

2015

Sustainability Report

CHAIRMAN'S LETTER

Some years ago The New Yorker published this cartoon. There was a man behind a desk, the CEO of a company, and an employee sat in front of him, who had just suggested a new solution. “What you’re proposing is a really innovative approach,” explained the CEO to his employee, “but I don’t think we can take it into consideration, it hasn’t been done before!”

But innovation is just that: coming up with new solutions and breaking with established practices, whether for products, production processes or commercial strategies. It doesn’t make sense to do things in a certain way because they have always been done like that. In today’s world, a successful company is a company that does not shy away from calling its past into question.

This is how we reason. We are a company that wants to ask questions of itself and that has the capacity to do so because it is in our DNA and is part of our cultural background.

We live in a highly competitive context, on the frontier of innovation. We operate in a sector where, with regard to both consumer electronics and Internet services, not a day goes by without exciting innovations. We continue to call it a “phone,” but our smartphone now does things that did not even seem possible only five years ago. Telecom Italia is doing the same job it has always done: connecting people. But now it must do this in a radically different way to five years ago, and in another five years it will do so in a very different way to today.

Ours is not a leadership that can only base itself on the past: we are no longer the cautious directors of the monopoly. Nowadays we fight in the competition race and we measure ourselves against our competitors every day, learning from each of them.

Given that we have always been in the business of connecting people and things, we have been able to see, perhaps before and more than others, the interdependences between economic, social, environmental and human sustainability in our work. It has caused us to develop a sensitivity for Social Corporate Responsibility, slightly different to that of other companies. First of all we recognize that achieving the interests of all our stakeholders supports the goal to create value in a synergic way. The term “shared value,” which guides our actions, stems from this very principle.

We know that to fully express our potential we must expand our gaze: consider the impact of the investments on the community, ask ourselves how the new technologies will influence the learning capacity of our children, and “include” as many people as possible in the great conversation of the digital era.

We are a big company, capable of great and significant investments. In new technologies, in broadband, in computer security, yes, but also in social, civic and cultural projects, areas that affect the daily lives of all of us from many points of view.

Our ambition is to construct a sustainable profit in the long term to benefit us all, and our commitment in adopting the principles of Global Compact – which aims to create an inclusive and sustainable economy capable of producing lasting benefits for people, the community and the market – is moving in this direction.

We are launching an ambitious simplification and smart working project, and we are seriously committed to ensuring respect for Human Rights, to the fight against corruption and to developing people’s potential inside and outside of our organization. We are convinced that the work conditions of our employees must allow them to truly give their best: for this reason we want them to be the best possible for everyone.

[G4-1]

Telecom Italia is a deeply Italian company.

This is because the men and women that work for it are Italian, and because the expertise and know-how are Italian, but even more because the effects of what we do every day spill over into the Italian social and economic context in a significant way. Just as Italian are the creativity, passion, and desire for innovation that have always been expressed in Italy, from Leonardo and Guglielmo Marconi, Alfonso Bialetti and Federico Faggin. But we also like to think that we are a piece of Silicon Valley in Italy. Because at Telecom change is not episodic, it is not casual: change is the company philosophy.

The innovative drive of which we are the bearers is intrinsically linked to the evolution of the society we live in. The business of our Group is to create communication networks and services. It means allowing people and businesses to share and implement ideas and projects that no one would be able to achieve alone. This is the real essence of what we do: enabling each of us to communicate with others in order to feel part of something bigger.



Giuseppe Recchi

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TELECOM ITALIA GROUP



GROUP'S PROFILE

[G4-3] The Telecom Italia Group offers fixed and mobile communication services and ICT solutions¹. In Italy, the Group operates the biggest fixed voice and data infrastructure, covering the whole territory and provides one of the country's 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. **[G4-17a]** For the details of the countries where Telecom Italia operates see Note 45 of the Group's consolidated financial statements, which also lists 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 2015. For details of the changes that did take place, see Notes 1 and 3 of the Group Consolidated Financial Statements. The main changes over the past three years include the Sofora – Telecom Argentina Group being recorded among discontinued operations, the sale of the La7 S.r.l. business and the shareholding in the MTV Group and the creation of INWIT S.p.A., listed on the Milan stock exchange, which operates in the electronic communication infrastructure sector, specifically in those dedicated to hosting radio transmission equipment for mobile voice networks both of Telecom Italia and the other operators.

Telecom Italia provides the Country with innovative infrastructure, IT skills, products, services and ICT solutions that meet the needs of society. This commitment has been consolidated 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 for the creation of the European Digital Agenda.

Within Telecom Italia the Corporate Shared Value (CSV) department has been set up which - starting with an analysis of the Country's main needs, has identified three areas of intervention that can respond to these needs, through technologies, skills and specific projects. The three areas identified are:

- digitisation, connectivity and social innovation
- environmental protection
- digital culture

The first 17 projects,² the value of which has been estimated applying the metrics of the CSV model in Italy and in Brazil, have been inserted within these three areas; a summary is provided in the *Corporate Shared Value* section.

[G4-8] [G4-9] All the Group's activities are encompassed in the following Business Units:

- **“Domestic”** operates primarily in the field of domestic fixed and mobile voice and data services for end customers (retail) and other operators (national wholesale), as well as in the domestic information technology products and services sector. The Business Unit also includes the activities of INWIT S.p.A. and on an international note, the activities related to the development of fibre optic networks (international wholesale) in Europe, the Mediterranean and South America;
- **“Brasile”** (TIM Brasil Group) provides mobile telecommunications services. Furthermore, as a result of the acquisition of a number of fixed line operators, it also offers fibre optic data transmission and residential broadband services;
- **“Media”** operates in the management of digital multiplexes through Persidera S.p.A.;
- **“Other Activities”** includes the financial companies and other minor companies not strictly connected with the Group's “core business”.

¹ **[G4-3]** For general information about the Group, see the consolidated financial statements of the Telecom Italia Group, Note 1.

² 2 projects have been inserted in the section The people in Telecom Italia.



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.

TIM is the single brand for the whole Group, which operates in the domestic market offering fixed and mobile telephony, internet, digital content and cloud services. TIM is supporting Italy in its quest for full digitisation by building an ultrabroadband network infrastructure and providing next generation services. In **Brazil**, TIM markets mobile phone, mobile internet and fixed line services.

Through the **Sparkle** brand, the Group offers international voice, data and internet solutions to fixed and mobile telecommunications operators, Internet Service Providers/Application Service Providers, content and media players and multinational companies.

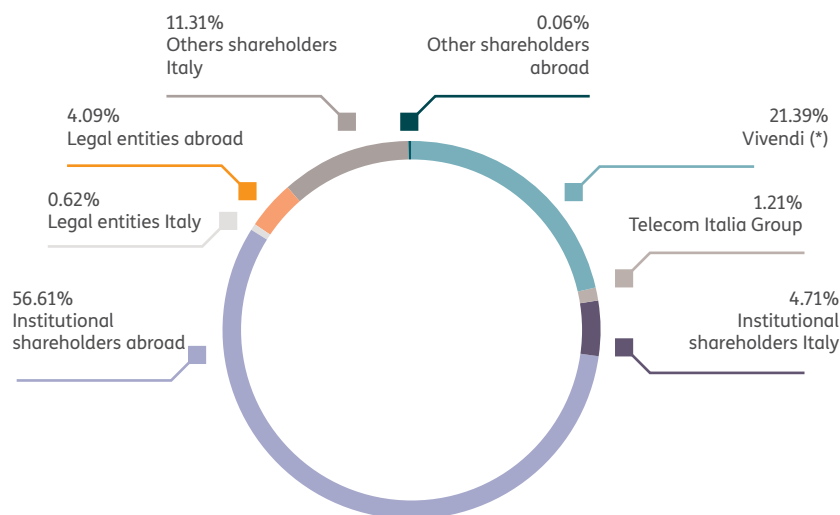
The **Olivetti** brand markets information technology products and services for residential and business customers.

Persidera offers terrestrial digital transmission capacity and high quality technological solutions to leading TV networks operating in the domestic market. Finally, **INWIT** is the Group’s tower company.

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 Italy¹, [G4-5] where the parent company has its registered office. [G4-7] The reference shareholder, as of December 31 2015, is Vivendi S.A.² with 21.39% of the ordinary share capital. [G4-13] The share ownership underwent significant changes over the course of 2015, with the entry of the French shareholder³ and the exit of Telco S.p.A. and the Findim Group S.A. The Net Equity structure and the number of shares in circulation are shown in Note 14 of the Group 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.

The shareholding structure as of December 31, 2015 is shown below ⁴.



(*) Direct and indirect participation.

¹ [G4-7] Also see the Telecom Italia Group Consolidated Financial Statements, Note 1.

² Direct and indirect participation.

³ [G4-7] For details, also see the Report on Operations of the Telecom Italia Group, Information for Investors, and the stakeholder engagement paragraph of the Corporate Shared Value chapter [G4-13].

⁴ Source: Register of shareholders as of December 31, 2015, supplemented by communications received and by other available information.



[G4-13] An examination of the share capital structure in the three-year period 2013–2015 shows, as well as the aforementioned entry of Vivendi S.A., an increase in 2015 of the shares held by foreign and Italian institutional investors, respectively +5.1pp and 0.9pp. The shares held by foreign legal entities, during this three-year period, fell slightly (from 4.4% in 2013 to 4.1% in 2015) as did the shares held by Italian legal persons, falling from 0.8% in 2013 to 0.6% in 2015.

Lastly, as regards the other Italian shareholders and other foreign shareholders categories, there was a decrease in ownership over the three-year period (-4.5pp), slight for other foreign investors.

CORPORATE GOVERNANCE SYSTEM

Some aspects of the Group's Corporate Governance which are particularly relevant (material) to the reporting of sustainability in accordance with the GRI-4 guidelines are briefly illustrated below. For a more detailed and comprehensive description see the 2015 Report on Corporate Governance and Share Ownership, the Report on Remuneration, the Bylaws and the Group Governance Procedures, available at telecomitalia.com.

[G4-34], [G4-35], [G4-40] The 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). The existing Board of Directors was appointed by the Shareholders' Meeting on April 16, 2014. In December 2015, the number of Directors increased from 13 to 17 with the appointment of 4 Directors at the request of the reference shareholder Vivendi S.A.. **[G4-38], [G4-40]** The only stakeholders represented on the Board are therefore 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 Bylaws 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. An amendment made to the Bylaws of Telecom Italia in May 2015 introduced the principle that at least half of the candidates and elected members from each slate must be independent when the Board of Directors is renewed. Reference is made either to the legal independence requirements or the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana, with which Telecom Italia complies.

[G4-40] In delivering its guidance to shareholders, with a view to the Shareholders' Meeting called to renew the Board of Directors on April 16, 2014, the outgoing Board of Directors expressed a few wishes 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 associated areas of business, strategic guidance, 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, i.e. individuals who had gained professional experience overseas;
- a balanced mix of the various components was required, as the coexistence of diverse skills and experience ensures the complementarity of professional profiles, promoting fruitful discussion and the efficient operation of the Board, in the knowledge 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 suggest 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 telecomitalia.com)



[G4-38] The Board of Directors in office consists of 16 members, including 9 independents. 6 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” contained in the RCG, 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 (indicating “LSGR” in the case of appointment with a slate vote and candidacy by the SGR and Institutional Investor Slate, indicating “LT” in the case of appointment with a slate vote and candidacy by the Telco Slate or “T” in the case of original candidacy in the Telco slate but appointment by the Shareholders’ meeting by ordinary vote, indicating “V” in the case of appointment of candidates proposed by Vivendi S.A. during the Shareholders’ meeting on December 15, 2015) whether they are independent, executive or non-executive. Each Director’s CV can be viewed on the website telecomitalia.com *The Group channel, Governance System/Corporate Bodies* section. The Directors’ skills in the field of economics range from university teaching to graduate and post-graduate studies, specific training in the field of mergers and acquisitions, and experience with stock market supervision authorities and at the top of big companies. One Director also declares that he/she has worked on sustainability-related projects. **[G4-47]** 13 meetings of the Board of Directors were held in 2015.

[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. During the year, the Directors attended a specific meeting on sustainability matters, which saw also the participation of an expert in this field from the KPMG Group and the Head of Corporate Shared Value department. As happened in 2015, specific meetings on sustainability are planned.

[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. Significant transactions with related parties are subject to scrutiny by the Control and Risk Committee, in the case of minor transactions, or by a Committee consisting of all the Independent Directors, in the case of more significant transactions. The process of selecting and appointing members of the Committee, and the independence and competence requirements are described in the Nomination and Remuneration Committee Regulations and in the Control and Risk Committee Regulations, both available on the telecomitalia.com.

[G4-44a] The self-assessment of the size, composition and operation of the Board and its Committees for 2015 was performed by means of a questionnaire consisting of five series of questions relative to (i) the composition of the Board and internal committees; (ii) the items discussed, as well as the frequency and method of preparation of the meeting; (iii) the investigative process and decision-making procedure; (iv) the induction and training initiatives offered to Directors; (v) the analysis of the progress made compared to the previous self-assessment. The board review has been carried out annually since 2005. For 2015, as there was no need to give the Shareholders guidance for the renewal, and in order to guarantee the independence of the assessment process, the self-assessment was carried out by the Directors by completing an online questionnaire (for remote access). The results of the board review were then discussed by the Nomination and Remuneration Committee and subsequently by the full board, commenting on the strengths and areas for improvement, with a view to achieving continuous improvement. **[G4-44b]** Further information on the assessment methods and results are illustrated in the RGS. The 2015 self-assessment did not tackle issues of sustainability.

[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. Subsequently, on March 22, 2016, Marco Patuano resigned and, on March 30, 2016, the Board of Directors appointed Director Flavio Cattaneo as CEO. The Board of Directors considers its current composition to be appropriate and, at the Shareholders’ Meeting convened for May 25, 2016, it will propose to reduce the number of directors from 17 to 16.

Also on March 30, 2016, the Board of Directors updated the proxies granted to the two Executive Directors.

The proxies and powers granted to the Chairman 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 planning process, 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 People Value department, which reports to the CEO;
- supervising the economic and financial performance of the companies and the Group;
- supervising the process of examining and devising the structure of the internal control system;
- supervising security and the Telecom Italia Sparkle company;
- representing the company and the Group in external relations with all Authorities, Italian and international Institutions and investors (on the understanding that Investor Relations department reports to the CEO);
- organisational responsibility for the following departments that report directly to him:
- 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 People Value department, which reports to the CEO;
- supervising the economic and financial performance of the Companies and the Group;
- supervising the process of examining and devising 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 Investor Relations department reports to the CEO);
 - ◆ Legal Affairs (save for the CEO's power to make use of the Legal Affairs Department for the operational management support required);
 - ◆ Institutional Communication (save for the CEO's power to make use of the Press Office for the operational management support required in coordination with the Executive Chairman);
 - ◆ Public Affairs;
- responsibility for the Brand Strategy and Media function;
- organisational responsibility for the Corporate Shared Value (CSV) 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 proxies and powers assigned to the CEO 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;
- 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 sustainability the powers are delegated to those in charge of the CSV 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, government local offices, employees etc., described in the *Stakeholder Engagement* paragraph of *Corporate Shared Value* chapter).



[G4-41] The company procedure for transactions with related parties¹, drawn up in accordance with Consob Regulation no. 17221 of March 12, 2010, is systematically updated (the latest revision is dated March 17, 2016) and is illustrated in the Report on Corporate Governance and Share Ownership, 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 the Report on Corporate Governance and Share Ownership.

The internal control system is contained in 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] The 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 System. Particular focus is placed on the relationship between the ERM process and the business planning process, particularly on determining the acceptable level of risk for the Group (Risk Appetite) and the acceptable degrees of deviation from the main business targets (Risk Tolerance).

The process is managed by the ERM Steering Committee, which is chaired and coordinated by the CFO. The Steering Committee ensures the governance of the Group's risk management, aimed at guaranteeing the operational continuity of the business, monitoring the effectiveness of countermeasures taken. The ERM process is designed to identify potential events that may influence the business activity, in order to manage risk within acceptable limits and provide a reasonable guarantee that business objectives will be achieved. For further details please read the *Enterprise Risk Management system* section in *Being sustainable in Telecom Italia*.

[G4-49], [G4-50], [G4-58] In November 2015, Telecom Italia implemented the new Whistleblowing procedure, which provides for the centralised management, by the Audit Department, of all whistleblowing reports - including those that are the responsibility of the Board of Statutory Auditors, particularly in its role as the 231 Supervisory Body - via a compute app which whistleblowers can use to access the Company intranet. Since February 2016 this reporting channel has also been accessible via the Group's website.

Reports may be made by any employee, collaborator, consultant, freelance worker, as well as third parties who have business relations with the Group. The system assigns each report a unique identification code which enables the whistleblower to check the processing status in anonymity. The overall oversight by the Audit Department Manager is intended to make an assessment of the Internal Control System's ability to contribute to the achievement of objectives assigned to the individual departments of the company (effectiveness profile), considering the rational use of resources for their achievement (efficiency profile) and in light of the risk factors (qualitative and quantitative) and the likelihood of them influencing the achievement of the said objectives.

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 the parties to significant shareholders' agreements, pursuant to article 122 of the Consolidated Law on Financial Intermediation, 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.



[G4-57], [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]** Using the Whistleblowing procedure, the same entities must be promptly informed of the following by the recipients of the Code and those who have undertaken to comply with it:

- any violations, requests or inducements 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 irregularities 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. The Brazilian subsidiary TIM Participações also uses a report reception system based on a form, also accessible via the Company's website, that allows the report to be received at an email address, equipped with computer security systems, for its subsequent management.

[G4-50] In 2015, via the internal control reporting procedure, 156 reports were received from Italy and 343 from Brazil, most of them relating to alleged inefficiencies. The *Human Rights* section of the *Being sustainable at Telecom Italia* 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 employment rights¹.

[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 2015 Annual Report). In 2015 the Supervisory Body received only one report which did not however relate to the Code of Ethics, Human Rights or 231 Organisational Model.

[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

¹ In particular, the Human Rights section contains a detailed description of the procedure and the types of reports made via the procedure.



are attended by the Chairman of the Board of Statutory Auditors or by another Auditor appointed by him/her, subject in any case to the freedom for other Auditors to attend the meeting) relies on the assistance provided by relevant departments of the Company and may also rely on the support of external consultants whose position does not compromise their independence of judgement. During 2015, the Committee once more availed itself of the assistance and support of Mercer Italia, which also analysed the application of clawback clauses (details available in the RR).

[G4-51] With the exception of the Chairman and the CEO, the Directors receive fixed remunerations only. Table 1 “Remuneration paid to members of the management and control body and Key Managers with Strategic Responsibilities” in the RR 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 (aggregated), 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 the CEO are primarily of a financial nature, while for the Chairman, in addition to the financial targets, there are targets associated with the image of the Company and the Group and an assessment by the Board of Directors of his effectiveness in managing the activities of the Board of Directors. The sustainability targets used to determine the management incentive system are stated in the Remuneration Policies section of the Telecom Italia people section of this report.

References

The 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 certificates 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;
- Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), version G4, comprehensive option;
- 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 Group has always been a member of many environmental and social organisations, both national and international, formed to disseminate universally recognised values including respect for Human Rights, employment 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. Telecom Italia is involved, among other things, in the ITU Child Online Protection initiative and in particular in updating the guidelines developed as part of this same initiative, which are aimed at companies in the broadcasting, internet and mobile sector. The initiative is part of the wider international Global Cybersecurity Agenda project launched by the



ITU in 2007. Also in the context of the ITU, Telecom Italia is involved 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 for Children Online 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, European Telecommunications Network Operators' Association, 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 Corporate Responsibility Charter of the ETNO. Issues related to Corporate Responsibility are handled by a working group which Telecom Italia has chaired for several years, the tasks of which include promoting and verifying the objectives undertaken through the Association's Corporate Responsibility 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. A task force on Online Child Protection reports also to the working group;
- Joint Audit Cooperation, a joint initiative between telecommunication operators to perform sustainability audits of the production plants of their respective suppliers in geographical areas that present a high social and environmental risk. 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 Sustainability departments of its members), the Operational Assembly, (which defines procedures and tools and coordinates the auditing of suppliers) and holds the position of Vice-President of Operational Committee;
- 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 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 sustainability 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 telecomitalia.com).



Codes, policies and charters of the Group

[G4-56] The undertakings given by the Group are expressed in a system of Charters, Policies 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 and the Human Rights Policy of the Telecom Italia Group set 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 objectives set for each year for the individual services (fixed and mobile voice services, Internet access services, call centre services for customer support) are published on the relative websites. 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 Internet site:

- *Respecting Human Rights in the Telecom Italia Group*, which emphasises that the telecommunication sector is strategic in terms of Human Rights because it affects the accessibility of technology and services (geographical and social digital inclusion) in particular for the most vulnerable, as well as the right to privacy, personal data protection and freedom of expression, particularly online;
- *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 working 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.

The Code of Ethics and Conduct of Telecom Italia, currently being revised following the conclusion of the "organisational identity development¹ workshop, underlines some of the key principles for all the people working in the Group:

■ Excellence of the 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.

¹ More details on the workshops are available in the *Telecom Italia people* chapter.



