAN RESOURCES ACCIDENTS	Accidents per 100 workers	Number	1.30	1.28
THE ENVIRONMENT ENERGY	Eco-efficiency indicator[2]	bit/joule	3,543	4,700
THE ENVIRONMENT ENERGY	Self-generation of energy from cogeneration[3]	GWh	85	131
THE ENVIRONMENT ELECTROMAGNETIC EMISSIONS	SAR qualification[4]	%	100	100
THE ENVIRONMENT ELECTROMAGNETIC EMISSIONS	SAR qualification of other technologically innovative devices (USB memory sticks, tablets and routers) marketed under the TIM brand	Number	10	5

1   The data includes classroom, online and on-the-job training.

2   The indicator has been calculated for the Domestic BU, net of Olivetti Group activities.

3   The target is now extended to the whole Domestic BU; it must be noted, however, that cogeneration plants currently only exist in Telecom Italia S.p.A. See the Multiannual Targets table.

4   This is the percentage of mobile phones subject to the SAR (Specific Absorption Rate) qualification. The percentage has been calculated on the most widespread and technologically innovative models of mobile phone handsets.

TIM Brasil – 2015 Targets

Area of reference	Indicator	Unit of measurement	2014 Final result	2015 Target
HUMAN RESOURCES	Training (total hours: in class, online and on the job) provided to its own employees, outsourced employees and interns	Training hours	1,087,215	900,000
HUMAN RESOURCES	Sustainability training (percentage of employees, outsourced employees and interns out of the total workforce who have taken part in at least one training session on sustainability issues)	%	30	N/A[1]
THE ENVIRONMENT	Collection of mobile phones, batteries and other accessories to be sent for recycling	Tons	0.92	2
THE ENVIRONMENT	Ratio between recycled waste and the total waste generated in the offices	%	58	68
SUPPLIERS	Suppliers assessed under sustainability criteria	Number	53	60

1 The target is not set for 2015 because a new methodology for targeting sustainability issues training is under definition.

Domestic BU – Multiannual Targets – Environment and Digital Inclusion

Area of reference	Indicator	Unit of measurement	2014 Target	2014 Final result	Status Target	2015 Target	2016 Target	2017 Target
THE ENVIRONMENT ENERGY	Total electricity procured or produced*	GWh	1,942	2,000	🔴	1,980	1,918	1,896
THE ENVIRONMENT ENERGY	Self-generation of energy from cogeneration	GWh	115	85	🔴	131	146	146
THE ENVIRONMENT ENERGY	Eco-efficiency indicator	bit/ joule	3,100	3,543	🟢	4,700	5,500	6,000
THE ENVIRONMENT ATMOSPHERIC ENERGY	Reduction of CO2 emissions from the purchase and generation of electricity compared to 2013	Tons	11,000	720,250	🟢	695,000	680,000	680,000
DIGITAL INCLUSION	LTE coverage**	%		28.10				~75.00
DIGITAL INCLUSION	Next Generation Plan (fixed telephony) coverage***	%		77.00				>95.00

*   The 2014 final results refer to the Domestic BU, net of Olivetti Group activities. Multiannual targets refer to the Domestic BU, includling Olivetti Group activities. Such a significant reduction in CO2 emission is due to the agreement signed for the purchase of guarantees of origin which certify electricity generated by renewable sources, covering almost 100% of the company's energy consumption in Italy.

** The percentage refers to the resident population. Coverage values are subject to change based on ISTAT and urbanisations updates.

*** The percentage is determined by the ratio between the number of properties connected with "cabinets" reached by access optical fibres (or which can be served directly from an exchange if within acceptable distances) and the total number of properties that have or have had active telephone lines in the past.