■ **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 each other's differences, 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 internal control system in all its companies. Over time, oversight and 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 (which includes all the commercial and technical activities related to telephony, Telecom Italia Sparkle, INWIT and Olivetti), Brazil 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 "231 Organisational Model", 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 Group Organisational Model and the Brazilian Organisational Model identify the processes that are at risk of corruption offences, in particular relating to the management of relations with public entities (e.g. management of inspections and procedures, representing the Company's position in respect of the Authorities, requesting authorisations, managing subsidised loans, tender notices), negotiations with customers (commercial negotiations, calls for tenders), identification and management of counterparts in commercial relations, partnerships, joint ventures, purchase of shareholdings, purchase of goods and services, consulting and professional services. During 2015, due diligence was adopted for the assessment of counterparts (donations, business partnerships, M&A²) with the scope of the Italian companies. As regards Brazil due diligence was adopted in 2015 as part of the procurement process (suppliers of goods and services/consultancy and professional services). 231 Organisational Model 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", as a blueprint 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;
- 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

¹ Merger&Acquisition



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 August 2015, a version of the “231 Organisational Model” was adopted which covers all the new types of offence (false accounting, self-laundering, environmental crime). This version, like the previous one (2013), also complies with the relevant compliance programme for the application of international anti-corruption laws, such as the FCPA and the UK Bribery Act. In particular, in 2015, in support of the Organisational Model and to complete the work done in previous periods (gifts policy, entertainment expenses, events, sponsorships), the donations management procedure was adopted and the M&A procedure was updated. A procedure for membership fees is currently being finalised.

[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 financing
- legal and arbitration proceedings
- health and safety at work obligations
- environmental protection obligations
- staff selection and recruitment
- operations carried out by the Executive Directors
- operazioni svolte dal Vertice Aziendale

[G4-DMA Anti-corruption] It is specifically prohibited to directly or indirectly receive, demand, give or offer compensation of any kind, gifts, benefits of an economic or other useful nature 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 the aims pursued, including exclusive aims, in the interests or to the benefit of the individual Company or 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 aforesaid principles are stated in a specific Group Policy on the fight against corruption, which focus in particular on donations, gifts and/or participation in charitable organisations, 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 accordance 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)¹.

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

¹ 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>).



of Supervisory Body are assigned to the 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 Body 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 231 Organisational Model currently covers all the Group's Business Units and **[G4-SO4]** has been approved by Telecom Italia'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 Participações 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, 231 Organisational Model and the anti-corruption policy are communicated to all employees while commercial partners are required to confirm their adherence to the principles contained therein¹. In Italy, in 2015, e-learning training on the 231 Organisational Model and anti-corruption aspects was completed². Note also that the on-boarding training provided to new recruits at Telecom Italia S.p.A. included specific anti-corruption sessions.

E-learning training campaigns run in Italy*

	2015	2014	2012
Senior Managers	42	718	865
Middle Managers	185	3,787	4,270
Others	10,828	33,877	30,143

*Unit of measurement: people

In Brazil, communication on anti-corruption matters, with employees and partners, was launched in 2014 and new classroom training activities were delivered during 2015 aimed at the departmental focal points, the people who manage relations with public bodies and legal advisors³. As part of the awareness-building activities focused on combating corruption, the Code of Ethics was signed by over 13,000 employees 99.7% of the employee and collaborator (such as the people working in the stores) target.

[G4-DMA Anti-corruption] Employees are trained every time the Organisational Model undergoes substantial changes Telecom Italia has made the e-learning training module on the 231 Organisational Model and anti-corruption aspects available to corporate bodies of all national subsidiaries.

[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 it 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. During 2015, the Compliance 231 department participated in the working groups set up at Business 20 (B20) to implement the recommendations made at the G20/B20 on anti-corruption matters and, in particular, to develop an international training toolkit intended for small to medium companies (SMEs), presented at the G20 Summit in Antalya in November 2015. In this context, the company has become involved in Confindustria's "Legality and 231" working group for subsequent implementation of the plan in respect of SMEs.

¹ Commercial partners include suppliers of orders worth over 3,000 euros, joint ventures, consultants.

² The training campaigns are not necessarily annual but depend on changes made to the Model or other organisational requirements.

³ In December 2015 the e-learning course on the Organisational Model and anti-corruption aspects was launched. The Group will shortly consider the possibility of representing the above data in comparable terms.



KEY ECONOMIC PERFORMANCE DATA AND ECONOMIC VALUE GENERATED AND DISTRIBUTED

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

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

[G4-9] The Group reports on what it does to achieve this objective in the sustainability Report, which focuses primarily on environmental and social sustainability, as well as aspects that are both of a social and economic nature (e.g. customer care and innovation management) and 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.

Telecom Italia Group – Main economic, financial and operational data by Business Unit

(million euros)	Revenues			EBITDA			Industrial investments			Headcount at year-end		
BU	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Domestic	15,001	15,303	16,388	5,567	6,998	7,741	5,086	2,783	3,031	52,644	53,076	53,377
Brazil	4,636	6,244	6,945	1,449	1,774	1,812	1,626	2,195	1,349	13,042	12,841	12,140
Media	82	71	124	37	25	(2)	8	6	20	64	89	84
Other activities	49	-	-	(51)	(12)	(15)	-	-	-	117	19	22
Adjustments and eliminations	(50)	(45)	(50)	2	1	4	-	-	-	-	-	-
Consolidated total	19,718	21,573	23,407	7,004	8,786	9,540	6,720	4,984	4,400	65,867	66,025	65,623

[G4-9] The distribution of revenue by product and service is shown in Note 25 of the Telecom Italia Group's consolidated financial statements.

Telecom Italia Group - Other consolidated economic and financial data

(million euros)	31.12.2015	31.12.2014	31.12.2013
Total net equity	21,542	21,699	20,186
- attributable to Parent Company Shareholders	17,819	18,145	17,061
- attributable to minority shareholdings	3,723	3,554	3,125
Profit (loss) for the financial year attributable to Parent Company Shareholders	168	1,350	(674)
Profit (loss) for the financial year attributable to Minority Shareholdings	729	610	436
Net financial accounting debt	28,475	28,021	27,942

[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)/Year-end figures	31.12.2015	31.12.2014	31.12.2013
DOMESTIC FIXED			
Physical connections	19,209	19,704	20,378
Broadband connections	8,890	8,750	8,740
DOMESTIC MOBILE			
Number of lines	30,007	30,350	31,221
BRAZIL			
Number of lines	66,234	75,721	73,431



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

Telecom Italia Group – Economic value generated and distributed			
(million euros)	2015	2014	2013
Direct economic value generated			
a) Total revenue and operating income	20,005	21,974	23,731
b) Interest payable and dividends paid	216	228	149
c) Net gains (losses) on disposals of non-current assets	336	29	(82)
d) Direct economic value generated (a+b+c)	20,557	22,231	23,798
Economic value distributed			
e) Operating costs	9,296	9,951	10,976
f) Employee costs	3,589	3,119	3,087
g) Shareholders and providers of capital	2,291	2,259	2,508
h) Taxes and duties	532	852	961
i) Economic value distributed (e+f+g+h)	15,708	16,181	17,532
Economic value retained (d-i)	4,849	6,050	6,266
Wages and salaries	2,296	2,202	2,183
Social security costs	834	801	788
Other expenses	459	116	116
Employee costs	3,589	3,119	3,087
Purchases of materials and services	8,533	9,430	10,377
Other operating costs(*)	1,375	1,057	1,190
Change in inventories	44	52	(48)
Internally generated assets	(656)	(588)	(543)
Operating costs	9,296	9,951	10,976
Dividends distributed	262	319	595
Interest payable	2,029	1,940	1,913
Shareholders and providers of capital	2,291	2,259	2,508
Income taxes	416	734	833
Indirect taxes and duties	116	118	128
Taxes and duties	532	852	961
- regarding Domestic BU	381	724	826
- regarding Brazil BU	121	122	126
- regarding activities abroad/other	30	6	9

(*) Mainly includes write-downs and charges connected with the management of non-financial credits of 345 million euros (375 million euros in 2014), risk provisions equal to 330 million euros (84 million euros in 2014), and contributions and fees for the performance of TLC activities of 342 million euros (449 million euros in 2014) net of "Indirect taxes and duties" of 116 million euros (118 million euros in 2014) included in the item "Taxes and duties".



Telecom Italia Group – Contribution to the community

(million euros)	2015	2014	2013
Distribution of contribution			
Charity	0.3	0.9	1.8
Investments in the community	17.6	7.1	23.3
Initiatives in the community ¹	9.4	14.5	21.5
Total	27.3	22.5	46.6

The contribution to the community is calculated according to the London Benchmarking Group (LBG) guidelines. The calculation has been done 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 line with the LBG model, in order to measure and represent the Group's commitment to the community, the contributions paid out have been subdivided into three categories (donations, investments in the community, initiatives for the community). In the first, the charitable spirit prevails, the third includes initiatives that combine a benefit to the community with a commercial interest on the part of the Company. For further information regarding the LBG model and its investment classification criteria on the three levels, see the sustainability section of the telecomitalia.com website and the lbg-online.net website.

Telecom Italia Group – economic shared value CSV projects

The estimate of economic shared value generated by the 17 CSV projects during 2015, in Italy, was over 12 billion euros. The details of the values of the individual projects are given in the corresponding chapters.

¹ Among the initiatives for the community worth note: the Junior TIM Cup, a joint project with the CSI - Centro Sportivo Italiano - and Lega Serie A to promote football in parish youth centres and reflect on delicate issues such as cyber bullying and digital well-being; TIM Guarda Avanti, an initiative for talking to young people about their future and making them aware of the danger of using mobile phones while driving; the VOLLEY TIM CUP promoting ladies' volleyball and team sports as a way of building a sense of loyalty and belonging to a group, whether sports or equivalent, which characterises their daily routine and helps their physical, civil, social and cultural growth.



REFERENCE CONTEXT

Legal and compliance framework

The Group's activities are conducted in full compliance with current 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 *Corporate Shared Value* chapter of this Report. Relations between the Group and its employees and public administration are carefully regulated and controlled by the 231 Organisational Model, briefly presented in this chapter. **[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 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 *Telecom Italia Group/Corporate Governance System* 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 disputes of this nature over the past three years.

Competitors

[G4-DMA Anti-competitive Behavior] 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.

Our target audiences in this respect are:

- OLOs (Other Licensed Operators);
- the Italian Communications Authority (AGCOM);
- the Italian Competition and Market Authority (AGCM);
- associations, federations and national and international trade associations.

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 about business development and protecting 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 Associazione delle società di TLC (Telecommunications Companies Association). Since 2010, Telecom Italia joined Assinform, the national association 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. In order to monitor the competitive situation, quantitative surveys are periodically carried out on a representative sample of the adult Italian population to measure the effectiveness of advertising for telecommunication services. These measure how well the individual operators are known, unprompted and prompted knowledge of advertising, recollection of advertising content, enjoyment of advertising and likelihood of entering into a contract.

For many years now, the Company has had an overall Group reputation monitoring service related to all types of media (print and online, radio, TV, social web). The tool analyses and compares Telecom Italia's presence and that of its main domestic competitors. The system allows Telecom Italia to be positioned quantitatively (number of hits and visibility) and qualitatively (positive or negative arguments, sentiment, image profile) in the competitive context, highlighting the positive and negative areas in the individual media. An alerting system has also been activated on subjects that may potentially have an impact on the Group's reputation.

As part of the rebranding project, in Italy, a monitoring system was activated which annually assesses the impact over time of the evolution of the new single TIM commercial brand in the domestic market.

Services to OLOs

The Telecom Italia National Wholesale Service (NWS) Department, which, as of November 2015, has been hierarchically subordinate to the Wholesale Department, is the point of contact for OLOs and ISPs regarding the provision of network infrastructure and services for subsequent marketing by the said OLOs of electronic communication services to their own 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 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 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 Working Together, Focus Days Wholesale Portal), caring initiatives and the actions taken to measure OLO satisfaction go to the Telecom Italia Wholesale websites: wholesale.telecomitalia.com and widedigitalspace.wholesale.telecomitalia.com

The Italian Communications 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 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. The Company is considering whether to submit 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, the Group interacts with the Competition Authority both in a preventative way and during proceedings launched by it.

In addition to responding to the requests regularly sent by the Authority in the performance of its duties pursuant to Law 287/90 and the Consumer Code, in order to ensure transparency, the company's departments preventively organise information meetings aimed at providing a clearer understanding of the evolution of the market and its effects on the Authority's areas of responsibility.

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 pricing criteria adopted 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, in 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 National Wholesale Services function. Between the end of 2015 and the beginning of 2016, a new edition of the online course was published, provided and used by about 3,000 employees. In 2016 the same employees will be given classroom training.

[G4-DMA Anti-competitive Behavior] During 2015, the Company launched a Compliance Antitrust activity with the help of an external law firm specialised in competition law. The initiative is part of the constant training activity being carried out on competition law, which has until now been organised and implemented by the internal Antitrust department.

The activity, which ended in December, was split into the following stages:

- interviews with previously identified senior staff;
- checking of documents contained on the personal computers of a specific number of managers previously selected in order to perform an objective collection of such documents;
- competition training;
- review/writing of an competition code of conduct;
- internal competition procedure;
- establishment of the specific competition compliance programme



With this activity, Telecom Italia wants to strengthen the values of transparency and fairness that are the basis of its actions, in accordance with the Group's Code of Ethics and Conduct.

[G4-S07] the Group's main disputes in this respect are listed and described in Note 24 (Contingent liabilities, other information, commitments and guarantees) of the Consolidated Financial Statements, particularly in the Significant disputes and pending legal actions section. **[G4-S08]** The same Note contains a description of all the Group's other disputes.

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, achievable by 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 Equivalence¹ and the role of Open Access, the structure set up 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* section). 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 Body was set up, a supervisory committee that verifies the proper fulfilment of the undertakings, the 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 access services as well, as of July 2012 the equivalence model was extended to these services as well.

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,

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



particularly in respect of the methods for fulfilling co-location and cabinet access obligations (Resolutions 747/13/CONS and 155/14/CONS).

Further to the EU Recommendation of 2013 on non-discrimination¹, which identifies Equivalence of Input (EoI) as the most appropriate model for ensuring full equality of internal and external treatment in respect of NGA services, and the EU Recommendation on new relevant markets of 2014², in its resolution 42/15/CONS the Authority updated the public consultation regarding the identification and analysis of fixed network access service markets, carrying out a detailed assessment of the proportionality of the EoI obligation applied to the Italian context, in order to define a more suitable equivalence model for the regulatory period in question. In view of the results of the consultation, the Authority drew up a draft resolution which was submitted for examination to the European Commission and is now awaiting final publication. The Authority found that the application of the EoI principle is not proportionate, neither for services on the copper network nor for services on the NGA network AGCOM has asked Telecom Italia to strengthen its Equivalence of Output model (EoO) in respect of the following areas in particular:

- key performance indicators and quality targets;
- governance of the EoO;
- SLAs³ and penalties;
- databases available to alternative operators;
- unbundling of ancillary services.

On November 5, 2015, the Group board approved a new equivalence model, aimed at further strengthening the efficiency and effectiveness of the processes for activating and maintaining the Telecom Italia fixed network wholesale access services supplied to its own commercial divisions and OLOs, which reflects the recent regulatory guidance.

The new equivalence model places Telecom Italia's commercial divisions and the OLOs on an equal footing, strengthening the internal and external equality of treatment and ensuring greater transparency in the management of line activation requests.

In order to implement the above, a change to the Company's organisational structure has been introduced which has made Open Access and NWS hierarchically answerable to the same head of the Wholesale department, as described in the Services to OLOs section.

Relations with the regulation and competition authorities in Brazil

TIM Brasil maintains participatory and collaborative relations with ANATEL (Agência Nacional de Telecomunicações) and CADE (Conselho Administrativo de Defesa Econômica), the authorities involved in regulating the telecommunication sector and the competition and markets respectively.

TIM Brasil has been working with ANATEL on developing the debate around a regulatory framework for telecommunications that will facilitate growth in the sector and the economy as a whole. The dialogue is primarily aimed at identifying the most relevant issues and reducing the typical barriers in the sector, particularly in order to develop important regulatory texts on issues such as managing the frequency spectrum, network sharing and interconnection, coverage of rural areas.

TIM Brasil has a transparent and collaborative relationship with CADE, which it has a duty to notify of mergers, acquisitions and agreements, and to provide timely disclosure thereof. Furthermore, the Company promotes debates and studies and cooperates with academic institutions to support research on market and competition policies.

¹ European Commission Recommendation of September 11, 2013 (2013/466/EU) on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment.

² European Commission Recommendation of October 9, 2014 (2014/710/JE) on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services.

³ Service Level Agreements.



Organisations and Institutions

[G4-DMA Public Policy] Telecom Italia 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.

Our target audiences in this respect are:

- central national institutions: Parliament, Government, Ministries, Public Administration;
- local institutions and their associations:
- AGCOM, AGCM, the Italian Data Protection Authority; Electricity, Gas and Water System Authority
- European and international institutions: EC, European Council and Parliament, BEREC¹, OECD², UN³, Global Compact, UNEP⁴, UNFCCC⁵, ITU⁶ and other UN agencies.

Central and 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 of Economic Development) regarding the activities of the inspection body (parliamentary questions) directed at the Group.

National legislative activity specifically monitored by Telecom Italia during 2015 mainly concerned draft legislation being examined by the Italian parliament and the law decrees introduced by the Renzi government which might have an impact on the electronic communications sector.

The approval process of the following legislative measures was therefore monitored on a constant basis:

- Law No. 115 of July 29, 2015 "European Law 2014", which contains a provision regarding administrative rights in the communication sector: the provision, which is aimed at ending European Commission infringement proceedings no. 2013/4020, identifies the activities performed by the Ministry of Economic Development (MISE) and AGCOM, to be funded by a contribution levied on operators (confirming the existing contribution mechanism), and introduces the duty for the Ministry of Economic Development and AGCOM to publish an annual report on the costs incurred in performing the activities for which they are respectively responsible.
- Ministry of the Environment Decrees (implementing Decree Law 179/2012 or "Growth Bis Decree") which contain:
 - ◆ guidelines regarding the procedures for the supply of performance data of radio mobile systems by operators and for determining the power reduction factors of the systems themselves;
 - ◆ guidelines on determining the electromagnetic field absorption values of buildings. These guidelines are particularly important for operators, as they are intended to facilitate the effective deployment of LTE/4G networks;
- Draft law to reform Chapter V of the Constitution, currently before Parliament, which abolishes the so-called "concurrent legislative power" of the State and Regions and places communication under the exclusive legislative control of the State. This change to the constitution is intended to overcome the dispute between the State and the Regions over the legislative responsibility for regulating this matter, with particular reference to the installation of fixed and mobile electronic communication infrastructure.
- Law No. 183 of December 10, 2014 on employment policy, known as the "Jobs Act", which provides, among other things, for a powers to be granted to the government to reform the rules on solidarity contracts. Particular focus was

¹ Body of European Regulators for Electronic Communication.

² Organisation for Economic Cooperation and Development.

³ The United Nations Organisation.

⁴ United Nations Environment Programme.

⁵ United Nations Framework Convention on Climate Change.

⁶ International Telecommunication Union.



placed by the Group particularly on the process of approval of the respective implementation decrees, and in particular on the one containing “Provisions for the reorganisation of legislation regarding social safety nets during employment” (Legislative Decree No. 148 of September 14, 2015), which changes the concept of solidarity contracts as the causative factor of extraordinary temporary unemployment compensation and makes them subject to the respective rules. The legislative decree also essentially reintroduces the previous system of so-called “expansive” solidarity contracts.

- 2016 Stability Law (Law 208/2015) which contains several interesting general provisions on tax and welfare, including: extension (introduced by the Stability Law 2015) of the de-contribution in favour of employers, for new permanent staff appointments in 2016; extension of the tax reduction (reduced by 10%), for 2016, on worker productivity salaries, for incomes of up to 50,000 euros; the provision reducing corporate income tax by three percentage points for 2016 and by a further half a point in 2017; provisions aimed at strengthening the centralised purchasing of goods and services by public administrations for certain recurring categories of goods and services, and aimed at rationalising public administration procurement processes for ICT goods and services. The law contains numerous social security provisions, including: measures to protect workers from the increase in requirements for access to the existing pension system; extension to 2016 of an experimental system for women who intend to stop working (applying the contribution system, with 35 years of contributions and 57/58 years of age); introduction of rules aimed at actively supporting the gradual retirement of older private sector workers (through forms of part-time work).
- Annual draft law on competition, currently before Parliament, which contains provisions of specific interest to the company regarding: elimination of restrictions to switching to another electronic communication and audiovisual media supplier; maximum 24-month duration of contracts including promotional offers; duty for telephone service operators to obtain proof of prior consent from customers when charging for subscription services offered by third parties; simplification of the procedures for identifying customers when switching between mobile phone operators.
- Draft law regarding class action, currently before Parliament, aimed at strengthening this protection mechanism, which would introduce new rules for compensatory class action by broadening the objective and subjective scope and establishing financial incentives for the person bringing the action.
- Law No. 124 of August 7, 2015, containing “Delegated powers assigned to the Government to reorganise public administration”, including delegated powers assigned to the Government to issue (within 8 months of the law coming into force) one or more legislative decrees to restructure and rationalise expenditure on telephone tapping services, and expenditure on the use of such services. One of the principles by which the Government must abide in exercising these delegated powers is that the review of the price list of mandatory services must take account of the costs and services, in order to achieve a cost saving of at least 50% on the rates stated in the existing price list. The public administration reform law also introduces, among the guiding principles of the powers delegated to the Government, the one according to which digital and electronic payments made in any form, including the use of phone credit for micropayments, shall be the main form of payment to public administration bodies and public service operators.

Also the subject of specific monitoring was the Government Plan (approved on March 3, 2015 by the Council of Ministers) regarding the Italian Broadband and digital growth strategy 2014-2020. The two strategies aim to bridge the digital divide in the country, in terms of both infrastructure and services, in order to achieve the objectives of the European Digital Agenda. Specifically, the New National Broadband Plan proposes to remedy the infrastructure gap by creating the most favourable conditions for the integrated development of fixed and mobile telecommunication infrastructure, through a series of actions, including a mix of public-private investments, in which the public sector will be involved through the use of several tools and will be calibrated differently according to the area and the commercial attractiveness for private operators.

Finally, the company is also monitoring some parliamentary hearings, including the one which took place in the Transport, Post and Telecommunications Committee on audiovisual and radio broadcasting services. The purpose of these hearings was 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 was also summoned for a hearing on March 10, 2015.



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 2015 we would highlight the following:

- the development of new ultrabroadband networks (NGAN - Next Generation Access Network) and the new LTE (Long Term Evolution) standard; local coverage and increasing the digital inclusion;
- 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, Venice Town Planning Regulation), in order to represent the company's requirements (particularly by submitting comments and amendments and participating in hearings) 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, particularly 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;
- dissemination of digital innovation and culture, particularly by promoting agreements/partnerships with public administrations;
- promotion of Telecom Italia's system of digital services for the creation of smart cities and particularly support for the cities of Genoa, Turin, Milan, Naples and Florence. In this respect, we should mention: our involvement in the activities of the Genoa Smart City association and in the Torino Wireless Foundation (a technological ICT district involving national and local institutions, universities and research centres, businesses and financial institutions), 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 performance of digital teaching test at a number of schools in the Lombardy Region, following the signing of a protocol with l'USR Lombardy;
- the performance of research activities in cooperation with the Bocconi University, aimed at studying urban agendas in eight Italian municipalities: Bergamo, Cuneo, Ferrara, Belluno, Pescara, Ancona, Taranto, Siracusa;
- the drafting of regional policy reports aimed at taking stock of the current situation and the evolution of regional policy regarding digital services, network infrastructure and smart cities. In the third edition, 2015, significant enhancements were introduced with the addition of further information plus a new chapter which summarises regional development programmes of a strategic and economic nature in light of the new 2014-2020 programme of EU funds available. The 2015 edition is currently being prepared and the analysis of all Italian regions is expected to be completed during the first few months of 2016.



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 regulatory framework review, which involves a review of the network access obligations, a reform of the universal service, and a review of the institutional structure of the powers of the Commission and BEREC in implementing the new framework; the review involves a complex process of adoption in which the Parliament and the Council will be required to adopt new rules around 2020. Telecom Italia is actively participating in numerous public consultations launched by the EC and BEREC based on the Single Digital Market strategy (and the Single Market strategy), particularly the consultations on the review of the telecommunication framework, online platforms and the role of intermediaries, the role of Over the Tops (OTTs) and the regulation of Internet of Things (IoT) services. Of particular note are also the new data protection regulation, participation in the stakeholder table for drafting the new rules on online purchases, the procedures for notification of the decisions of National Regulatory Authorities to the Commission pursuant to article 7 of framework directive, 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, involvement in the expert groups on Cloud Computing (C-SIG) with regard to the drafting of Service Level Agreement - SLA -, 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 (Network and Information Security) Platform, the new regulation on electronic identity and trust services and respective implementation measures.

Telecom Italia is also particularly active in European and international discussions 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 (the subject of future European initiatives) and its enforcement; the review of the European directive on satellite radio broadcasting and cable retransmission, 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. With regard to child protection, Telecom Italia is involved in a particularly significant initiative at EU level aimed at improving the safety of children using the Internet: ICT Coalition for Children Online, a discussion group of European ICT industries that organises half-yearly debates with European institutions and the relevant stakeholders (e.g. NGOs). The activities of the "Better Internet for Kids" platform (a discussion group launched by Commissioner Kroes in 2011) in which the Group is involved, will be relaunched in the coming months at the behest of the current DGConnect DG. Furthermore, Telecom Italia is monitoring the development of several trade agreements which Europe is negotiating with other geographical entities (e.g. TTIP, TiSA, etc.).

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 2015, relating to the whole of 2014, grants it "Active" status and the "Advanced" level (compliance with the twenty-one criteria required). For further information see the 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 is a member of the ITU Child Online Protection (COP), the ITU child protection platform. The Company also regularly participates in the 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) and the respective working groups, such as the Working Party (WP) on Communication Infrastructure and Services, the WP for Security and Privacy, the Competitiveness Committee, the Consumer Policy Committee, and the Governance and Anti-Corruption Committee. The issues dealt with during 2015 related to discussions and preparatory work for the OECD Ministerial meeting set for May 2016 in Cancun (Mexico), the review of OECD recommendations regarding electronic commerce, the review of OECD recommendations on International Mobile Roaming, the recommendation on digital security and risk management, digital convergence, as well as the issue of bilateral investment agreements and, in particular, the issue of the investment and investor-State dispute settlement (ISDS) protection clauses.

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

Relations with institutions in Brazil

TIM Brasil has established excellent relations with all the government and parliamentary institutions and regulatory authorities. The frequent and constructive dialogue is based on objective proposals and positions, the purpose of which often goes beyond the interests of the company and involves the entire industry.

At the federal level, relations with the Government are primarily with the Ministry of Communications and also with the relevant departments of the Prime Minister's Office and the ministries that deal with economic development, justice, education, research and local authorities. TIM has also developed a close dialogue with members of the parliamentary committees which are relevant, but not exclusively, to issues of an economic/financial nature, privacy, telecommunications and consumer protection.

Locally, TIM Brasil is in constant contact with institutions and local authorities on issues relating to telecommunications and, in particular, on the development of infrastructure and network coverage, as well as on issues of specific interest to the local communities.

In everyday practice, the engagement activities with the institutions lead to proposals being formulated, debate being stimulated, active participation in public hearings and meetings on specific topics with stakeholders involved.

The main trade associations to which TIM Brasil belongs are:

- ABR Telecom (Brazilian association of telecommunication resources), for the centralised and shared management of telecommunication solutions;
- TelComp (Brazilian association for competitiveness in telecommunication), which represents the interests of 60 operators for competitiveness in the sector;
- SINDITELEBRASIL (national union of telecommunication operators), which works to coordinate, defend and legally represent its member companies, which includes all the fixed and mobile telephone operators;
- GSMA which represents the interests of mobile operators throughout the world. GSMA Latin America is a key partner in discussing the issues affecting the industry, ranging from the management and allocation of the frequencies to consumer protection and activities that can have a positive impact on the reputation of the industry (the Company participates in the We Care initiative);
- ASIET (association of Latin American research centres and telecommunication companies), which, by focusing on studies and research, aims to find a point of convergence between the various challenges in the world of telecommunication in Latin America through dialogue between the public and the private sectors.

In addition, the activities of TIM Brasil, both regionally and locally, are supported by the activities of the Instituto TIM, which aims to achieve social progress in Brazil through activities and projects that maximize the potential of the mobile network. Since 2013, the Instituto TIM has implemented projects in over 350 local organisations in 24 states.



**BEING SUSTAINABLE AT
TELECOM ITALIA**



The expectations of the stakeholders of a TLC operator centre around the reliability, innovativeness, coverage and ubiquity of the network. Telecom Italia plays a significant role in the countries it operates in by virtue of the increasing importance of communication technologies for people's lives and for the economic and social development of communities. [G4-2] The Group's economic contribution in the countries where it operates is described in the *Telecom Italia Group* chapter, while the social aspects are reported in the *Digitisation, connectivity and social innovation* chapter. A sustainable company has a duty to do everything it can to reduce its environmental footprint: Telecom Italia takes many measures described in detail in the *Environmental Protection* chapter.

Finally, from a social perspective, the Group's operations are not carried out in high risk countries, and in any case Telecom ensures respect for social and Human Rights through the value chain (see *Human Rights Policy* and *Telecom Italia people*).

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]

Among the issues regarded as material by stakeholders and the company, the materiality analysis, carried out by Telecom Italia in 2014 and confirmed in 2015, highlighted issues relating to the defence of human rights. 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. This sphere includes not only basic Human Rights, such as the right to decent remuneration, non-discrimination, freedom from forced labour, etc., but also rights associated with the information society, such as the right to access information, the right to freedom of expression (in particular online), and the right to have one's privacy and safety protected online, in particular for minors, are important issues for a telecommunications company.

Relevant company policies: Human Rights Policy of the Group, 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 telecomitalia.com.

Effectiveness and monitoring: the Human Rights Policy applies to every individual within the Group. The People Value Department is responsible for observance of the Policy as regards the involvement of the people of Telecom Italia, the Purchasing Department is responsible for seeing it is complied with in relation to the involvement of suppliers, the Compliance Department monitors the risk of non-compliance with the reference legislation, and the Corporate Shared Value (CSV) Department is responsible for updating the Policy (at least every two years). CSV also coordinates the due diligence process with a view to continuous improvement. Finally, Telecom Italia carefully monitors and analyses reports of any Human Rights violations received via the grievance mechanisms made available to stakeholders. The scarcity of such reports is an indication of how effective the company's Human Rights protection processes are.



Business and Human Rights: the UN “Guiding Principles” and European Union Directive no. 95/2014

In 2011, the United Nations Human Rights Council unanimously approved the “UN Guiding Principles on Business and Human Rights”¹ prepared by Prof. John Ruggie², considering it a global benchmark for “Business and Human Rights”.

The “Guiding Principles” were drawn up to implement the Human Rights framework³ founded on the following three pillars:

- the duty of countries to protect people against Human Rights abuses by third parties, including companies (States must adopt suitable measures to prevent, investigate, punish and compensate these abuses through effective policies, legislation, regulations and pronouncements);
- the responsibility of companies to respect Human Rights (companies must avoid causing or contributing to causing - through their activities - negative impacts on the Human Rights of others);
- States and businesses must allow the fullest possible access to effective remedies for victims of Human Rights abuses (States must ensure - through judiciary, administrative, legislative or other appropriate means - that people have access to an effective remedy when these abuses occur on their territory. Businesses must remedy the negative impacts - or cooperate to this end - through legitimate processes when they recognize they have caused the negative impacts or have contributed to cause them).

European Union

In order to reinforce 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 in the European Official Gazette; this Directive will come into force by 2017 (after ratification by the Member States) and concerns the disclosure of non-financial information, including information relating to Human Rights.

The engagement of Telecom Italia

[G4-DMA Assessment] Between 2008 and 2011, Telecom Italia was a member of the UN 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.

Since 2012 Telecom Italia has been a member of the Peer Learning Group on Business and Human Rights, set up within the Global Compact Network Germany.

In 2015 the Peer Learning Group performed the following main activities:

- a webinar in February on the issue of “Human rights policy development and stakeholder engagement - challenges and best practices”;
- a meeting in May on “Human rights risk and impact assessments - analysing methodologies and case studies”;
- a webinar in September on “Measuring, communicating on and rating companies’ human rights performance - trends and expectations”;
- a meeting in November on “Strategic integration of the human rights topic & European Peer Learning Group Exchange with members of the Spanish and the Italian Global Compact Networks”. Note that, given the cross-cutting nature of Human Rights with regard to the Group’s stakeholders, this paragraph covers the [G4-HR3], [G4-HR8], [G4-HR9], [G4-HR12] KPIs of the GRI G4 standard. The *Digitisation, connectivity and social innovation* 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.

¹ UN Guiding Principles on Business and Human Rights.

² In 2005 Kofi Annan appointed Prof. Ruggie as “Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises”.

³ Drawn up by Prof. John Ruggie and approved by the Human Rights Council in 2008.



Due diligence on the Human Rights of the Telecom Italia Group

[G4-DMA-Reporting due diligence on Human Rights-a] 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 OCAI¹ (Organisational Capacity Assessment Instrument) for human rights due diligence in companies was also illustrated (the due diligence is expressly required by the “Guiding Principles”). The OCAI is a self-assessment questionnaire that reflects the content of the “UN Guiding Principles on Business and Human Rights”², consisting of twenty-two questions concerning the main elements of corporate responsibility for Human Rights. In completing the OCAI questionnaire, for each question, the company or department must assess its own position – current and potential – on a spectrum of six levels that range from “non-responsive” to “Human Rights promoter”³.

The goals of the due diligence include:

- the identification and mapping of Human Rights risks resulting from the Group’s operations⁴;
- confirmation that each topic is governed by a specific internal regulatory framework (e.g., policy, procedure), has a management system that regularly monitors and traces the performances (if possible through appropriate indicators, such as those concerning health and safety), and that the relative responsibilities have been assigned;
- the definition of a gradual improvement path which, starting with simple respect for the local laws, guides the policies and processes of Human Rights towards sharing with the appropriate stakeholders through appropriate involvement initiatives;
- the highlighting of any gaps or inconsistencies between the company’s various departments and/or between the different companies of the Group;
- the possibility to discuss Human Rights with the other companies.

[G4-HR9] Telecom Italia carried out the first internal due diligence on Human Rights from autumn 2012 to spring 2014, on the basis of the “Guiding Principles”⁵, the use of the OCAI questionnaire, and the involvement of the Group’s two biggest entities in terms of workforce (the percentage of employees covered was 98%) and investments: BU Domestic (excluding Olivetti and Telecom Italia Sparkle) and the Brazil BU.

The entire due diligence process has been studied and coordinated by the CSV Department, which invited the Departments and companies of the Group to fill in the self-assessment questionnaire⁶.

¹ Created by Twentyfifty Ltd with funding from the Global Compact Germany Foundation.

² Four questions concern the Human Rights policy that may be in place, four concern the assessment of the actual and potential impacts on Human Rights (deriving from company activities and relations), eleven concern the integration of respect for Human Rights in the company processes and departments, two questions concern tracing the company’s response to the negative impacts it has caused or contributed to cause and the related communication, and finally the grievance mechanism.

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.

⁴ Among vulnerable groups of people, in addition to minors, disable people and the elderly, Telecom Italia includes indigenous people and work of migrants.

⁵ The next one will be carried out also in view of the Guidelines of the standard GRI (Global Reporting Initiative)-G4 (comprehensive option).

⁶ Telecom Italia has not considered the question relating to “conflict-affected areas” as the Group does not operate in any such areas.



CSV department examined the questionnaires that had been filled in and conducted the related feedback with the Italian departments in order to further examine the contributions provided and define the action plans for the level two and three self-assessments (respectively 3.1% and 8.6% of all the responses)¹.

In fact, if the self-assessment process reveals a potential risk situation with reference to Human Rights, the Department concerned is required to communicate the corresponding action plan to CSV which will monitor the progress achieved in the work.

In Italy, at the end of the feedback, the following emerged:

- on a scale of one to six, the average score of all the answers was 4.4;
- the need to prepare 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.

For the Brazil BU, feedback meetings with the Brazilian departments are due to take place shortly and any actions plans will be defined.

[G4-HR10], [G4-HR11] Even the results of the audit on Human Rights carried out on the Suppliers of the Group are reported in the sustainability Report and in the sustainability section on the Group's website.

The Group's Human Rights Policy

[G4-DMA-Reporting due diligence on Human Rights-b] The purpose of the new Policy is to make respect for Human Rights an essential requirement in the performance of the operational activities of Telecom Italia. In Italy as well as in foreign companies, the Group has set up processes through which it undertakes to respect Human Rights and has identified those that may be negatively influenced by the Company's activities, such as:

- Essential Human Rights (e.g. working hours, equal pay, minimum age to enter the world of work, accessibility for disabled people, maternity protection, forced/compulsory/restricted work);
- health and safety rights;
- rights agreed with the Unions and included in National Labour Agreements (in line with the principles of the International Labour Organization);
- **[G4-DMA Non-discrimination]** rights concerning diversity, equality and non-discrimination.

The Policy applies to every individual within the Group and the rights set out above also concern third parties who have business dealings with Telecom Italia.

The internal processes of the Group also consider a series of individual rights affected by the core business, including rights:

- associated with access to telecommunications services and innovation;
- associated with the privacy of the people and customers of the Group, and the protection of their personal data;
- associated with freedom of expression, in particular online, supported by access to telecommunications technologies;
- deriving from the company's zero tolerance approach to any form of corruption;
- potentially violated by added value services (for example, services with content reserved for adults and gambling);
- of children and young people to be protected from (cyber)bullying or harassment;
- of our customers concerning responsible advertising;
- associated with environmental protection (in particular electromagnetic fields);
- of the Community in which Telecom Italia carries out business, with particular attention to vulnerable groups of people (e.g., disabled people, minors, the elderly);
- associated with the use of armed security in accordance with the highest standards and international practices and with the highest transparency possible

The Policy sets out the unfiltered and anonymous reporting mechanisms in line with the requirements of the company procedures, available on the Group's website.

Before publication, the Group's Policy was discussed in the context of the German and Italian Global Compact networks and approved by the Chairman of Telecom Italia.

¹ No level one response was supplied during the first round.



Information and Training on Human Rights

[G4-DMA-Reporting due diligence on Human Rights-b] After publication of the Policy a classroom training course was organized and attended by representatives of the various company departments. The course was run by an external company with expertise in sustainability issues¹ and was attended by the General Manager of Amnesty International Italia. Moreover, an online course was prepared for the entire company population, available on the e-learning platform since the end of 2015, with further invitations to participate in 2016.

Both the workshop and the online course highlighted, among other things:

- what Human Rights are and the main international Institutions that govern them;
- businesses and Human Rights, focusing on any impacts their activities may have on Human Rights;
- the importance of businesses that operate in the telecommunications industry in the defence of Human Rights:
- Telecom Italia and Human Rights: what can be done - in the case of doubt - by individuals of the Group who perform sensitive activities for the defence of Human Rights;
- how and when to use the grievance mechanism.

The same activities will be carried out in TIM Brasil.

Reports and incidents

[G4-DMA Human Rights Grievance Mechanisms] The Group's Code of Ethics and Conduct requires employees, collaborators, consultants, as well as third parties who have business relations with the Group and all the stakeholders affected by the Human Rights Policy - in respect of activities and services of interest to the Group - to promptly inform the Head of the Telecom Italia Audit Department, either directly or via their line manager, of any violations or collusion to violate:

- legal or regulatory requirements,
- provisions of the Code of Ethics,
- policy and internal procedures.

and 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 and of the "UN Guiding Principles on Business and Human Rights".

The Internal Control reporting procedure (see the *Telecom Italia Group* chapter, *Corporate Governance system* paragraph) requires the Head of the Audit Department, who answers directly to the Board of Directors, 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-compliance 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 telecomitalia.com website. Employees were made aware of this in a letter from the CEO and a news item published on the Company intranet.

In 2015, the internal control procedure led to a total of 156² reports being received in Italy and 343 in Brazil, most of which, in both Italy and Brazil, concerned company-related issues and alleged cases of poor service. In the case of Italy, of the 156 reports, 44 were anonymous and 112 non-anonymous, classified as follows:

- 86 of a "business" nature (processes that could be improved, etc.);
- 4 of a "personal" nature (employees in difficult situations, etc.);
- 56 customer complaints (poor service);

¹ Avanzi Srl, further details are available on the website www.avanzi.org

² Of the 156 reports, 31 were received from the Board of Statutory Auditors and 3 from the Supervisory Body. From the beginning of 2015 management of all the reports was concentrated in the Audit Department.



- 10 “irrelevant” ones in terms of the purpose of the procedure.

In the case of Brazil, of the 343 reports, 114 were anonymous and 229 non-anonymous, classified as follows:

- 188 of a “business” nature (processes that could be improved, etc.);
- 28 of a “personal” nature (employees in difficult situations, etc.);
- 116 customer complaints (poor service);
- 11 “irrelevant” ones in terms of the purpose of the procedure.

The new reporting procedure (“Whistleblowing Procedure”) has been in force since November 2015. It provides for the centralized management, by the Audit Department, of all the reports via an IT application which can be accessed through the company intranet by those submitting the report. Since February 2016 this reporting channel has also been accessible via the Group’s website. The system assigns each report a unique identification code which enables the reporter to check the processing status in complete anonymity.

TIM Brasil also uses a report reception system based on a model, also accessible via the company’s website, that allows the report to be received at an email address, equipped with computer security systems, for its subsequent management.

[G4-HR12] The Human Rights-related reports received through the main tool provided by the Company for all stakeholders to report any kind of regulatory irregularity or breach of the Code of Ethics, the Human Rights Policy and the “UN Guiding Principles” 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. For further details refer to the tables shown in the *Appendix*.