GRI CONTENT INDEX
FOR "IN ACCORDANCE" - COMPREHENSIVE [G4-32]

GENERAL STANDARD DISCLOSURES			
GENERAL STANDARD DISCLOSURES	PAGE NUMBER	OMISSIONS	EXTERNAL ASSURANCE
STRATEGY AND ANALYSYS			
G4-1	I, III, IV, V, VI, VII		yes, page 254
G4-2	58, 59, 60, 63		yes, page 254
ORGANIZATIONAL PROFILE			
G4-3	12		yes, page 254
G4-4	12		yes, page 254
G4-5	13		yes, page 254
G4-6	12		yes, page 254
G4-7	13		yes, page 254
G4-8	12		yes, page 254
G4-9	12, 13, 14, 184		yes, page 254
G4-10	185, 186, 209, 210		yes, page 254
G4-11	204		yes, page 254
G4-12	103		yes, page 254
G4-13	12, 13, 104, 221		yes, page 254
G4-14	31, 59, 60, 63		yes, page 254
G4-15	35		yes, page 254
G4-16	35		yes, page 254
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	12, 49		yes, page 254
G4-18	51		yes, page 254
G4-19	51		yes, page 254
G4-20	52		yes, page 254
G4-21	52		yes, page 254
G4-22	12		yes, page 254
G4-23	53		yes, page 254
STAKEHOLDER ENGAGEMENT			
G4-24	43		yes, page 254
G4-25	43		yes, page 254
G4-26	43, 44, 51		yes, page 254
G4-27	44		yes, page 254

in accordance with the assurance standards, ISAE 3000, the external assurance refers to a limited assurance engagement

GENERAL STANDARD DISCLOSURES			
GENERAL STANDARD DISCLOSURES	**PAGE NUMBER**	**OMISSIONS**	**EXTERNAL ASSURANCE**
REPORT PROFILE			
G4-28	50		yes, page 254
G4-29	50		yes, page 254
G4-30	50		yes, page 254
G4-31	256		yes, page 254
G4-32	243		yes, page 254
G4-33	253		yes, page 254
GOVERNANCE			
G4-34	28, 29, 34		yes, page 254
G4-35	28, 29, 30, 34		yes, page 254
G4-36	29, 30, 34		yes, page 254
G4-37	31, 35		yes, page 254
G4-38	28, 29		yes, page 254
G4-39	29		yes, page 254
G4-40	28, 29		yes, page 254
G4-41	31		yes, page 254
G4-42	29, 30, 34		yes, page 254
G4-43	29		yes, page 254
G4-44	29		yes, page 254
G4-45	31		yes, page 254
G4-46	31		yes, page 254
G4-47	29, 34		yes, page 254
G4-48	30, 34		yes, page 254
G4-49	32		yes, page 254
G4-50	32, 33		yes, page 254
G4-51	33		yes, page 254
G4-52	33		yes, page 254
G4-53	33		yes, page 254

in accordance with the assurance standards, ISAE 3000, the external assurance refers to a limited assurance engagement

GENERAL STANDARD DISCLOSURES			
GENERAL STANDARD DISCLOSURES	**PAGE NUMBER**	**OMISSIONS**	**EXTERNAL ASSURANCE**
GOVERNANCE			
G4-54	207	The ratio between the annual total compensation of the highest paid individual and the median annual total compensation for all employees was not disclosed for confidentiality constraints. It was judged to fall under the category of information subject to the "Policy for the classification and management of confidentiality information" in that the datum, once disclosed and if not properly understood, could cause the company a reputational damage.	yes, page 254
G4-55	207	The ratio between the percentage increase in annual total compensation of the highest paid individual and the median percentage increase in annual total compensation for all employees was not disclosed for confidentiality constraints. It was judged to fall under the category of information subject to the "Policy for the classification and management of confidentiality information" in that the datum, once disclosed and if not properly understood, could cause the company a reputational damage.	yes, page 254

ETHICS AND INTEGRITY			
G4-56	37		yes, page 254
G4-57	32		yes, page 254
G4-58	32		no

in accordance with the assurance standards, ISAE 3000, the external assurance refers to a limited assurance engagement

GRI CONTENT INDEX
FOR "IN ACCORDANCE" - COMPREHENSIVE

SPECIFIC STANDARD DISCLOSURES			
DMA AND INDICATORS	PAGE NUMBER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: ECONOMIC			
INDIRECT ECONOMIC IMPACTS			
G4-DMA	16, 19, 21, 24, 115		yes, page 254
G4-EC7	16, 19, 22, 25, 79		yes, page 254
G4-EC8	16, 22, 23, 25, 79		yes, page 254
CATEGORY: ENVIROMENTAL			
COMPLIANCE			
G4-DMA	43		yes, page 254
G4-EN29	43		yes, page 254
CATEGORY: SOCIAL **LABOR PRACTICES AND DECENT WORK**			
EMPLOYMENT			
G4-DMA	103, 106, 183, 190, 204		yes, page 254
G4-LA1	185, 211, 212		yes, page 254
G4-LA2	190		yes, page 254
G4-LA3	185, 186, 212, 213		yes, page 254
LABOR/MANAGEMENT RELATIONS			
G4-DMA	183		yes, page 254
G4-LA4	204		yes, page 254
OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	183, 189, 201, 202		yes, page 254
G4-LA5	200, 203		yes, page 254
G4-LA6	185, 203, 204, 214, 215		yes, page 254
G4-LA7	200		yes, page 254
G4-LA8	200, 203		yes, page 254
TRAINING AND EDUCATION			
G4-DMA	183		yes, page 254
G4-LA9	185, 197, 216		yes, page 254
G4-LA10	196		yes, page 254
G4-LA11	191		yes, page 254
DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	183		yes, page 254
G4-LA12	186, 187		yes, page 254
EQUAL REMUNERATION FOR WOMEN AND MEN			
G4-DMA	183, 186		yes, page 254
G4-LA13	185, 207, 217		yes, page 254

in accordance with the assurance standards, ISAE 3000, the external assurance refers to a limited assurance engagement

SPECIFIC STANDARD DISCLOSURES			
DMA AND INDICATORS	**PAGE NUMBER**	**OMISSIONS**	**EXTERNAL ASSURANCE**
CATEGORY: SOCIAL HUMAN RIGHTS			247
INVESTMENT			
G4-DMA	63, 102		yes, page 254
G4-HR1	102		yes, page 254
G4-HR2	196, 197		yes, page 254
NON DISCRIMINATION			
G4-DMA	63, 66, 109		yes, page 254
G4-HR3	69		yes, page 254
FREEDOM ASSOCIATION AND COLLECTIVE BARGAINING			
G4-DMA	63, 104		yes, page 254
G4-HR4	104, 106, 196, 204		yes, page 254
CHILD LABOR			
G4-DMA	63, 109		yes, page 254
G4-HR5	104, 106, 196, 204		yes, page 254
FORCED OR COMPULSORY LABOR			
G4-DMA	63, 109		yes, page 254
G4-HR6	104, 106, 196, 204		yes, page 254
SECURITY PRATICES			
G4-DMA	63, 109		yes, page 254
G4-HR7	105, 196, 198		no
INDIGENOUS RIGHTS			
G4-DMA	63, 69, 109		yes, page 254
G4-HR8	69		yes, page 254
ASSESSMENT			
G4-DMA	63, 65		yes, page 254
G4-HR9	65		yes, page 254
SUPPLIER HUMAN RIGHTS ASSESSMENT			
G4-DMA	63, 103, 104, 106, 109		yes, page 254
G4-HR10	103, 105		yes, page 254
G4-HR11	104, 106, 107		yes, page 254
HUMAN RIGHTS GRIEVANCE MECHANISMS			
G4-DMA	63, 67		yes, page 254
G4-HR12	68		yes, page 254

in accordance with the assurance standards, ISAE 3000, the external assurance refers to a limited assurance engagement