Reports received and handled in Italy regarding Human Rights

	2015	substantiated	2014	substantiated	2013	substantiated
Total number of reports regarding human rights received through the main grievance mechanisms	4	2	7	3	7	6
Handled during the reporting period	4	2	7	3	7	6
Resolved during the reporting period	4	2	7	3	6	5
Total number of reports received prior to the survey period which were resolved during the reference period	0	0	1	1	2	2

[G4-HR12]

Reports received and handled in Brazil regarding Human Rights

	2015	substantiated	2014	substantiated	2013	substantiated
Total number of reports regarding human rights received through the main grievance mechanisms	0	0	5	2	0	0
Handled during the reporting period	0	0	5	2	0	0
Resolved during the reporting period	0	0	4	2	0	0
Total number of reports received prior to the survey period which were resolved during the reference period	1	0	0	0	0	0



The reports related to 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 effectively. To conclude the topic, in 2015, in Brazil there were reports concerning work issues, as indicated in the chapter *Telecom Italia people*.

[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 people¹.

OPPORTUNITIES AND SOCIO-ENVIRONMENTAL RISKS OF THE GROUP'S OPERATIONS

[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 CO₂ emissions, improve health services and bureaucracy, increase security for citizens. Many of the social-environmental services offered by Telecom Italia are discussed in the chapters *Digitisation, connectivity and social innovation* (see *Group's customers*) and *Environmental protection* (see *TIM eco-friendly*). 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.

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 telecomitalia.com and trade union agreements, and is based on detailed monitoring procedures that required 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 *Digitisation, connectivity and social innovation/R&D and innovative services, Research and innovation for e-security* paragraph);
- 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 *Digitisation, connectivity and social innovation/ Group's customers* chapter, under *Child protection*;
- discrimination of some subjects who, for geographical or social/cultural reasons, do not have access to Internet and to the benefits it brings with it. Telecom Italia implements digital inclusion by developing its infrastructure and spreading the digital culture (see *Digital culture*).

¹ **[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.



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.). These include risks 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* 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 chapter *Safeguarding the Environment*) and to select suppliers (discussed in the *Digitisation, connectivity and social innovation/Suppliers* chapter). Note that, in particular, in 2014 and 2015 Telecom Italia consumed energy produced from renewable sources, certified by guarantees of origin;
- the "sourcing" of these 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 telecomitalia.com and by the sustainable supply chain management system described in the *Digitisation, connectivity and social innovation/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 *Environmental Protection, Digitisation, connectivity and social innovation/Suppliers, Telecom Italia people* chapters and in the *Human Rights* paragraph of this chapter. Precise targets have only been set for the types of risk for which these targets may actually be useful. In particular, targets have been set for:

- new generation network coverage;
- supplier sustainability;
- reducing energy consumption

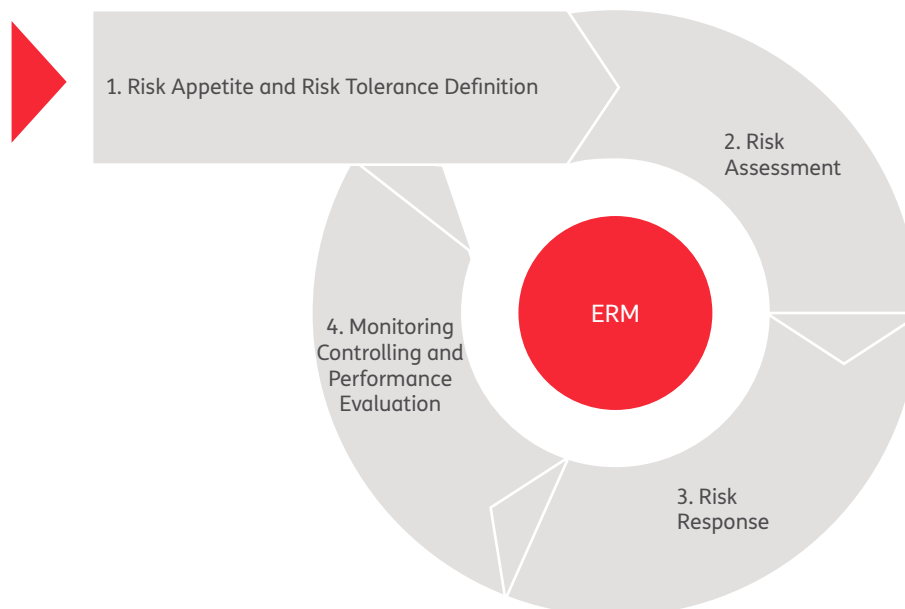
(see *Digitisation, connectivity and social innovation/Suppliers* and *Appendix*).



ENTERPRISE RISK MANAGEMENT SYSTEM

[G4-2], [G4-14] The Group has adopted an Enterprise Risk Management (hereinafter ERM) Model which allows risks to be identified, assessed and managed uniformly, 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:

- definition of the Risk Appetite and of the Risk Tolerances:
 - ◆ Risk Appetite is the amount and type of Risk, overall, that a company is willing to accept in the creation of value, namely in the pursuit of its strategic objectives¹. It is discussed and defined annually by the BoD at the sessions held to approve the Business Plan. The Risk Appetite is broken down into Risk Tolerances;
 - ◆ the Risk Tolerances represent the level of risk the Company is willing to assume, with reference to the individual objective categories (strategic, operational, compliance, reporting)².

Compliance with the Risk Tolerances and Risk Appetite is monitored quarterly and reported to the BoD, after the CRC has been informed.

- Risk Assessment: this phase covers the identification, definition and assessment of the risks. It starts with the fine-tuning of the Risk universe, namely the document that contains the description of the main characteristics of all the risks identified. The risks are presented, in interviews, to the process owners who, together with Risk Management, assess their severity and document the mitigating actions in order to position them on a specific 3X3 matrix (Risk and Control Panel - R&CP). The matrix dimensions are:

¹ 2013 CoSO Definition "The Committee of Sponsoring Organisations of the Tradeway Commission".

² According to the CoSO definition.



- ◆ the “level of inherent risk”, namely the level of variance with respect to the Business Plan deriving from the occurrence of an event (risk);
- ◆ “monitoring level”, based on the evaluation of the mitigating actions implemented.

This matrix allows the action priorities for the mapped risks to be set. All the risks assessed as High in the R&CP matrix form the Corporate Risk Profile (CRP). The CRP risks that have a partial or non-existent monitoring level are subject to a Root Cause Analysis aimed at grouping related risks into homogeneous improvement areas. The positioning of the risk in the matrix described above is also the result of:

- ◆ collaboration with the Compliance department, which considers the monitoring level with regard to non-compliance aspects and
 - ◆ synergies with the Audit Department relating to the evaluation analysis of the suitability and efficiency of the mitigating actions identified.
- Risk Response: the aim of this phase is to identify and implement the strategic options for responding to risk and to bring the risks back to or maintain them at acceptable levels. The responsibility for identifying and implementing the risk response lies with the Process Owner, with the support of AFC-Risk Management to overcome the monitoring gaps identified in the Risk Assessment phase. A suitable risk response must be defined for each risk, in line with the action priority represented by its positioning in the Risk & Control Panel. The Risk Response is broken down into the following “sub-phases”:
- ◆ planning,
 - ◆ execution,
 - ◆ stocktaking and measuring of the performances.
- Drawing up the Reporting Flow: at the end of each ERM process cycle, the AFC-RM department, together with the AFC-Planning and Control department, outlines the overall risk profile, also making reference to the effects of the mitigation actions, in order to support the new strategic planning cycle and the subsequent Risk Analysis linked to the Plan. All this information represents an input for the new business planning and therefore the definition of the Risk Appetite and the related Risk Tolerances.

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.

BUSINESS CONTINUITY MANAGEMENT SYSTEM

[G4-EC7], [G4-EC8] Telecom Italia pays attention to Business Continuity¹ a key element for protecting the value and reputation of the Group in delivering its services and products and 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.

At Group level, Telecom Italia adopts a Business Continuity Management System (BCMS) as a control and management model for the operational continuity of the processes also through prevention activities, considering both the technological aspects (IT systems, networks, facilities, etc.) and the organizational ones (Human Resources, contractual constraints, logistical aspects, etc.).

The BCMS follows the indications contained in the international standard of reference for Business Continuity, namely ISO 22301, which emphasises, inter alia, 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 company’s capacity to deal with interruptions in operation due to accidental causes;
- monitoring and reviewing the performance and effectiveness of the business continuity management system;

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



- disseminating the Business Continuity culture;
- managing communications between interested parties.

The BCMS is based on the Plan-Do-Check-Act Deming Cycle and is broken down into four phases: Governance & Planning (Plan), Execution (Do), Performance Evaluation (Check) and Improvement (Act).

At the Governance&Planning stage, the Group examines the relevant context, identifying the needs of the Company and its Stakeholders, as well as the contractual/regulatory constraints on Business Continuity. Based on these elements, the Company determines the scope of the Company's Business Continuity policy and the main strategic objectives. 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 Assessment (RA), aimed at identifying and assessing threats that may affect corporate assets, making them unavailable for a more or less long period of time;
- identification of the Risk Profile resulting from the BIA/RA joint assessment;
- the Business Continuity strategies following the Risk Profile analysis based on the Costs/Benefits evaluation.

Approving the Business Continuity strategy, and the respective budget, allowing 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 by ERM 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 involved.

An overall analysis of the performances of the BCMS is planned at least annually, in particular analysing:

- 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 Improvement phase obtains the results of the Performance Evaluation phase and any corrective actions to be taken are defined. These are then presented to the Company's Executive Directors for a periodic Management Review.

In this phase the Company's Executive Directors:

- examine and verify the BCMS's suitability level based on the Performance Evaluation, in agreement with any requirement or regulatory developments;
- assess and approve any corrective actions.

The possible corrective actions to be taken, the policies and the objectives of Business Continuity result in the continuous improvement of the BCMS.



**CORPORATE SHARED VALUE:
TELECOM ITALIA'S STRATEGIC
APPROACH TO SUSTAINABILITY**



During 2015, Telecom Italia completed the implementation of a new strategy based on creating economic and social value, developing Corporate Social Responsibility towards the concept of 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 the Group operates.

The new approach adopted by Telecom Italia 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 Italia and the ICT sector in general, especially where digital technologies are concerned, as these are increasingly emerging as a key factor for the Country's economic and social growth.

The culmination of this process implemented by Telecom Italia is the integration of the sustainability approach conventionally adopted by the Company as part of the overall corporate strategy, turning it into a vehicle for creating economic and social value.

Telecom Italia's activities 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.

A focus on innovation and investments in new infrastructures and technologies also characterizes Telecom Italia's activities in Brazil, through its subsidiary TIM Brasil which, by investing in next generation infrastructure for broadband penetration, plays an important role in the digital inclusion process, responding to a strong social need in the Country.

In order to complete the transition to Shared Value that began in 2014, over the past year Telecom Italia's CSV department has implemented several initiatives, both within the Company and externally. Of particular note is the establishment of a CSV model which, starting with an analysis of the country's main needs, has identified three areas of intervention that can respond to these needs, through technologies, skills and specific projects. Once these strategic areas had been defined, and the results of the materiality matrix had been confirmed, the structure of the 2015 Sustainability Report was revised. The three areas identified are:

- digitisation, connectivity and social innovation
- environmental protection
- digital culture

The first 17 projects measured using the CSV model in Italy and Brazil were inserted into these three areas.

Considering in particular the close association between corporate shared value and business, reflecting the over-arching nature of the CSV model, Telecom Italia defined a new enhanced structure by involving the Company's main departments and drawing up a CSV organisational procedure.

Stakeholder involvement, which includes listening to their requests, is one of the pillars of Telecom Italia's sustainability model. The multi-stakeholder approach aims to garner their suggestions for innovative activities and projects the Group could implement. The most relevant project suggestions are shared with the business departments and senior management and, if there is a convergence of interests, they find a commercial outlet.



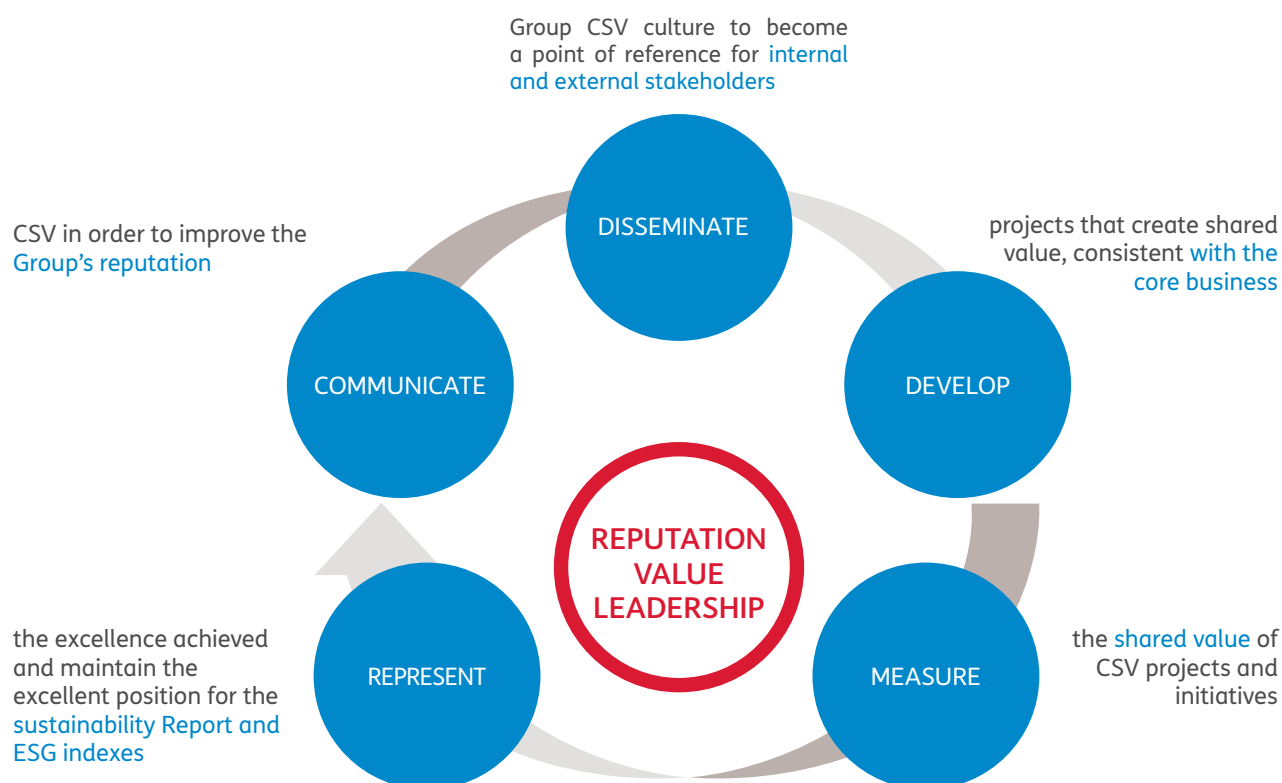
This approach allows to achieve major benefits, including:

- better risk management;
- high level of product and process innovation;
- better knowledge of the contexts in which the Group operates;
- scouting for the best market opportunities.

During the year, a new communication framework was established (#wesharethefuture), which expresses Telecom Italia's CSV vision and systematises the Company's sustainability initiatives and projects.

The development of the CSV strategy within the Company is constantly evolving and is principally based on the following drivers:

- updating the strategic areas of intervention;
- supplementing the strategic guidelines of the CSV in the business strategy guidelines;
- using social marketing guidelines to support the development of offers and services producing shared value;
- using CSV themes as positioning drivers in terms of both market and brand communication;
- monitoring the impact of CSV on the Group's reputation.





SUSTAINABILITY GOVERNANCE

[G4-34], [G4-42] Responsibility for monitoring the Group's socio-environmental issues and identifying CSV projects and initiatives rests with the Corporate Shared Value 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 sustainability overseer, ensuring the consistency of actions carried out with the principles of the Group's Code of Ethics and Conduct and with the values adopted by the Group.

[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. **[G4-47]** During 2015, the Board of Directors met the representatives of the CSR department twice.

[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 CSV department, which draws up the sustainability Report, manages relations with rating agencies and also oversees the implementation of particular projects. Responsibility for managing particular socio-environmental themes remains with the departments that directly manage operations related to these themes. For example: the People Value department is responsible, among other things, for ensuring the health and safety of employees, liaising with employee representatives, guaranteeing compliance with employment legislation, etc.; the Open Access/Wholesale department ensure compliance with environmental legislation, etc.; the Network Infrastructures & Energy department plans initiatives for reducing energy consumption, etc. **[G4-42]** The latter two departments, in particular, identify specific strategies and direct targets for improving socio-environmental performance, each department operating within its 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 assigned 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 stakeholders. The various involvement initiatives are listed in the *Stakeholder Engagement* section of this Report.



POSITION IN INDEXES AND OTHER AWARDS

Sustainability indexes are stock indexes in which securities are selected on the basis of economic-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 stakeholders. 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 sustainable 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 2015, Telecom Italia was included for the twelfth year running in both the sustainability index categories of the Dow Jones (Dow Jones Sustainability Index World and Europe) and for the second time running in the Italian 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
- STOXX® Global ESG Leaders Indexes:
 - ◆ ESG Leaders
 - ◆ ESG Environmental Leaders
 - ◆ ESG Governance Leaders
 - ◆ ESG Social Leaders
- Ethibel Sustainability Indexes (ESI):
 - ◆ Excellence Europe
 - ◆ Excellence Global
- ECPI Indexes:
 - ◆ ECPI Euro Ethical Equity
 - ◆ ECPI EMU Ethical Equity
 - ◆ ECPI Global Developed ESG Best in class Equity

Telecom Italia, finally, is classified as “prime” in the OEKOM rating and “industry leader” by the Sustainalytics report.

Tim Participações, the listed holding company of the TIM Brasil Group, has had its position confirmed in the ISE (Índice de Sustentabilidade Empresarial) index, managed by BM&F Bovespa (the São Paulo stock exchange) together with the Brazilian Environment Ministry and other financial sustainability organisations.

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

- second place in Italy and Europe and first place for the European TLC sector in the 2015 Webranking by Comprend, which assesses and rewards the quality of online financial and corporate communication. The survey, carried out every year by Comprend, working with Lundquist, considered the 70 biggest Italian companies and the 500 biggest European companies by capitalisation;
- Top Employers 2015 certification (for the third year running), 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;

- Gold award (top award) for the 2014 “Telecom Italia oltre i numeri” Company Profile, which was judged to be the Best Online Report: International/Unlisted at the 2015 Corporate & Financial Awards, an initiative organised by Communicate Magazine;
- Special Award for the Scuola di Areté - 2015 Responsible Communication Award for the EducaTI project launch event;
- first place as *most attractive employer* in Italy awarded to Telecom Italia by Universum, a company which has operated globally in the employer branding sector for the past 25 years and carried out an annual survey with 39 universities across Italy.

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. In 2015, the stakeholder engagement process was further enriched by the organisation of a multi-stakeholder forum.

The multi-stakeholder forum is a listening and involvement tool that promotes integration between the demands of the various stakeholders involved, allowing the Company to receive contributions that consider the various perspectives while at the same time providing an integrated vision of the various expectations and priorities. The 2015 forum focused on two objectives:

- strengthening understanding of the demands and priorities of stakeholders on matters relevant to the Group's strategy;
- gathering contributions on potential areas of development for the Group's CSV strategy, in order to strengthen its ability to create shared value between the Company and its stakeholders.

In establishing the method used to run the multi-stakeholder forum, the principles of the international Stakeholder Engagement Standard AA1000SES, drawn up by AccountAbility, were applied.

In accordance with the AA1000SES standard, provision was made for:

- ensuring the presence of a third party independent of Telecom Italia and specialised in stakeholder engagement and accountability. The Group availed itself of SCS Consulting, responsible for guaranteeing the materiality of the issues being discussed, an independent review of what has emerged from the listening activities and the inclusion of stakeholders who represent different views on the topics being discussed;
- selecting participants in the forum based on their knowledge of the topics discussed and a balanced presence of stakeholders with different points of view;
- excluding people who have been employed by or have had a professional working relationship with the Group and ruling out any remuneration for forum participants.

Finally, provision was made for the presence of a representative of PricewaterhouseCoopers, the company in charge of auditing the financial statements.

[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 were grouped into eight categories:

- customers
- institutions



- competitors
- environment
- community (including associations, universities, schools, media, startups)
- suppliers
- shareholders
- human resources

In particular, the forum involved over 30 representatives from the first six categories. For ease of management and reporting, they were split into six working groups based on their interests and skills:

- connectivity and digitisation: prospects for the country
- connectivity and digitisation: impacts on growth and innovation
- digital administration in the service of citizens
- digital culture
- environmental protection
- quality services for customers

[G4-25], [G4-26] Aside from the multi-stakeholder forum, 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 its relevance in specific fields which are considered strategic by the Company (i.e. 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 and group meetings, information sessions, shared projects, surveys, focus groups, etc.

The feedback that the various stakeholders provide to Telecom Italia is analysed in order to identify solutions the Company can offer to satisfy the specific requirements.

At the end of the feasibility analysis and verification process, Telecom Italia decides which solutions to offer and which projects and initiatives to undertake. Stakeholder involvement continues beyond this to monitor and adjust the initiatives. In particular, over 50 proposals for projects emerged from the forum that could be used by the Group as part of its CSV strategy.

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.

Lastly, the Group is aware of the importance of providing accurate information on its activities to the financial market, investors and the community in general. Subject to the need for confidentiality in the running of the business, 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 stakeholders interested in receiving information about the financial and non-financial aspects of the Company.