SPECIFIC STANDARD DISCLOSURES			
DMA AND INDICATORS	PAGE NUMBER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL SOCIETY			
LOCAL COMMUNITIES			
G4-DMA	156, 158		yes, page 254
G4-SO1	159		yes, page 254
G4-SO2	159		yes, page 254
ANTI-CORRUPTION			
G4-DMA	39, 40, 42		yes, page 254
G4-SO3	39, 41		yes, page 254
G4-SO4	41		yes, page 254
G4-SO5	42		yes, page 254
PUBLIC POLICY			
G4-DMA	42, 112		yes, page 254
G4-SO6	42		yes, page 254
ANTI-COMPETITIVE BEHAVIOR			
G4-DMA	42, 122		yes, page 254
G4-SO7	42		yes, page 254
COMPLIANCE			
G4-DMA	42		yes, page 254
G4-SO8	42		yes, page 254
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY			
G4-DMA	42		yes, page 254
G4-SO11	42		no

in accordance with the assurance standards, ISAE 3000, the external assurance refers to a limited assurance engagement

SPECIFIC STANDARD DISCLOSURES			
DMA AND INDICATORS	**PAGE NUMBER**	**OMISSIONS**	**EXTERNAL ASSURANCE**
CATEGORY: SOCIAL PRODUCT RESPONSIBILITY			
CUSTOMER HEALTH AND SAFETY			
G4-DMA	92		yes, page 254
G4-PR1	92		yes, page 254
G4-PR2	93		yes, page 254
PRODUCT AND SERVICE LABELING			
G4-DMA	72, 73		yes, page 254
G4-PR3	93		yes, page 254
G4-PR4	94		yes, page 254
G4-PR5	75		yes, page 254
MARKETING COMMUNICATIONS			
G4-DMA	72		yes, page 254
G4-PR6	88		yes, page 254
G4-PR7	95		yes, page 254
CUSTOMER PRIVACY			
G4-DMA	72, 97		yes, page 254
G4-PR8	97		yes, page 254
COMPLIANCE			
G4-DMA	72		yes, page 254
G4-PR9	94		yes, page 254

in accordance with the assurance standards, ISAE 3000, the external assurance refers to a limited assurance engagement

ADDITIONAL NON-MATERIAL GRI INDICATORS

INDICATORS DESCRIPTION	PAGE NUMBER	EXTERNAL ASSURANCE
ECONOMIC		
ECONOMIC PERFORMANCE		
Direct economic value generated and distributed (G4 EC1)	15	yes, page 254
Coverage of the organization's defined benefit plan obligations (G4 EC3)	190	yes, page 254
ENVIRONMENT		
ENERGY		
Energy consumption within the organization (G4 EN3)	133	yes, page 254
Energy intensity (G4 EN5)	138	no
Reduction of energy consumption (G4 EN6)	133	yes, page 254
WATER		
Total water withdrawal by source (G4 EN8)	142	yes, page 254
EMISSIONS		
Direct Greenhouse gas (GHG) emissions – SCOPE 1 - (G4 EN15)	140	yes, page 254
Energy indirect Greenhouse gas (GHG) emissions – SCOPE 2 - (G4 EN16)	140	yes, page 254
Reduction of Greenhouse gas (GHG) emissions - (G4 EN19)	140	yes, page 254
EFFLUENTS AND WASTE		
Total weight of waste by type and disposal method (G4 EN23)	143	yes, page 254
SOCIAL: LABOR PRACTICES AND DECENT WORK		
SUPPLIER ASSESSMENT FOR LABOR PRACTICES		
Percentage of new suppliers that were screened using labor practices criteria (G4 LA14)	105	yes, page 254
Significant actual and potential negative impacts for labor practices in the supply chain and actions taken (G4 LA15)	106	yes, page 254
LABOR PRACTICES GRIEVANCE MECHANISMS		
Disclosure Management Approach about the subject	32, 183	yes, page 254
Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms (G4 LA16)	208	yes, page 254

in accordance with the assurance standards, ISAE 3000, the external assurance refers to a limited assurance engagement

INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2014

To the Shareholders of
Telecom Italia SpA

We have carried out a limited assurance engagement of the Sustainability Report (hereinafter the "Report") of Telecom Italia Group (hereinafter the "Group") for the year ended 31 December 2014.

Responsibility of the Directors for the Report

The Directors are responsible for preparing the Report in compliance with the "G4 Sustainability Reporting Guidelines" defined in 2013 by the GRI - Global Reporting Initiative and with the Inclusivity, Materiality and Responsiveness principles included in "AA1000 AccountAbility Principles Standard (2008)" issued by AccountAbility (Institute of Social and Ethical Accountability), as indicated in the paragraph "Reporting" of the Report. The Directors are responsible for that part of internal control that they consider necessary to prepare a sustainability report that is free from material misstatement, whether due to fraud or unintentional behaviours or events. The Directors are also responsible for defining the sustainability performance targets of Telecom Italia Group, for reporting the sustainability results, as well as for identifying the stakeholders and the significant aspects to be reported.

Auditor's responsibility

We are responsible for the preparation of this report on the basis of the work performed. We conducted our engagement in accordance with "International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board for limited assurance engagements. The standard requires that we comply with applicable ethical requirements, including professional independence, which was respected also in accordance with the AA1000 AccountAbility Assurance Standard (2008), since services or activities that could have generated an independence conflict have not been performed for the Group, and that we plan and perform our work to obtain limited assurance that the Report is free from material misstatement. The procedures consisted in interviews, primarily of company personnel responsible for the preparation of the

information presented in the Report, analysis of documents, recalculations and other verification procedures.

The procedures we performed on the Report consisted in verifying its compliance with the principles for defining the content and the quality of a sustainability report set out in the "G4 Sustainability Reporting Guidelines" and "AA1000 AccountAbility Principles Standard (2008)" and are summarised as follows:

- comparing the financial information reported in the Report with the information included in the Group consolidated financial statements as of 31 December 2014 on which we issued our audit opinion, in accordance with articles 14 and 16 of legislative decree n° 39 of 27 January 2010, on 30 March 2015;

- analysing, through inquiries, the governance system and the process for managing the sustainability issues relating to the Group strategy and operations;

- analysing the process aimed at defining the significant reporting areas to be disclosed in the Report, with regard to the methods for their identification, in terms of priority for the various stakeholders, as well as the internal validation of the findings;

- analysing the processes underlying the generation, recording and management of quantitative data included in the Report. In detail, we carried out:

  - meetings and interviews with management of Telecom Italia SpA, TIM Brasil Serviços, TIM Participaçoes SA and Fondazione Telecom Italia to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and submission of the information to the function responsible for the Report preparation to comply with the Inclusivity, Materiality and Responsiveness principles included in the AA1000APS – 2008 standard;
  - a sample-based analysis of the documents supporting the preparation of the Report, in order to obtain evidence of the reliability of processes in place and of the internal control system underlying the treatment of the information relating to the objectives disclosed in the Report;

- analysing the internal consistency of the qualitative information described in the Report and its compliance with the guidelines identified in the preceding paragraph "Responsibility of the Directors for the Report";

- analysing the engagement of stakeholders and its results through the existing documentation concerning the significant matters arisen during the Group dialogue initiatives;

- obtaining a representation letter, signed by the legal representative of Telecom Italia SpA, on the compliance of the Report with the guidelines identified in the paragraph "Responsibility of the Directors for the Report", as well as the reliability and completeness of the disclosed information.

2 di 3

Data and information subject to our limited assurance procedures are included, as required by the "G4 Sustainability Reporting Guidelines", in the "GRI Content Index" of the Report.

Our limited assurance work was less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000 ("reasonable assurance engagement") and, consequently, it does not provide us with a sufficient level of assurance necessary to became aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of Telecom Italia Group as of 31 December 2014 has not been prepared, in all material respects, in compliance with the "G4 Sustainability Reporting Guidelines" defined in 2013 by the GRI - Global Reporting Initiative and with the Inclusivity, Materiality and Responsiveness principles included in the "AA1000 AccountAbility Principles Standard (2008)" as disclosed in the paragraph "Reporting" of the Report.

Turin, 05 May 2015

PricewaterhouseCoopers Advisory SpA

Signed by

Paolo Bersani
(Partner)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers.

3 di 3