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 the 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.

In the course of 2015, 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 2 years, Telecom Italia organised meetings and detailed discussions on corporate governance matters.

The Group's responses to the financial market are based on criteria of relevance, sensitivity, and congruity with the Group's structure and the actions taken by the Group to achieve its planned targets as well as equal access to information and equal treatment of all the categories of shareholders in compliance with the Bylaws.

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" (telecomitalia.com/individuali) 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. With regard to on line financial communication, the telecomitalia.com website is constantly updated and innovated.

[G4-26], [G4-27] The Group's main stakeholder engagement initiatives taken in 2015 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 "dialogue" 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			
		INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
STAKEHOLDER	 ENVIRONMENT	Product environmental declarations for customers- TIM eco-friendly (Environmental protection /TIM eco-friendly)	Multistakeholder forum aimed at strengthening understanding of demands and priorities and mustering innovative contributions (Corporate Shared Value/ Stakeholder engagement)	Collaboration with other telecommunications operators on issues of environmental relevance within the framework of industry associations and initiatives, including GeSI and ETNO	
	 COMMUNITY	During 2015 training and information activities continued via the EducaTI project: specifically via the event organised with FOSI dedicated to security and the introduction of coding in schools (Digital culture/Relations with local communities/E-learning and evolved digital education)	Multistakeholder forum aimed at strengthening understanding of demands and priorities and mustering innovative contributions (Corporate Shared Value/ Stakeholder engagement)	During 2015, the Group continued to work 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 (Digital culture/ Relations with local communities/E-learning and evolved digital didactics education)	Many projects carried out in partnership with companies, universities, research centres and non-governmental and civil society organisations, for example, (Digitisation, connectivity and social innovation/Research & Development and innovative services/Public initiatives consistent with the core business)
		Last Call to Europe 2020 event-The role of companies for a Smart, Sustainable and Inclusive Europe		Collaboration at a European level, with Sodalitas, CSR Europe and 5,000 other companies for the staging of the manifesto the «Milan CSR Manifesto»	Event held in Milan during Expo 2015 in collaboration with the stakeholder Sodalitas and CSR Europe
	 HUMAN RESOURCES	Training activities on the respect of Human Rights (Being sustainable in Telecom Italia/ Human Rights and the Telecom Italia people/Collaboration with universities, training and knowledge management)	The ninth edition of the climate survey was carried out in Italy and Brazil, involving the entire workforce (Telecom Italia people/Internal communication)	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, training and knowledge management and New skills and development)
	In 2015, 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)	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 -EMIT (Telecom Italia people/ Collaboration with universities, training and knowledge management)	



		INITIATIVES			
		INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
 HUMAN RESOURCES		Internal communication activities (Telecom Italia people / Internal communication)	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 2015 performance assessment programme related to the skills of the Leadership Model and a crucial element for the entire new Development System (Telecom Italia people/New skills and development)		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 high schools in part to enhance internal skills and get in touch with young people, promoting the company's image (Telecom Italia people/Collaboration with universities, training and knowledge management)
 CUSTOMERS		Information on the Service Charters and General Conditions of Subscription on the Group's websites (The Telecom Italia Group/Corporate governance system)	Customer satisfaction is systematically measured (Digitisation, connectivity and social innovation/Group's customers)	Collaboration with the consumer associations (Digitisation, connectivity and social innovation/Group's customers)	Participation in national and international working groups, in partnership with UN agencies, non-governmental organisations, and organisations in the sector, on the issue of protecting children from potential abuses carried out via the internet (Digitisation, connectivity and social innovation/Group's customers)
		Information regarding tools for the safe use of the internet and for combating computer abuse (Digitisation, connectivity and social innovation/Group's customers)	Multistakeholder forum aimed at strengthening understanding of demands and priorities and mustering innovative contributions (Corporate Shared Value/ Stakeholder engagement)	Use of web-based tools on social networks by customer care operators to talk to customers and share their knowledge (Digitisation, connectivity and social innovation/Group's customers)	Partnership projects with institutions and other companies to test and create innovative services (Digitisation, connectivity and social innovation/Group's customers)
 SUPPLIERS		Exchange of information and documentation with suppliers via the "Vendors hub" portal (Digitisation, connectivity and social innovation/Sustainability throughout the supply chain)	Ninth survey of satisfaction with the Purchasing department, and more generally with Telecom Italia, conducted among the Group's main suppliers (Digitisation, connectivity and social innovation/Sustainability throughout the supply chain)	Collaboration areas dedicated to the main suppliers available on the Vendors Hub portal (Digitisation, connectivity and social innovation/Sustainability throughout the supply chain)	Joint Audit Cooperation, an initiative which provides for sustainability audit activities conducted in the production plants of common suppliers and sub-suppliers based on an agreement signed with another 10 telecommunications operators (Digitisation, connectivity and social innovation/Sustainability throughout the supply chain)
		Specific focus on the principles expressed in the Group's Code of Ethics and Conduct and recalled in the contract clauses and specific undertakings to observe them that suppliers are made to sign (Digitisation, connectivity and social innovation/Sustainability throughout the supply chain)	Self-assessment questionnaire sent to the most risky suppliers, in terms of sustainability, during the qualification stage and, periodically, to qualified suppliers (Digitisation, connectivity and social innovation/Sustainability throughout the supply chain)		
			Multistakeholder forum aimed at strengthening understanding of demands and priorities and mustering innovative contributions (Corporate Shared Value/ Stakeholder engagement)		



INITIATIVES				
	INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
 SHAREHOLDERS	The "TI Alw@ys ON" shareholders' club (telecomitaliaclub.it) provides important information to individual investors and the general public (Corporate Shared Value/ Stakeholder engagement)		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 (Corporate Shared Value/ Stakeholder engagement)	
	Online financial communication through the Group's website (Corporate Shared Value/ Stakeholder engagement)		Meetings with stakeholders on corporate governance issues (Corporate Shared Value/ Stakeholder engagement)	
 INSTITUTIONS		Multistakeholder forum aimed at strengthening understanding of demands and priorities and mustering innovative contributions (Corporate Shared Value/ Stakeholder engagement)	Dialogue with national and international Institutions on business issues of relevance to the Group (Telecom Italia Group/Organisations and Institutions)	Memorandum of understanding signed with the MIR and EducaTI project launched (Digital culture/E-Learning and evolved digital education)
 COMPETITORS		Periodic qualitative-quantitative researches to analyse the strength of the Group brands, the image of the providers of telecommunications services and mobile telephony, the reputation of the providers (Telecom Italia Group/ Reference context)	Dialogue with the OLOs on commercial issues and regarding implementation of the Undertakings (Telecom Italia Group/Reference context)	"Dono per...", a limited liability consortium company founded by Telecom Italia, Vodafone Italia and Wind, that will deal with all initiative for the raising and distribution of funds for charity as well as loans to political parties or movements, as envisaged by the new legislation. (Digitalisation, connectivity and social innovation/R&D and innovative services)
			Constant dialogue with the Authorities (AGCM and AGCOM) (Telecom Italia Group/ Reference context)	
			The Group is a member of numerous federations, associations and organisations, both nationally and internationally (Telecom Italia Group/Reference context)	



MATERIALITY ANALYSIS

Materiality matrix

[G4-18a], [G4-18b] In 2015 as well, the materiality analysis process was conducted according to the GRI G4 requirements, in order to identify topics that are most relevant to the socio-environmental and economic impacts generated by business activities both inside and outside the organisation.

Identification of relevant topics

As stated in the “Guidelines for updating the Telecom Italia materiality analysis” and in the Review section of 2014 sustainability Report¹, preparatory activity was carried out regarding the validity of the issues that emerged the previous year. This activity involved a specific comparison with various national and international sources of information, both public and private, inside and outside the Group² and a comparison with sector practice benchmarks.

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

- direct and indirect economic impacts;
- business ethics and promotion of human rights;
- responsible management of the supply chain;
- risk management and Public Policy;
- market position and customer protection;
- responsible management of human resources, promotion of diversity, equal opportunities and the health and safety of workers;
- compliance with national and international regulations;
- initiatives for local Communities;
- responsible management of energy resources and waste.

Assignment of priorities

The assignment of priorities among the topics emerged, led to the identification of the material issues to be disclosed. During this phase, Telecom Italia assessed the importance of the topics identified from an external and internal viewpoint. The latter was provided by the main departments of the company following a specific assessment of the topics for analysis.

[G4-26] The updated assessment of relevance from an external point of view was produced by a specific stakeholder listening activity aimed at gathering the perceptions of authoritative Group stakeholder representatives. At the 2015 multi-stakeholder forum, which involved over 30 representatives of the main external stakeholder categories, participants were presented with material issues for the Company's strategy in order to identify an order of importance³. The stakeholders, subdivided into theme-based working groups based on their interests and skills, expressed their views regarding the matters discussed by their working group. The use of parametric qualitative and quantitative scales ensured the uniformity of the assessment.

[G4-19] The analysis of the results produced the data needed to determine the “stakeholder relevance” dimension of the materiality matrix.

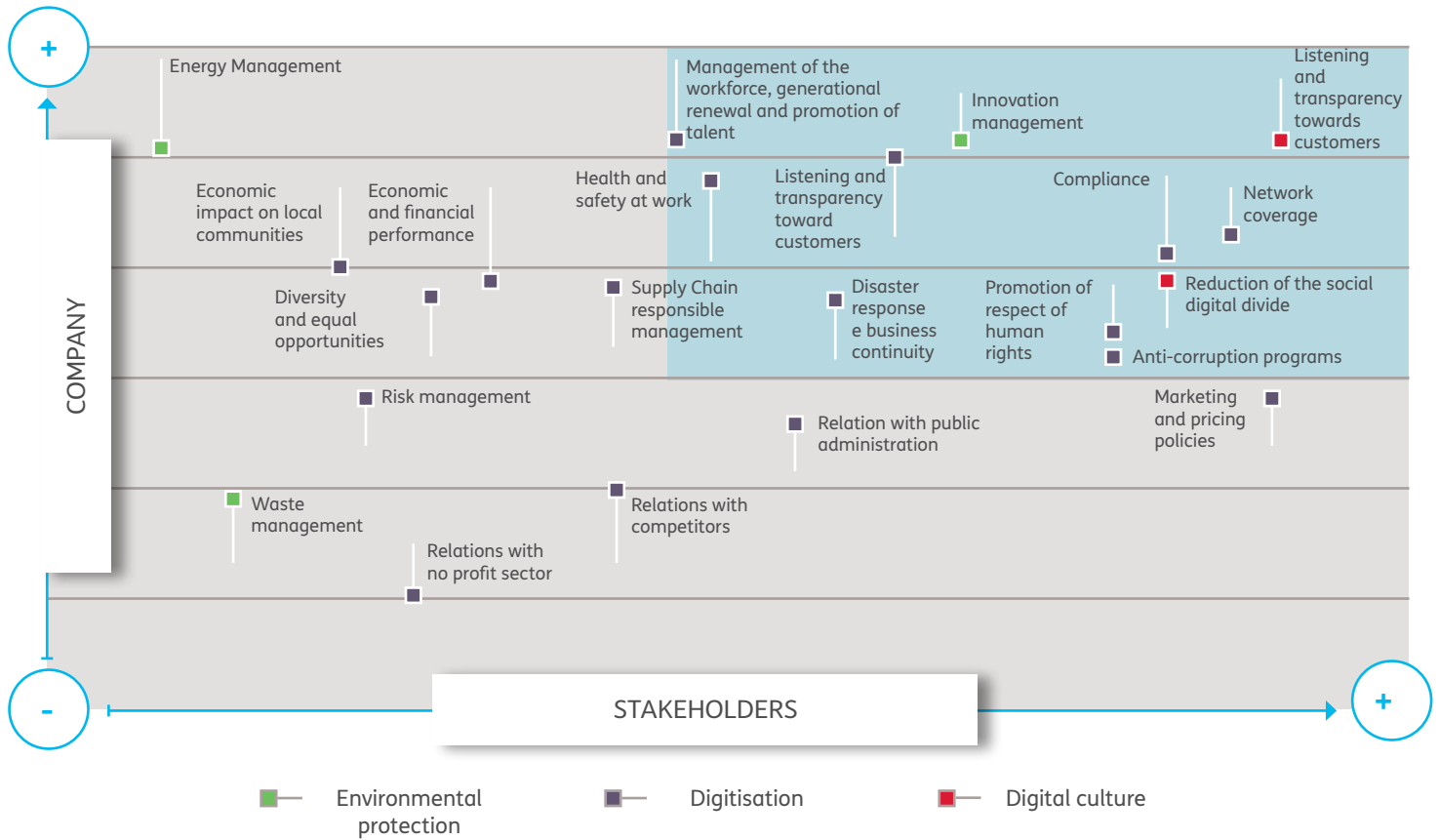
¹ Sustainability Report 2014: “The review phase is due to take place as a preparatory stage prior to the next reporting cycle, with the aim of submitting the results of the analyses carried out, updated in the following year, to specific stakeholder engagement activities. In order to make the process 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.

² For example: Digital Economy and Society Index of the European Union, the Polytechnic of Milan's Digital Agenda Observatory reports, the “Fair and Sustainable Welfare in Italy - 2014” report promoted by the National Council for Economy and Labour and ISTAT.

³ Each participant was provided with an information folder prior to the forum for a better understanding of the topics discussed.



Results at a glance: the materiality matrix



The health and safety of workers and staff management may appear to be material issues only for employee stakeholders. In actual fact, these issues directly involve government local offices and the communities where the Group operates and indirectly all the stakeholders who come into contact with the Group's employees.

Validation

The issues and the whole materiality analysis process were validated by the Corporate Shared Value department, which, as stated above, availed itself of the support of SCS Consulting to determine perceptions by participating in the working groups and sharing the results among the forum participants. The Governance of the Corporate Shared Value 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. The Group has drawn up the "Guidelines for updating the materiality analysis of Telecom Italia" pursuant to the GRI G4 in order to establish a transparent structure for the analysis process. The document provides guidelines for the activities to be carried out, establishing timetables and the roles involved in the process. The diagram produced for this purpose by GeSI for ICT sector, which is available in the "ICT and Sustainable Development: a materiality assessment for the ICT industry", is currently being analysed with a view to further enrichment of the matrix.



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.

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
- 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” e 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 protection 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.

More generally, some ideas that emerged from the multi-stakeholder forum show how the Group is characterised by being:

- a hub for the development of digital skills and culture. Participants noted the need to improve the digital skills of ordinary citizens, businesses and government local offices in a structured way, identifying Telecom Italia as an active player for improvements in the home;
- a promoter of projects capable of generating shared value. Institutional and Community representatives valued the Company's potential role as a direct promoter of research and development initiatives for digital solutions, while the business world proposed support and promotion of entrepreneurial activities that can achieve digital innovation independently, to be identified by means of an active scouting process.

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



STRATEGIC AREAS OF INTERVENTION FOR CORPORATE SHARED VALUE CREATION

The themes identified in the matrix were traced to the three areas of intervention, within which the CSV department measured the following projects for 2015:

- Digitisation, connectivity and social innovation
 - ◆ **Italy:**
 - ▶ Digitisation of the Country
 - ▶ Employment impact
 - ▶ Patents
 - ▶ Expo 2015
 - ▶ Extended Expo 2015
 - ▶ Partnership with Digital Champions
 - ▶ WithYouWeDo
 - ▶ Joint Open Lab
 - ◆ **Brazil:** Mobile Broadband

- Environmental protection
 - ◆ **Italy:** Energy efficiency
 - ◆ **Brazil:** Biosite

- Digital culture
 - ◆ **Italy:**
 - ▶ Digital School (TIM College + EducaTI)
 - ▶ Partnerships with schools and the academic world
 - ▶ Pappanoinweb
 - ◆ **Brazil:** TIM TEC

Nurseries and Citizens without Frontiers are included in the chapter *Telecom Italia people*.
The following is a graphic representation of the process used in 2015.

Materiality matrix - strategic areas - CSV projects link



▶ Most significant aspects



Italy



Brazil



For quantification purposes, 10 macro-classifications of business and social value were identified, expressed using specific KPIs crucial for measuring the value of the individual project and aggregating the overall value generated.

The 3 drivers of business value are:

- revenues;
- costs;
- reputation.

The 7 drivers of social value are:

- digitisation: related to the diffusion of ultra broadband, the digitisation of schools, the digitisation of health services etc.;
- well-being of the Country: valorisation of the ability to create direct and indirect employment, potential impact on GDP and employment of the construction of the ultra broadband network;
- ability to innovate: related to investments in R&D, innovations created and patented, employees' ability to innovate;
- environmental protection: relative to energy saving, the resulting obtaining of white certificates and reduction of emissions relative to Telecom Italia and to customers using products and energy-efficient solutions sold by Telecom Italia (direct and indirect impact);
- supporting universities: relative to supporting the academic world of research;
- firms and families' revenues: related to the improvement in profitability of public and private companies and families;
- dissemination of knowledge: valorisation of Telecom Italia's ability to create skills, such as for example hours of training, investments, people involved, return on investment in human capital.

The estimate of economic shared value generated in Italy during 2015 is over 12 billion euros, divided into 3.3 billion euros of business value and 9.1 billion euros of social value. The details of the values of the individual projects are given in the corresponding chapters.

Finally, it should be noted that the measurement highlighted various non-economic KPIs reported in detail in the individual project data sheets, such as impacts on reputation (for example over 12 million networking contacts thanks to the WithYouWeDo project) or supporting the universities: around 150 young people involved, 5 universities, 8 applied research and innovation laboratories involved in 2015, created by Telecom Italia (Joint Open Lab) at the main Italian universities.



DIGITISATION, CONNECTIVITY AND SOCIAL INNOVATION



TELECOM ITALIA STRATEGIC RELEVANCE

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 the Group makes towards growth in 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. Various initiatives have been developed in this context, including 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, Governments and academia.

In 2015, the CSV department estimated, through the application of new analysis metrics, the impact of Group activities, with a special focus on domestic activities. Details of the measurement, which came from a mapping of corporate activities, is described in the chapter and highlighted in dedicated boxes to facilitate reading.

[G4-DMA Indirect Economic Impacts], [G4-DMA Product and Service Labelling], [G4-DMA Marketing Communications], [G4-DMA Customer Privacy], [G4-DMA Compliance]

Material issues in this chapter:

- network coverage
- listening and transparency towards customers
- innovation management
- 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, Compliance requirements for the processing of anonymised or pseudonymised data, Respect Human Rights in the Telecom Italia Group, available at 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 the cover of the territory with broadband infrastructures, customer satisfaction, the number of conciliation requests received and resolved, the number of reports received. The KPIs regarding 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.

Ultrabroadband networks: a national treasure

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.



[G4-EC7a], [G4-EC7b], [G4-EC8a], [G4-EC8b], [G4-DMA Indirect Economic Impacts] The Group contributes to produce approximately 0.7% of the added value of the Italian GDP¹. The Group's business generates direct work for approximately 50 thousand people in Italy; if indirect employees are considered, i.e. those operating on projects connected with the business of Telecom Italia, it is estimated that approximately 100 thousand units, corresponding to approximately 1% of employees of the entire private sector, would represent the direct and indirect work attributable to the Group in Italy.

In applying the metrics of the CSV model, the estimated value² generated by the Group in Italy is 8.4 billion euros, detailed as follows:

- 2.8 billion is the direct contribution to families (remuneration to employees);
- 1.4 billion is the indirect contribution to families (suppliers);
- 4.2 billion is the indirect contribution to businesses and local government offices.

[G4-EC7a] Telecom Italia is aware of this strategic role and works constantly to manage and update the infrastructure and technology it makes available to the Country: in 2015, the Company invested around 3 billion euros in innovative infrastructures in Italy; again in the three years 2016-2018, innovative investments are envisaged of approximately 7 billion euros. In 2015, the Group came in first in the European ranking of investments in Research and Development, third worldwide, in the TLC sector³.

The three-year business plan for 2016-2018 confirms its commitment to investing in advanced infrastructure and technologies and is focused on new generation networks in particular.

NGAN

In 2015, Telecom Italia's commitment continued even more intensely, in investments in the next generation fixed access network (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. 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/LTE⁴ 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.

Therefore, after having developed the national fixed and mobile infrastructures, the challenge faced by the Group in recent years is the development of ultrabroadband networks, an important effort involving network engineers and technicians on a daily basis.

¹ Internal estimates.

² For more details, please refer to the CSV sheet on *Impact on employment*.

³ EU Industrial R&D Investment Scoreboard. 2015 European Commission Report.

⁴ Data at end 2015, more than 88% of the population; for more details see the paragraph on geographic digital inclusion.



[G4-EC8b] Moreover, Telecom Italia's commitment is also shown by its participation over the years, as the only operator, in the Eurosud public tenders organised by the Ministry of Economic Development (MISE)¹, which are essential for ensuring ultrabroadband coverage in "market failure" areas (known as "white areas", in which there is a risk of no return being made on investments) and therefore achieving the objective of 30 Mbit/s coverage of 100% of the population by 2020.

[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 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 objectives².

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.

By applying the metrics of the CSV model, the contribution generated³ in Italy by the investments made by the Group have a positive effect on both the growth of the national GDP and the occupational impact, reported as follows:

- 1.9 billion euros (0.12% of the 2014 GDP);
- the number of jobs that can be potentially activated is over 22 thousand.

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 Commission⁴ according to which an investment in ultrabroadband networks can generate benefits of around three times the capital invested. 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.

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 2013⁵. 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.

Both studies therefore demonstrate 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.

¹ In 2015, no calls for tenders were issued. During 2014, Telecom participated in and won the two tenders for Calabria and Veneto, which joined the two tenders - relating to Lazio and Campania - that Telecom Italia won in 2013.

² *Telecom Italia Group* chapter contains an account of the initiatives involving national and local institutions for assessing infrastructure work requirements.

³ For more details, please refer to the CSV sheet on the *Digitisation of the country*.

⁴ 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>.

⁵ *Reforming Europe's Telecoms Regulation to Enable the Digital Single Market*, The Boston Consulting Group - 2013.



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 - telecomitalia.com/tit/it/innovazione/rete/netbook-2015, which accurately and meticulously tracks the progress achieved in the work. 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.

Furthermore, in order to stimulate and promote a culture of innovation and speed-up digitisation processes between medium sized municipalities, 2015 saw the publication of the fourth edition of “Italia Connessa: Regional Digital Agendas”, 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 infrastructures 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 Outlook¹ 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:

- promoting innovation, particularly by offering training systems 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 productivity of labour, which explains the different rates of growth in the wealth of countries most open to new technologies and other economies;
- identifying new growth opportunities in solutions that address environmental protection, the ageing population, improving quality of life in urban areas;
- 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.

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. Since 2009, a study by Waverman² 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 technologies². Naturally, the more the economic system is open to using new technologies, the wider this impact will be.

¹ Science, Technology and Industry Outlook, OECD.

² Economic Impact of Broadband: An Empirical Study, L. Waverman - 2009. Waverman estimated an increase in productivity of 0.13% each percentage point increase in the broadband network coverage.



Digital Inclusion

[G4-EC7], [G4-EC8] 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 December 2015, Telecom Italia implemented a programme of extraordinary investments allowing ADSL coverage (gross coverage¹ > 70%) to be provided for approximately 7,700 municipalities in total (4,350 more municipalities than December 2005).

In December 2015, Telecom Italia activated 9,600 exchanges, including 8,200 optical fibre ones. Alongside its plan to extend coverage, Telecom Italia has launched an additional plan to expand the active network², 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 as of December of the past three years.

Description	2015	2014	2013
ADLS Coverage (*)	99.10	98.75	98.40
UMTS and HSDPA coverage (**)	96.00	96.00	87.50
LTE coverage (**)	>88.00	77.00	49.00
Next Generation Plan (fixed telephony) cover (***)	>42.00	28.10	16.80

(*) The percentage refers to fixed Telecom Italia telephone lines.

(**) The percentage refers to the residential 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:

- the first is a “central” approach involving collaboration with Infratel Italia S.p.A. (Infrastrutture e Telecomunicazioni per l’Italia)³, with 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 a “local” approach, based on collaboration with regions that promote projects aimed at increasing the digital inclusion, e.g. through forms of financing centred on public tenders using the claw-back model, which provides for contributions to be paid to offset the lack of return on investments.

¹ Official Telecom Italia Coverage data refers to the technical coverage of the telephone population (in terms of 64 kbit/s equivalent lines) gross of areas that cannot technically be served, due to the characteristics of the copper access network (presence of digital devices such as, for example, MPX, UCR or MD48, excessive distance from the exchange, etc.).

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 exceeded.

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.



Using the above forms of intervention, in some cases simultaneously, Telecom Italia has in recent years signed cooperation agreements with several local entities, (such as: Memorandum of Understanding with the region of Emilia-Romagna and Lepida¹), , some still under development in 2015. Amongst others, we note 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 was completed during the last quarter of 2015.

As from the second half of 2013 and through to September 2015, as part of the National Broadband Plan, the Ministry of Economic Development (MISE) issued eleven regional tenders through Infratel Italia S.p.A., 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 twelve regions: Abruzzo, Calabria, Campania, Emilia-Romagna, Lazio, Liguria, Marche, Molise, Sicily, Tuscany, Umbria and Veneto. In 2015, no calls for tenders were issued in the last five regions: Basilicata, Lombardy, Piedmont, Apulia and Sardinia.

For the remaining three 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 to date, except for the Liguria region: it was awarded the tenders called for the regions of Calabria, Campania, Lazio, Veneto, Tuscany and Sicily (with total contributions assigned in the amount of around 63 million euros), whilst those relating to Abruzzo, Emilia-Romagna, Marche, Umbria and Liguria were awarded to NGI S.p.A..

For Molise, a first call for tenders was cancelled and a second saw no one bid.

The creation of this digital ecosystem is based on the excellence of the products and services offered to customers and on the procurement process aimed at the acquisition of products and services under the best market conditions, at the same time guaranteeing the requisites of quality, safety and social and environmental respect.

For information regarding the initiatives implemented by Telecom Italia for the social inclusion of customers with specific needs (hearing impaired, the elderly, children, etc.) see the website telecomitalia.it.

Presence 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. Its 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 7.5 billion euros in Brazil, focusing primarily on building new generation infrastructure and actively contributing to the modernisation of the Country.

Following the acquisition in 2014 of the right to use the 700MHz bandwidth (with an expenditure of 936 million euros), in 2015 TIM Brasil continued to invest in the 3G network infrastructure and achieved leadership in 4G, in terms of both the number of cities covered (411 at the end of 2015) and coverage related to the urban population (59% at the end of 2015).

¹ Lepida S.p.A. is the operating tool promoted by the Emilia-Romagna region for the unified and standardised planning, development and management of the telecommunication infrastructure of entities connected to the network. The company also promotes interventions in favour of digital inclusion in rural or mountain areas.



Cover of 4G sites has also increased: more specifically, the number of sites covered with LTE more than doubled in 2015, reaching a total of 7,700. The investment in infrastructure allowed the fibre optic network (both urban and long distance) to be extended to 68,000 km.

Finally, TIM Brasil concluded the sale of the third tranche of telecommunications towers to American Tower do Brasil in order to optimize the Company's financial resources and support the investment plan announced in Brazil.

In the two years 2014-2015 alone, investments in innovative infrastructures were worth more than 2 billion euros and the plan 2016-2018 envisages approximately 4 billion euros in investments, almost entirely allocated to ensuring a better 4G cover of the Country.

[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. TIM Brasil manages over 66 million mobiles lines and has always played a major role in this context. The work already done to extend mobile 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 the Transamazonica Digital, which takes fibre optic to certain municipalities in the State of Amazonas, Parà and Amapà. 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.

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).

Moreover, the Data Connections project reaches all public schools located in rural areas within the area of TIM coverage (data download at 256 kbps and upload at 128 kbps). In December 2015, 75% of the project had been developed.

GROUP'S CUSTOMERS

The aim of the Group 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.

The relevant stakeholders are:

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

Quality of service and Customer Satisfaction

[G4-DMA Product and Service Labelling] The progressive global digitisation and the dissemination of social media are radically changing the way in which the consumer constructs and manages relations with the brands. Understanding and measuring customer expectations and adopting a culture of continuous optimisation are the drivers that make it possible to offer customers the best possible experience, confirming their central role, to the benefit of economic sustainability, loyalty and positive word of mouth.



In this context, Telecom Italia has developed an extensive system of listening to detect Customer Satisfaction, which is structured into “hot” and “cold” surveys. The first aim to detect quality perceived immediately after an event and/or specific contact with the company (e.g. installation of a service, purchase of a product and/or service, call to customer service, repair of a failure). These continuous or regular surveys are mainly carried out through automatic channels. “Cold” surveys carried out independently by a specific event, enable customer satisfaction to be detected in terms of competitiveness too. This scope includes the monitoring of the Customer Satisfaction Index (CSI) - which adopts international standards (ACSI, American Customer Satisfaction Index) - to detect the perception of quality on the main satisfaction indicators of the various customer segments and competitors.

Under the scope of the continuous evolution of investigations, the Group has begun experimenting with new methods of listening with a view to Customer Experience Management (CEM) in order to better understand the customer experience and obtain indications to improve processes.

The introduction of new methods has entailed a change in the questionnaires and channels used for the interviews, as well as considering new indicators. Of these, the most relevant is the Net Promoter Score (NPS) based on international standards and which is used in different industrial sectors. The NPS is based on the potential recommendation of the operator in relation to the experience accrued. On a scale of 0 to 10, “promoters” are customers expressing votes of 9 or 10 “detractors” are those providing a score of 0 to 6, whereas the rest of the customers are considered as “passive” and are not countered towards calculating the NPS. The NPS is calculated as the difference between the percentages of “promoters” and “detractors”. In 2015, for example, the NPS begun to be monitored of customers talking with the telephone assistance service, with very positive results indeed (NPS more than 10).

[G4-PR5] In the same way, the monitoring of CSI has also evolved in terms of Customer Experience and has been extended to the new services (e.g. LTE and fibre). In order to reconstruct the trend of past years, records were taken in a parallel fashion to normalise the values.

Monitoring the CSI has earned certification of conformity with standard UNI 11098:2003 and has been included in the managerial (management by objectives) and collective (result premium) incentive systems.

The CSI values of Telecom Italia by segment are shown below

Customer segment			
	2015	2014	2013
Consumer	76.84	76.45	75.79
Small Enterprise	67.29	66.89	66.35
Large/Medium Enterprise + Vertical	73.22	72.01	71.67
Totals	74.29	73.66	73.15

Average satisfaction is measured on a scale of 0-100, where 0 means “not at all satisfied” and 100 means “completely satisfied”.

Projects developed to improve the Customer Experience and make employees play an active part in developing innovative, effective solutions, include:

- Customer Journey Lab: the project aims to allow colleagues/investigators to experience the service received by consumer customers first-hand by selecting, purchasing, activating and using services, so as to identify the customer’s perception and the main areas requiring attention/strengths. In 2015, this method was applied to the converging (fixed/mobile - SMART offer) offers, the LTE offer and multimedia services (e.g. TIMSKY, TIMVision, TIMMusic);



- “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;
- The “Listening to Customer Care operators” project: launched to collect the requests and problems experienced by customers by listening to Customer Care operators, optimising the experience of those in day-to-day contact with the customers and who have in-depth knowledge of their needs and expectations, as a further contribution for the identification of opportunities to improve the customer Experience in using the Group services.

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” (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 network 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 2015, 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 and Facebook. @ TIMBrasil” (<https://twitter.com/TIMBrasil>), which as of December 2015 had more than 720,000 followers, and Facebook (www.facebook.com/timbrasil) with over 1,428,000 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 December 2015, this channel has almost 246,000 followers. In the evolution of customer services, another important step consisted of the launch of the new MEU TIM application dedicated to customers needing information available at all times on their smartphones, including consumption, the last bills, the residual balance and current promotions.

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.

	2015	2014	2013
Consumer Customer survey (*)	7.29	7.54	7.92
Consumer Mobile Telephony Call Centre Survey(**)	7.25	7.30	7.47
Business Mobile Telephony Call Centre Survey(***)	7.24	7.16	7.15

(*) 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.

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 issues to support the business.



USE OF SOCIAL NETWORKING IN CUSTOMER CARE

In recent years, the Telecom Italia Customer Relationship Management has been increasingly focused on the monitoring of new digital contexts, identifying the future of assistance, care and loyalty of its customers in the monitoring and management of caring contacts obtained from the social networks (Twitter and Facebook).

In 2010, Telecom Italia launched the Caring on Social Media project to make the most of the opportunities provided by the new web communication channels. Amongst others, the re-engineering of Social Caring has begun, resulting in a revision of processes, the issue of procedures, the development of systems for management, the extension of monitoring times and investments in the training of social caring agents. Thanks to the constant training, the agents know the channel being used and are quick to deal with a report and understand and solve the problems described by the customer, answering with a polite, but not overly formal, tone of voice. Telecom Italia Caring on Social Media seeks to construct a new relationship with digital mobile and fixed telephony customers and strengthen their trust.

In 2015, through social caring, Telecom Italia also offered a single business vision, generating positive sentiments towards the brand and expanding upon the customer base; besides, in August it launched the integration of the Telecom and TIM Facebook pages into the single official TIM page, which boasts 2 million fans, with an extension of the times at which the social channels are manned.

Telecom Italia/TIM, which has always been committed to the development of technologies by which to improve the processes and flows of customer services, obtained recognition for this in 2015, including:

- the Italian CMMC Social CRM 2015 prize for the skilled, quick response management of particularly large volumes;
- first place in the classification of Italian telecommunications companies for the “customer service” on Facebook and ninth place worldwide amongst all brands (telecommunications and other companies in the Socially Devoted classification, prepared by the research company Socialbaker during the second quarter of 2015. Being “socially devoted” means answering the many interactions recorded on the social channels quickly, and which now represent a significant volume. More specifically, during the fourth quarter of 2015, TIM managed interactions on Facebook and Twitter with a response rate - respectively - of 87% and 71% (source: Blogmeter).

THE DIGITAL IDENTITY ON SOCIAL MEDIA

The presence of Telecom Italia/TIM on social media considers the social changes seen in the new methods of communication both between people and between people and companies. In this context, the Company systematically and continuously adopts specific communication strategies that are useful to constructing and communicating its identity on the Internet. In this respect, a digital communication model has been developed, which is inspired by the evidence revealed during the insight discovery process, at the basis of a data-driven communication plan. In this way, the most effective channels are chosen on the basis of the reference target and subject matter discussed, the most appropriate times of the day to communicate and the visual guidelines to be used. Moreover, the definition of the content to be communicated does not end with the construction of the content strategy; it is a work that is in continuous evolution, which envisages the monitoring of conversations and their measurement in real time, according to the KPI defined during the strategic phase.

The importance of a data-driven strategy is also confirmed by web monitoring activities carried out in the company. More specifically, the matters relating to telecommunications and the related conversations between users are concerned by specific analyses aimed at detecting the tone of conversations (web sentiment) and monitoring the experience of the customers with regards to the offers and services of Telecom Italia/TIM and competitors, thereby providing input and insight to the business lines.

All this has enabled the Company to consolidate its leadership in the various communities that have been created in the different social networks (facebook, twitter, google+, instagram, youtube) around the main brands: TIM, TIM Impresa Semplice, TIMvision, TIMmusic, Working Capital, Serie A TIM, Nuvola Italiana, with more than 7 million likers and followers. For information about the social networking tools available to call centre operators (TUO), see the sustainability section of the telecomitalia.com website.



Customer Satisfaction within incentives schemes

Telecom Italia's managerial incentive systems include many targets associated with customer satisfaction and experience, in keeping with the business plan for the current period. This target is measured through the Customer Satisfaction indicators monitored through periodical surveys. For 2015, the managerial incentive system envisages an objective based on the CSI structured over two separate clusters of customer segments, identified on the basis of the positioning with respect to the competitors. The purpose of this segmentation is to pursue different improvement objectives according to the segment. 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. 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 Customer Care and Open Access departments.

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 ADR¹ 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.² 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. 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 2015, in fact:

- approximately 96% of the requests for equal conciliation discussed (9,268 out of 9,668), a percentage that is stable year on year despite the clear increase in the practices discussed and recorded in 2015 with respect to 2014 (9,668 with respect to 6,642, or +45%);
- around 83% of applications discussed by the Co.Re.Com. and Chambers of Commerce (20,294 of 24,429). This percentage has remained at excellent levels despite the fact that, again in 2015, it experienced an increase in the practices discussed with respect to 2014 (24,429 as compared with 18,540, making for +32%).

Telecom Italia supported the conciliation activity by means of:

- seminars and joint training initiatives involving dedicated personnel from Telecom Italia, AGCOM, 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.

¹ Alternative Dispute Resolution.

² Regional Communication Committees.



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

In 2015, TIM achieved excellent results in settling claims submitted by PROCON offices: CIPs (Preliminary Investigation Letters) 79.5%; justified complaints 74.7% (source: SENACON official report).

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;
- limit greenhouse gas emissions: standard UNI EN ISO 14064-3;
- efficient energy management: standard ISO 50001: 2011;
- 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 20000-1:2011 standard;
- data security: ISO 27001:2013 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 functions/companies of the Group can be found in the sustainability section of the telecomitalia.com website.

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

- personal mobile service (TIM Celular);
- switched fixed telephone service (TIM Celular and Intelig);
- multimedia communications services (FIBER).



Child protection

[G4-PR6] The Group companies have undertaken numerous initiatives to protect children from content that may harm their psychological and physical development (for example, content that is violent, racist, offensive to religious sentiment, 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 evolution.

For this purpose, the Group, in accordance with current regulations and self-regulatory codes signed, implemented procedures to prevent children 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).

Specifically:

- 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 (including through the input of a tax code by the customer).

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 antispyware 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 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 defend 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.

The Company is particularly focussing attention on parental control, with the launch of offers dedicated to the younger generation (under 12s) with the TIM Protect service included, at no additional cost (TIM Young Junior). TIM is also implementing comarketing initiatives with certain operating partners in the "kids" segment, which is particularly sensitive to matters of child protection.



For the purpose of combating online child pornography and computer crime, from an organisational point of view and internally, Telecom Italia has identified 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 Telecom Italia, the process of abuse management, in accordance with the relevant legislative framework. Furthermore, the Group has adopted the 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 the Postal and Communication Police, Save the Children, Adiconsum, GSMA, FOSI¹ 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 protecting 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;
- 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;
- 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

¹ Family Online Safety Institute.



this field (Save The Children, Telefono Arcobaleno etc.);

- participation in the “GSMA - Mobile Alliance against Child Sexual Abuse Content” Working Group in the context of the GSM Association, for technological, policy and communications initiatives aimed at protecting children in the mobile phone sector. Amongst other aspects, the initiative deals with awareness raising, the fight against illegal content and the classification of content, and an important part of the programme is dedicated to Safer Internet Centres, present in more than 30 different countries, to provide support and information for children, parents and teachers. The scope of the activities implemented by the Alliance includes the agreement stipulated with Child Helpline International, aimed at protecting children and safeguarding their right to be heard. Telecom Italia has subscribed to the initiative, undertaking to support child helplines on a national level;
- participation in the European initiative ICT Coalition for Children On-line, launched in 2012. Telecom Italia is an active member and participates in the coalition’s work, as it promotes safe, responsible use of the internet. Telecom Italia has subscribed to the principles adopted by the Coalition, participates in the six-monthly forums (in this context, Telecom Italia also presented the EducaTI initiative) and the meetings organised by the Coalition with the important stakeholders (e.g. NGOs) and the European Commission and European Parliament. In April 2014, the first report was published on the implementation of principles by the businesses, drawn up by an independent subject. At the same time, Telecom Italia has confirmed the implementation of the European Framework for Safer Mobile Use, stipulated in 2007. In 2015, a study was commissioned of an independent consultant, focused on the trend of the use of ICT services by children and the younger generation, the results of which were unveiled in February 2016;
- participation in the European Commission initiatives under the scope of the Better Internet for Kids (“BIK”) initiative for the definition and implementation of the principles and technologies necessary to make the internet a safe place for children (Telecom Italia took part in the “CEO Coalition” initiative organised by the European Commission, currently on stand-by). Telecom Italia also took part in the 2015 edition of the Safer Internet Forum - an international conference organised each year by the European Commission under the scope of the BIK - dedicated to “Breaking down barriers for a better internet”;
- 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;
- participation in the FOSI. In September 2015, Telecom Italia was involved in the organisation of the conference “Global Trends in Online Safety: Creating a National Framework”, an opportunity to share international experiences in matters of internet safety with some important international stakeholders, including the European Commission;
- Telecom Italia is a member of the COP (Child Online Protection) Board of the International Telecommunication Union (ITU), seeking to protect children.

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 Safenet 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 users¹, and it does not produce the telecommunications equipment it sells².

In order to verify that the products placed on the market 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;
- laboratories that test the products marketed by the Group, particularly as regards the electromagnetic emissions of the mobile devices.

In this way, any non-conformities of products are detected prior to their market release, ensuring that products that do not conform with the essential requirements of the European Directives 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 telecomitalia.com.

[G4-DMA Customer Health and Safety] [G4-PR1] In its laboratories, Telecom Italia validates the satisfaction of the essential requirements envisaged by the current Directives for the release of CE marking; conformity with these requirements is certified at source by the manufacturer. For products sold in Italy, the reference framework is the set of standards that support Directive 1999/5/EC, arranged by product macrofamily³.

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

- levels of electromagnetic emissions (SAR) of technologically-innovative smartphones/tablets/modems comply with Standards IEC 62209-1/2;
- the technical provisions aimed at reducing the risk of electric shock, overheating, fire and mechanical dangers, through the application of standards EN 60950-1 and EN 60065.

The following were also verified:

- the energy efficiency aspects required by the EuP (Energy-using Products) Directive: equipment placed on the market is checked against the stand-by/off-mode power consumption and performance limits set by European Regulations 1275/2008/EC, 801/2013/EC and 278/2009/EC, 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 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

¹ Threats of a psychological nature or relating to security and privacy are dealt with in the *Child Protection, E-security and Privacy* sections.

² 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 0.97% of the Group.

³ 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.



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 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 tantalum possibly used in components, a user manual containing safety information, details of any hazardous materials in the product and disposal information. In respect of labelling of mobile devices, as they are consumer products that the Company merely resells and do not need any customisation, the Company simply requires national legislation to be complied with.

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, TIM eco-friendly, discussed in detail in the *Environmental protection* chapter, 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. More specifically, in Brazil in 2015, an incident occurred resulting in a total penalty of 2,897,416 reais; in 2014, 3 incidents occurred, resulting in a total penalty of 1,533,820 reais and in 2013, 2 incidents occurred, resulting in a total penalty of 9,474 reais¹.

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)².

[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 Italy³.

Description	2015	2014	2013
Number of fines for non-conformities regarding the supply and use of products and services	4	7	10
Total monetary value of these fines (in euros)	2,833,000	1,102,000	727,619

[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 Brazil⁴.

Description	2015	2014	2013
Number of fines for non-conformities regarding the supply and use of products and services	3	5	12
Total monetary value of these fines (in R\$)	13,592,963	13,214,257	11,268,560

¹ In 2015, 2014 and 2013, in Brazil, there were no incidents of this kind, other than the cases reported, which all resulted in financial penalties.

² 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 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

³ Cases include the supply of Premium services, "Losai" and "Chiamaora", not requested, and teleselling.

⁴ 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. stated in chapter *Sustainability and Governance*.



[G4-PR7] Overall number of non-conformities with legislation and voluntary codes regarding marketing communications in Italy.

Type of nonconformity	2015	2014	2013
Number of non-conformities with legislation resulting in a fine or penalty	0	0	1
Number of non-conformities with legislation resulting in a warning.	0	0	0
Number of non-conformities with voluntary codes	0	2	4

In Brazil, the only notifications relating to advertising and marketing communications are issued by CONAR (Conselho Nacional de Autorregulamentação Publicitária), non-governmental self-regulation organisation for advertising which does not impose financial penalties and assesses non-conformities with the Advertising Self-Regulation Code. Anatel can impose fines or warnings in cases of “general marketing communications” that are not compliant.

In 2015, TIM Brasil received 5 notifications of non-conformities: 4 proposed by competitors and one by CONAR. Of the 5 notifications, 1 entailed no penalties, for 2 the change in advertising has been arranged, the last 2 were still being examined at end December 2015¹; in 2014, CONAR did not report any type of non-conformity, whilst in 2013 it reported 5, for which the advertising was changed or suspended. Moreover, in relation to cases of non-conformity with the legislation, taking concrete form in a notice, CONAR issued 1 notification in 2013, for which no intervention was required.

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 “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. Among these, the “System of rules for the application of the privacy regulation in the Telecom Italia Group” is particularly important, which defines the provisions and operating instructions for each commitment concerned and which in 2015, was completely revised and updated, according to the regulatory evolution and the introduction of new customer services.

In 2015, the framework of the Company’s personal data processing provisions was enhanced with a policy on compliance requirements for the processing of anonymised or pseudonymised data, under the scope of big data type analyses. This policy also considers the opinions on the matter issued by the Group of European Privacy Guarantors (article 29 Working Party) and the indications given by the Italian Data Protection Authority regarding the examination and approval of 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 to respond to the information requirements expressed by public organisations and government offices that manage land and transport infrastructure.

The Company policy has also been updated, which defines the compliance requirements for the systems dedicated to the supply of ICT services (e.g. storage, disaster recovery, systems management, etc.) for business customers.

Also during the course of 2015, 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.

The constant training activity, carried out in order to disseminate and ensure the correct application of internal privacy legislation, in 2015 took concrete form in a specific update for the operators involved in the compulsory procedures for

¹ On 23 December 2015, for one of the two notifications, a preliminary provision for the suspension of advertising was issued.



the judicial authorities and in investigations of privacy aspects as part of a cycle of seminars for employees on big data matters. Other training interventions involved the sales network, as regards matters relating to the possibility of contacting customers and the resources appointed for staff recruitment. Furthermore, meetings centred on the management of telephone and electronic traffic data were held both during periodic training seminars to train conciliators, which are attended by representatives of Telecom Italia and consumer protection associations - and also during specific activities dedicated to the external sales force of Business Department and to commercial compliance.

The effective application of the regulations is monitored through a control 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. In consideration of these activities, a Report has been prepared on the status of adoption of the security measurements envisaged by privacy legislation that, in a company document, formalises the activities carried out to guarantee compliance with the provisions on personal data processing, the results achieved and the status of plans for improvement.

With regard to privacy protection relating to new technologies, Telecom Italia is also involved in initiatives of 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 (<https://ec.europa.eu/digital-agenda/en/news/cloud-service-level-agreement-standardisation-guidelines>), model contracts and a reference code of conduct (<https://ec.europa.eu/digital-agenda/en/cloud-select-industry-group-code-conduct>) for the suppliers of these services.

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 Italia¹

Description	2015	2014	2013
Requests received	220	435	368
Percentage of requests filed	>98%	>98%	>99%

With regard to Brazil, in accordance with the Federal Constitution, article 3 of the general law on telecommunications no. 9.472 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 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 (including Articles 10 and 11 of the “Marco Civil”), 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. These policies and procedures recall the methods for the classification and management of information in order to guarantee suitable protection levels. In Brazil, no violations have been noted in relation to privacy in 2015 and 2013 and only 1 case in 2014². It should be noted that the difference between the legislations of Italy and Brazil does not allow for any comparisons to be drawn between homogeneous data.

¹ 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.

² The 2014 case refers to an extraction of telephone data without legal authorisation. The penalty applied was 5,000 reais.



RESEARCH & DEVELOPMENT AND INNOVATIVE SERVICES

The Telecommunications sector has undergone a quick, but major transformation in recent years, characterised by the decline in traditional voice services and the ever-greater growth of fixed and mobile broadband and the new services enabled by it, thereby contributing towards the rapid digitisation of the life of consumers and business processes.

Coherently with this sector context, in recent years, Telecom Italia has launched its own evolution route by which to gain standing as a supplier of services and platforms, and not just connectivity. This route envisages two parallel lines of action:

- on the one hand, the acceleration of the development of enabling platforms, namely fixed and mobile ultrabroadband, data centres, big data and IT;
- on the other, the enrichment of connectivity with innovative digital services towards the development of a digitised society and an automated industry (industry 4.0)

The technological and business innovation is therefore increasingly confirmed as a central element of the Telecom Italia strategy in order to respond to the change in the technological, market and competitive context.

The efforts made regarding investments in new generation infrastructure, both fixed and mobile, and in new services, were accompanied by action to support innovation across the board. Internally, Telecom Italia has strengthened the Company laboratories, bringing alongside the traditional Research and Development centred on infrastructures, a focus on digital innovation, also with a view to supporting the evolution of a demand that has increasingly varied, sophisticated characteristics and which is met by the activities of the Innovation Centre.

The digital innovation is based on a paradigm of open innovation that is realised by accompanying the internal generation of ideas and development routes with the generation of ideas and development paths coming from outside the Company. In these terms, Telecom Italia has reviewed and renewed its relations with the universities, financing 25 triennial PhDs scholarships in 2015 and a total of 165 from 2011 to date. Again on the academic front, the Joint Open Labs, research laboratories that propose a new way for industry and universities to work together, have been created. These laboratories stem from agreements on specified fields of scientific and technological interest and “live” inside the university campuses (Trento, Turin, Milan, Pisa and Catania). In the last three years, these public-private partnerships have enabled Telecom Italia to obtain 5 million euros in European funds for research, in addition to 2 million euros received from the universities with which it collaborates.

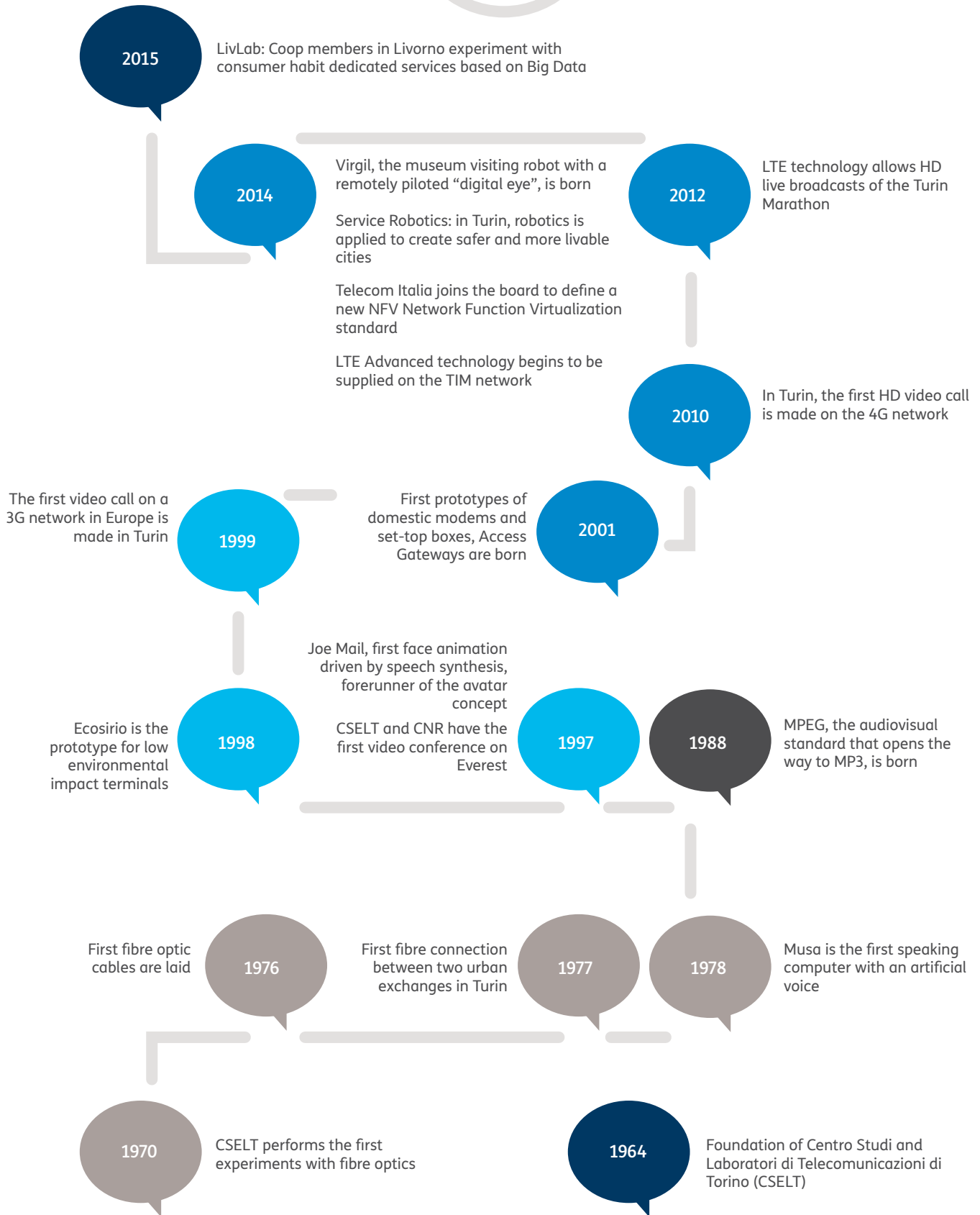
In addition to open innovation, the digital innovation is hinged on another important cornerstone: co-innovation, a development model that envisages the full optimisation of the ecosystem of stakeholders and strategic partners of the company as bearers of innovation on the market. Through the application of “two-sided” models, Telecom Italia creates a common framework of interaction (e.g. platform) from which two different user groups can gain mutual benefit, thereby creating further value.

TIM #Wcap is the business accelerator of the Telecom Italia Group that each year selects, finances and accelerates digital start-ups. From 2009 to 2015, more than 8,000 business ideas were received and examined and approximately 260 projects selected and supported. Moreover, 11 TIM #Wcap start-ups were invested in by TIM Ventures. In the last two years, the TIM #Wcap start-ups launched 25 go-to-market activities within TIM, thanks to which turnover was generated. With three of these, TIM also created a commercial offer. The survival rate of TIM #Wcap start-ups has exceeded 90% and in two years, thanks to TIM #Wcap, 215 jobs have been created. TIM #WCAP is an incubator certified by the Ministry for Economic Development.

Starting from TIM #Wcap, Telecom Italia has debuted in seed investment, launching TIM Ventures, the Group Company created with the aim of investing in options or share capital in the most innovative start-ups in the Digital, Internet, Mobile and Green ICT sectors. In just one year of activity, TIM Ventures has already invested in 12 start-ups and is mentioned amongst the most active European VC investors in 2015¹.

¹ Source: Venture Pulse Q2'15 – KPMG and CB Insights.

OVER 50 YEARS OF INNOVATION





In Italy, Telecom Italia employs approximately 1,300 resources in engineering, technological innovation and service activities. Investments in innovation and transformation amount to 1.7 billion euros, equating to 44% of total investments on the domestic market.

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 the Telecom Italia Group;
- the traditional (e.g. car makers) and digital (e.g. eCommerce players) partners, for the joint Go2market of digital services;
- research centres and universities, for cooperation and joint projects; in 2015, 38 new cooperation agreements with Italian universities were launched on research topics relating to new technologies, coding algorithms, new communication services and paradigms;
- the standardisation bodies and discussion groups (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.

These guidelines also cover the Patents project¹, which for Telecom Italia represents a continuous activity that is structured into numerous processes, involving various corporate departments, aimed at promoting, supporting and optimising patenting activities in the Company and, thanks to collaboration with universities, more generally in Italy.

Applying the metrics of the CSV model, the contribution generated² in Italy thanks to patents led Telecom Italia to have a portfolio of more than 3,143 patents (of which 667 deposited), enriched by 33 new deposits in 2015. Premiums of 142,000 euros have been disbursed to 115 innovating employees who developed patents. The patenting areas regard the entire ICT segment (quality of networks, qualifying technologies, multimedia, data analytics and service concepts) with peaks of excellence in the Mobile segment, that put the Company in a 6th place worldwide and second in Europe³.

Thanks to the collaboration with Italian universities, patenting by the Group helps the rate of innovation of our Country, helping "patent" the universities themselves to a greater extent and making the results of the university research more tangible.

In this new context, the Joint Open Labs⁴ (JOLs) play a key role. With the "company on campus" model, they encourage a natural osmosis between the academic and industrial world. Within the Innovation & Industry Relations department, Telecom Italia has launched this innovative model of cooperation, promoting the development of different JOLs distributed throughout national territory and localised within the various Italian universities.

¹ For more details, refer to the CSV sheet *Patents*.

² For more details, refer to the CSV sheet *Digitisation of the Country*.

³ Source: Chetham Sharma.

⁴ For more details, refer to the CSV sheet *Joint Open Lab*.



In applying the metrics of the CSV model, the impact generated in Italy by the Group, thanks to the JOLs saw approximately 150 students, 5 universities, 8 applied research and innovation laboratories involved in 2015.

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.

Smart Services

[G4-EC7], [G4-EC8] In the context of public sector services, in accordance with the Italian Digital Agenda (ADI) and European Directives, in 2015 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 (providing new services dedicated to security, the environment and optimal energy management) and Digital School. 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.

LIGHTING SUITE	SMART BUILDING	NUVOLA IT ENERGREEN	NUVOLA IT URBAN SECURITY	NUVOLA IT DIGITAL SCHOOL
<p>Integrated management of the local infrastructural networks and construction of the Smart City environments.</p> <p>Enabled services:</p> <ul style="list-style-type: none"> ■ planning of electricity consumption and maintenance. Energy saving is estimated within a range 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; ■ video surveillance; ■ digital communication with citizens and users in general (e.g. tourists); ■ Wi-Fi hot spots (broadband access). 	<p>Intelligent management and automation of buildings thanks to specifically designed solutions able to be implemented on a project basis through the components of the Lighting Suite and Nuvola IT Energreen offers.</p> <p>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 efficiency projects.</p>	<p>Remote management of energy consumption, implemented on Telecom Italia assets and services, for the purpose of saving energy.</p> <p>Enabled services:</p> <ul style="list-style-type: none"> ■ 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 efficiency improvement work. 	<p>Management of participated security and urban territory control.</p> <p>Enabled services:</p> <ul style="list-style-type: none"> ■ 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, CO₂, gaseous pollutants, etc.); ■ monitoring of available public parking spaces. 	<p>Integrated digital management of teaching and school administration.</p> <p>The offer can be configured according to the requirements of the schools and includes a range of integrated, but modular, services, accessible via a single portal-showcase.</p> <p>Enabled services:</p> <ul style="list-style-type: none"> ■ enabling infrastructure (fixed internet, wi-fi & security connectivity); ■ management services for the school (administrative management, cloud electronic register); ■ digital teaching services (application integrated with school e-book stores); ■ devices (for users and for classes).



As regards the innovation of business, Telecom Italia aims to supplement its offer of connectivity with new innovative services that satisfy the new digital needs of the customer.

The business innovation enriches the “traditional” Research and Development activities, both by developing prototyping and experimentation options for solutions based on an in-depth understanding and meeting of new digital service needs internally, through the Innovation Centre, and by opening up to external sources of ideas, which can help construct an open innovation model based on a valuable network of players (Joint Open Lab, TIM #Wcap, Tim Ventures, Foundry, Partnerships, etc.).

In this context, Telecom Italia is overseeing the various areas of digital services, namely Enriched Communication, Trusted Digital Life, Business Life, Indoor Life, Mobile Open Life, Digital Entertainment and Big Data; below is a summary of some of the main projects that Telecom Italia has developed or is developing in these areas:

- **Smart Green:** this is the assessment of innovation projects connected with the environment and potential partnerships with the local government offices for the monitoring of air in public offices and urban areas, using networks of sensors connected to the Telecom Italia Cloud.
- **Social Reading:** under this theme, the shared reading app for schools, already tried out by several schools throughout Italy, has been further developed and accompanied by a shared reading solution for Italian libraries, licensed to a specialised partner and which makes it possible to share comments and viewpoints about the book borrowed with others who have already read it or are going to read it. The library solution has a series of settings that facilitate reading even by readers with specific learning difficulties (SLDs).
- **Solutions for “good schooling”:** as part of the collaboration between Telecom Italia JOL in Turin and the Regional Education Department of Piedmont, a training course was held for secondary school teachers to teach them how to use the Open Source ROS (Robot Operating System) framework, which is the “standard de facto” framework for writing “hardware dependent” robotic applications.
- **Digital tourism 2.0:** “Virgil, robot a corte” is a project designed to optimise Cultural Heritage, developed by the Telecom Italia JOL in Turin, the Regional Directorate of Cultural Heritage for Piedmont, Museum Hub and with the collaboration of the Turin Politecnico University Department of Architecture and Design. The project aims to provide the museum guides with a digital tool that enables them to show visitors part of the heritage that is otherwise inaccessible for various problems (security, works, unavailability of means for the disabled, etc.) and, above all, place this environment in the centre of a network of interconnected tourism sites thanks to the Telecom Italia data network.
- **Smart Home:** under the scope of the JOL in Milan, in collaboration with Milan Politecnico University, new technologies and services are being tested for future smart spaces. In the smart spaces, 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. More specifically, in the project financed - EIT Digital P3S “Playful Supervised Smart Spaces” - a smart space has been developed for children with special therapeutic needs (e.g. suffering from autism) and tested at two specialised centres. Thanks to the work carried out in the Joint Open Labs, Telecom Italia is investing in the design and testing of robotic telepresence solutions, namely robots that can be remote controlled, thereby allowing the person to attend an event and interact with those present.
- **Friend TV (Innovation Center):** (Innovation Centre): the latest versions of FriendTV for smartphones and tablets, initially released at the beginning of 2014, continued to be available in the Apple and Android app stores. 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 ARTES platform developed by the Telecom Italia laboratories of Strategy & Innovation in Turin, allows for the creation of augmented reality apps very quickly indeed, offering those creating content an interface by which to enrich them and alter them, without having to resort to developers.



■ **Big Data:** in this regard, Telecom Italia has launched an evolutionary process based on various different project “activities”, within which several initiatives were started in 2015, and completed with the development of the first “internal” applications (aimed at improving the customer experience), the launch of the first services for the business market on anonymous data (with the “Data Visual Insights” offer of presence maps and mobility per segment of interest and reference period) and the first projects aiming to increase the ecosystem of partners (“TIM BD Challenge” contest), also enriching internal competences (training through Master Big Data TIM). Big Data was also worked on by the Joint Open Labs. After the success of the Mobile Territorial Lab experience¹, the Telecom Italia JOL in Trento developed the LivLab project, a new instance of living lab on another territory, relying on the competences acquired and lessons learned. My Data Store, an example of personal data store that came amongst the top reference cases of the World Economic Forum², has been enriched by new data connectors that enable transparent management also of social personal data. Working with local institutions in Trentino, the JOL is experimenting with advanced solutions for citizen services based on personal data. One example is Familink, the service that shares opportunities for families throughout Trento, intended for community-trusted hyperlocals. The service was successfully tested by the Provincial Agency for the family, birth rate and family policies of the Autonomous Province of Trento with the families belonging to 3 large parent associations operating on the territory. One of the Open Innovation initiatives was the second Telecom Italia Big Data Challenge³, which brought together over 1,000 participants from around the world to discuss the creation of smart city projects using large amounts of geo-referenced data.

■ **Smart City App - Expo 2015:** Milan developed the subject of “Feed the Planet, Energy for Life” starting with the creation of a Digital Smart City through which all participants had the most innovative technologies available, able to enhance the experience connected with the visit. Telecom Italia has developed and tested the entire ICT chain that required the use of dedicated resources with a high technological standard. In applying the metrics of the CSV model, the contribution generated⁴ by the investments of Telecom Italia in terms of ultrabroadband infrastructures developed at the display site and in the near future available for area projects, determine 2.5 million euros in impact on the national GDP. In addition to the internal project resources (approximately 500 resources), the employment generated at the suppliers of the various goods and services of the project, estimated as approximately 250 units, the indirect economic contribution of Telecom Italia can be estimated as around 6.5 million euros.

¹ www.mobileterritoriallab.eu.

² http://www3.weforum.org/docs/WEF_IT_UnlockingValuePersonalData_CollectionUsage_Report_2013.pdf.

³ telecomitalia.com/bigdatachallenge.

⁴ For more details, please refer to the CSV sheet *Expo 2015*.



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, with a guarantee of the authenticity and integrity of documents;
- management of both healthcare, administrative and 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, the following developments are under way:

- 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 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, by means of solutions based on healthcare booths;
- 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 rehabilitation while being monitored by doctors interactively from a remote location);
- services for health and personal well-being, which can be used from a smartphone by means of wearable devices for the monitoring of parameters with the availability of cloud space on which to share information.



The evolution of services is also strengthened by the results achieved through the participation in State-financed projects, such as, for example:

- SSMARTHEALTH 2.0, a project financed by the Ministry of Education, University and Research in which 26 partners take part, which aims to create an innovative technological infrastructure in the cloud computing environment, in which to develop various high added value services and activate new models in the area of health and well-being. In using the clinical competence of La Sapienza University of Rome, Telecom Italia Lab developed the Smart Ageing platform for prevention in adult age conducted on fragile elderly members of the population, at risk of cognitive decline. The platform processes the data and measurements obtained from medical devices, health booths and POCs (Proof of Concepts), questionnaires and cognitive tests acquired by tablets. The doctors draft the prevention programme on the basis of the trends and results of the processing and send patients e-mails with feedback, once a week. The platform is being used for a clinical trial at ITGP2 (Giovanni Paolo II Cancer Institute) in Bari, which ended late 2015.
- MC3CARE, a project financed by the Ministry of Education, University and Research, which aims to develop a technological prototype enabling access to and the use of integrated services connected with citizen health, by means of mobile devices such as smartphones and tablets. Through MobileC3-Care, the citizen is at the heart of an ideal network, interconnected with all the structures forming part of the ecosystem of health, welfare and wellness. The prototype comprises a set of services, including information, tele-medicine (remote monitoring and drug surveillance), wellness, localisation and geofencing, access to digital health systems (FSE, Electronic Health File and CUP, Centralised Booking Centre), agenda and reminds (synchronising events with those coming from integrated systems), personal notebook (with data synchronised with that coming from the integrated systems), discussion forums, privacy management and SSO (Single Sign On). The prototype is currently being validated through interviews with sector stakeholders and a focus group of end users.

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 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.

In the field of orthopaedic tele-rehabilitation, activities took place in two main directions: extension to new clinical cases and optimisation of the performance. In the first case, thanks to a new collaboration between JOL WHITE¹ and the Viareggio hospital, an activity was launched to establish tele-rehabilitation protocols for functional post-operative recovery in cases of partial or total prosthesis of the knee. With regard to optimising performance, the old sensors are being replaced with new, more efficient ones that are easier to use. This requires integration with the Android app used by the patient when performing the exercises.

¹ It is one of the eight Joint Open Labs (JOLs) opened by TIM in 5 universities: WHITE stands for Wellbeing and Health Innovative Technologies Lab and it is located at the Sant'Anna school of advanced studies of Pisa.



Cassiel 2.0

The service provides remote assistance to elderly people, monitoring them and receiving alarm signals in cases of emergency. The sensors located in dwellings process the data collected, to perform behavioural analyses with a view to improving quality of life. The complete solution includes a reminder service, called RicordaMI, to monitor therapies and ensure their completion. With the involvement of pharmacies in entering dosages and adopting a simple tablet app, the system also is usable by people with mild cognitive impairments.

Tele-monitoring of Parkinson's disease

As part of the development of a tele-monitoring system for patients affected by Parkinson's disease, Telecom Italia has filed two patent applications relating to the upper and lower limbs. Furthermore, the option of monitoring new motor tasks was considered and, thanks to a collaboration with the Italian Auxology Institute, an activity was launched to extend its use to the tele-rehabilitation of neurological patients. Finally, based on the data collected during the trials, machine learning techniques were applied to developing a UPDRS¹ automatic assessment algorithm to emulate the assessment provided by the neurologist according to this standardised scale.

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 data to a platform that processes them and supplies parameters that can be used to assess the status of the disease. The hand sensors, which are often uncomfortable to wear, can be replaced by an appropriate stereoscopic (LeapMotion) camera that frames the hand and automatically extracts the exact position of the fingers in space.

PAPI

It is a prototype tested on 30 people aged over 65, suffering from slight cognitive function deficits, for their remote rehabilitation. The system provides a kit of interactive games for Android tablets, designed with neurologists to simulate the patient's various cognitive functions. The games, tested in collaboration with NeuroCare from Cascina (Pisa) communicate with a remote server to send data relating to the patient's performance and to download their settings. The experiments have allowed the games to be improved, making them more interesting for users and integrating them with other games created by third parties involving the rest of the family, in a kind of game show that encourages their use (GameBus project).

Playful Spaces

Personalized Playful Spaces is a project funded by EIT ICT Labs² for the rehabilitation and monitoring of autistic children. Children can interact with a space or sensorised objects that stimulate them when playing and provide the specialist with information on the state of the child. The project is developed in partnership with JOL SCUBE³, which works on sensorised environments, and with the Politecnico University of Milan and SAM Foundation for scientific and medical support.

¹ The Unified Parkinson's Disease Rating Scale is the assessment scale most used in evaluating the prognosis of Parkinson's disease.

² European Institute of Innovation and Technology.

³ It is one of the 8 Joint Open Labs (JOLs) opened by TIM in 5 universities; SCUBE (Smart Social Spaces Lab) is based at the Politecnico University of Milan.



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 2015 included the following:

- the design of a proprietary platform based on open source technologies for the collection and management of security Big Data;
- the study and development of new examination models to be used with visual analysis tools for security Big Data;
- the study and testing of new approaches for safety analysis and risk management on LTE networks and telco cloud platforms;
- implementation of various scouting and testing campaigns on innovative security solutions;
- the pursuit of activities for the security analysis of mobile apps and mobile devices;
- the collaboration, within the scope of 3GPP¹ SA3 SECAM², for the definition of the security requirements and test methods on devices for 3GPP standard networks;
- completion of activities in the international projects 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;
- the participation, with another 15 partners, in the works of the 5G-ENSURE consortium (5G Enablers for Network and System Security and Resilience), in order to obtain a loan under the scope of the European H2020 programme and study, define and test the security measures and resilience of the future 5G networks, developing a 5G Security Architecture;
- the development, in the context of ETSI³, of the works of TC CYBER focused on Cyber Security;
- the continuation of other monitoring and guidance activities in the area of GSMA Fraud and Security Group;
- development of cooperation launched in 2013 with EIT (European institute of Innovation and Technology), Digital and the Action Line Guide to Privacy, Security & Trust.

¹ The 3rd Generation Partnership Project.

² SECurity Assurance Methodology.

³ European Telecommunications Standards Institute.



Public initiatives consistent with the core business

By way of example, here are some of the projects carried out in 2015 in response to the needs of the Community using Telecom Italia technologies.

Fund raising

In a national and international context in which crisis and conflict scenarios multiply, against an ever-increasing number of individuals in need and emergency situations, private fund-raising is a key factor in the cohesion and support “from person to person”.

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.

Of the 100 numbers intended for the voluntary sector, 20 are shared with other operators, of which 2 are for emergencies. The amounts collected are returned in full, with no withholdings applied by either the tax authority or the Company for the costs incurred.

113 fund raising events were organised in 2015 and a total of around 20 million euros were collected¹.

In 2015, “Dono per...” (meaning “I give for...”) was established, a limited liability consortium company founded by Telecom Italia, Vodafone Italia and Wind, that will deal with all initiatives for the raising and distribution of funds for charity as well as loans to political parties or movements, as envisaged by the new legislation. The company is a non-profit organisation and, therefore, any operating profit will be used for social projects. The new legal entity will guarantee a standardised, shared approach with regards to non-profit organisations, political parties, institutions and the media. The Consortium is open to adhesion by other telecommunications operators.

Social Innovation

The term *Social Innovation* defines the set of new ideas that respond to the needs of society more effectively than existing alternatives, while at the same time developing new relationships and collaborations to strengthen it.

The recent WithYouWeDo crowdfunding platform receives requests for donations from public and private entities intending to implement projects in the fields of social innovation, environmental protection and digital culture. In order to promote crowdfunding, in addition to making the technological platform available as necessary for on-line collections (withyouwedo.telecomitalia.com), the company also undertakes to contribute 25% (up to a maximum of 10,000 euros) towards the financing of projects reaching the objective (8 in 2015) and supports, with communication, both aspiring designers (approximately one thousand are involved in the tour that in 2015 involved 13 Italian cities) and projects selected to enter the platform, also through a partnership with the radio broadcast SmartUp of Radio105. In all, more than 270,000 euros were collected.

Applying the metrics of the CSV model, the contribution generated² in Italy, in terms of social value is equal to 320,000 euros in addition to the positive impact on the Company reputation due to the 12 million social reaches, 168 press releases, 1 million page views and 225,000 video views generated by the project.

Furthermore, Telecom Italia is a founding member of the Digital Champions Association. The Digital Champion, a position created by the European Union in 2012, is an innovation ambassador, appointed by each Member State of the European Union and the European Commission to promote the benefits of an inclusive digital society. The project involves the appointment of a Digital Champion for each municipality (in the Country) to represent European authorities across the Country. This partnership qualifies Telecom Italia as the first Company to be linked to a wider and geographically extensive network of Italian innovators. The joint projects between Telecom Italia and the Association are: Italiani.Digital a true online

¹ The amount collected by the date the 2015 Sustainability Report was presented, has been estimated; moreover, the amount collected is not directly attributable to the campaigns run in the calendar year due to the time lag between invoicing and payment.

² For more details, please refer to the CSV sheet *WithYouWeDo*.



help desk to answer questions Italians have about digital technology, #DigitalDays on e-billing and Digital Championship, a digital talent show to bring out the Country's digital talents and gather together the best practice developed in the different geographical areas.

Applying the metrics of the CSV model, the contribution generated¹, in terms of social value it is equal to 85,000 euros in addition to the positive impact on the Company reputation due to the 22 million social reaches, 82 press releases, 54,697 page views and 5,205 video streaming generated by the project.

Research and development in Brazil

In the 2014-2015 period, TIM Brasil has invested over 2 billion euros in innovative infrastructure, and the plan for the 2016-2018 period is to invest around 4 billion euros, almost entirely dedicated to boosting the Country's 4G coverage.

At TIM Brasil, Research and Development is carried out by the Innovation & Technology department - headed by the Chief Technology Officer - numbering 32 telecommunications, electricians and electronics engineers, IT experts and other technicians of varying origin, competence and experience, which cover all the network competences, pursue the innovative needs and provide support to R&D. The main responsibilities of this department are the definition of the network's technological innovation, the evolutionary needs for new technologies and devices and the architectural guidelines together with the development of strategic partnerships, so as to exploit the new business models and guarantee the evolution of the network infrastructures according to business strategy. In terms of infrastructures, one important result was the constitution of the Innovation Lab, which consists of a multi-purpose test environment based in Rio de Janeiro, which is able to guarantee the assessment/validation of innovative services, products and technologies, certifying their functional efficiency and performance and developing new models and configurations, thus consolidating the innovation flow. The Innovation Lab plays a strategic role in providing support for the conduct of Credibility Test, Trials and Proofs of Concept, for the validation of the services in collaboration with the main suppliers of technology and partners, through the sharing of knowledge and the technological infrastructures for interoperability tests, the assessment of capacity and the definition of technical requirements; in synergy with the R&D department, it facilitates innovation and promotes collaborations with universities and research institutes.

In 2015, more than 200 projects of validation and innovation were completed, which will tend to increase in view of the extensive range of innovation and research and development initiatives underway. In this sense, the 2016-2018 technological plan envisages investments in excess of 30 million reais in this project, which also includes the construction of a new Innovation centre in Guaratiba, in the state of Rio de Janeiro, a building with a surface area of 1,000 square metres able to hold more than 60 people. This new office, which will operate as a national reference point for R&D activities will host technicians and researchers and will be used as an open space of innovation for new opportunities and the development of innovation for the Brazilian telecommunications market.

The Innovation & Technology department has worked on projects aiming to ensure the evolution of the business of TIM Brasil through the recommendation of sustainable, efficient network platforms and "disruptive" models, including anticipating the availability of new services.

The reassignment of the 1,800 MHz spectrum from 2G to 4G is bringing about three important competitive advantages for TIM Brasil: 1) reduction of the costs for the deployment of LTE; 2) increased area of LTE coverage; and 3) improvement of indoor coverage. In addition to the expansion of coverage, use of the 1,800 MHz bandwidth can supply an increase in capacity to cities already covered by the LTE bandwidth at 2.6 GHz, at only a small additional cost. Another important consideration in this scenario is that 70% of current LTE terminals are already compatible with the bandwidths 1,800 MHz and 2,600 MHz, hence the implementation of LTE 1,800 MHz is proving to be a great strategy thanks to the dissemination of devices. On October 30, 2014, TIM acquired a national block (10 + 10 MHz) in the 700 MHz bandwidth. Its use, however, is subject to the cleaning of the spectrum (at present, it is used for the transmission of analogue TV). To this end, in order to manage the switch-off, in Brazil the successful bidders on the auctions of the 700 MHz bandwidth have created a new entity, the EAD (Entidade Administradora fare Processo de Redistribuição e Digitalização de Canais de TV e RTV), in order to manage the spectrum cleaning and avoid problems with interference. TIM plays a guiding role in the group of operators, identifying opportunities to support the switch-off of analogue TV.

¹ For more details, please refer to the CSV sheet *Digital Champions*.



SUSTAINABILITY THROUGHOUT THE SUPPLY CHAIN

Digital represents the new collective progress factor, offering new opportunities that impact the economy and society in different ways. Suppliers have a direct influence on the communities and in the areas within which they go about their activities and, last but not least, the involvement of the organisations that monitor the related social and environmental aspects, must be considered. The procurement process adopted by Telecom Italia is based on the competitive comparison of the technical and economic characteristics of the offers that are presented by the suppliers selected, based on corporate procedures founded on business ethics. The selection of the Group's suppliers involves a pre-contractual qualification stage in which the economic/financial and technical/organisational characteristics are assessed. If the result of this assessment - which also includes consideration of the business ethics and respect for human rights and the environment - is positive, the suppliers are registered on the Group Supplier Database (the Database).

Products and services are acquired at the best market conditions possible and must meet specific requirements of functionality, quality, safety and respect for the environment, in complete compliance with current laws and legislation.

[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 Conduct¹.

[G4-HR1a], [G4-HR1b] As regards the domestic operations, the Italian suppliers on the Database with considerable yearly purchase order value (the threshold is just 3,000 euros cumulative per year) receive² initial screening in relation to respect for the principles of the Code of Ethics and are subject to regular assessment. The action taken by Telecom Italia to verify suppliers varies according to the supplier risk level and the amount of the purchase: it varies from simple questionnaires to increasingly complex ones and document checks to inspections at the supplier premises and specific audits on sustainability matters. **[G4-HR10]** Specifically, in 2015 100% of new suppliers enrolled in the Database 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 Conduct³.

While the supply is taking place, enrolled 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 out⁴.

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, that are Italy and Brazil, and are directed for the most part towards the following categories of products/services:

- Telecommunications networks
- Telecommunications products
- Information Technology
- Technical and professional services
- Power systems
- Other

¹ **[G4-DMA Investment]** The Group Code of Ethics (CE) reads: "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, the internal procedures require suppliers to accept the principles laid down by the CE and contracts for temporary consortia or corporate investments to contain clauses for safeguarding the 231 Organisational Model (which is based on the CE). The UN Global Compact is, on the matter of human rights, the point of reference of the Group's CE, which reads: "Telecom Italia has signed up to the United Nations' Global Compact on human rights, work 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, the CE contains specific clauses on the prohibition of discrimination, intimidation, corruption and the protection of health and safety. Moreover, the Group policy on respect for Human Rights specifies that "Fundamental Human Rights (e.g. working hours, fair remuneration, minimum age for starting work, workplace conditions, accessibility to the disabled, protection of maternity, prohibition of harassment, forced/compulsory/restricted labour)" and "rights regarding health and safety (we consider the high standards of health and safety as a milestone of our success and our aim is to minimise injuries and occupational illnesses)" must be guaranteed for both the people of the Group and the human resources of suppliers.

² Excluding local government offices.

³ In 2015, in Brazil, such percentage was 98%.

⁴ **[G4-DMA Supplier Human Rights Assessment]** In particular, checks are envisaged on health and safety and the environment, the result of which goes towards forming the supplier rating, to which the system of penalties/incentives is connected. **[G4-DMA Employment]** Checks are also envisaged in relation to respect for employment legislation.



[G4-12] In total, in 2015 there were 6,595 suppliers which had purchase orders with the Group¹, (-2% compared with 2014 and -11% compared with 2013), of which 3,641 were for the domestic BU (+4% compared with 2014 and +6% compared with 2013), 1,865 for Brazil (-12% compared with 2014 and -19% compared with 2013) and 442 for the Media BU (+5% compared with 2014 and -48% compared with 2013).

[G4-12] For some sectors, the Group also measures and monitors subcontracting suppliers; in particular, for network works, there were 819 subcontracting businesses (+9% compared with 2014 and -6% compared with 2013). In this sector, therefore, the estimated total number of suppliers involved in the supply chain is 839².

[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 through the sale of assets in Argentina and television assets.

Sustainability initiatives

In 2015 the implementation of the new process that defines the activities aimed at improving the sustainability of the supply chain continued with a more comprehensive system of elements used to assess the sustainability of suppliers during the qualification stages, incoming quality and vendor rating.

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

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

A matrix has therefore been created which, by relating the spending associated with the specific 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 the subject of sustainability audits carried out by Company personnel or by personnel from third party companies specialising in the sector. These audits are 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. The tools developed and used for the Domestic BU have been explained and transferred to TIM Brasil, which is finalising the methods of application to its suppliers.

[G4-HR4a], [G4-HR5a], [G4-HR5b], [G4-HR6a], [G4-HR11] All suppliers of the Domestic BU have been assessed to consider the social/environmental risk³; in 2015, 40 were considered to be at greatest risk (-31% as compared with 2014 and + 33% on 2013). 20 purchase markets⁴ and suppliers operating in the following geographical areas are considered to be at greatest social risk: Asia, Central and South America, North Africa and Eastern Europe.

[G4-HR7] For workers in companies which supply security services in Italy, the Consolidated Law on Public Security must be

¹ In this section, the data on Olivetti is included in the Group but not in Domestic.

² In the Brazilian BU, at present there is no systematic monitoring of level two suppliers. Assessments are currently underway on how to carry out this monitoring in the future

³ [DMA Freedom of Association and Collective Bargaining] The Group policy aimed at preventing the risk of violation of trade union rights is that relating to "Relations with Suppliers in the Telecom Italia procurement process", which reads "...the Group demands of its suppliers and promotes, through them, and including with regards to sub-suppliers, respect for the following principles and provisions of law in force in the countries where these stakeholders operate. ... all workers must enjoy the legal right to establish and/or subscribe to trade union organisations to protect the individual and collective interests. The role of the workers' trade union representatives must be acknowledged, and they must not be subject to any form of discrimination; in order to go about their union activities, they must be guaranteed remunerated permits and the means necessary to communicate with the workers on the workplace". The same concepts are also stressed in the Group's policy on respect for Human Rights.

⁴ Access gateway-marketing, 3G access, access/release software - mobile, NGAN devices, infrastructural applications, production/collaboration applications, assurance, call centre, cables, creation, data - GBE, delivery, development software, handset, materials-cables/masts/transmissions, middleware, environmental-civil maintenance services/facility management, service layer-vertical applications, server/storage, tablet, WAN - VOIP.



complied with, in particular article 138, subsection 2 which specifies the professional and training requirements of sworn guards. In Brazil, Law 7102/83 lays down rules on private guards. Amongst others, it establishes that all those intending to be hired as guards for a guard business must have attended an advance training course, delivered by schools accredited by the Federal Police. After hiring, once every two years the guards must attend an update course.

[G4-DMA Supplier Human Rights Assessment] In 2014, a self-assessment questionnaire was prepared, to be submitted during the qualification of new suppliers belonging to the highest risk purchase categories, in terms of sustainability. Suitable refresher campaigns were also delivered for suppliers previously qualified. Periodically updated based on the results and evolution of the qualification process, the questionnaire was developed according to the main requirements of the relevant responsible corporate management 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 is integrated 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. 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 2015, a self-assessment questionnaire was sent out in Brazil on matters of sustainability to suppliers whose orders exceed one million reais, thereby involving 18% of the total number of suppliers. At end 2015, responses had been obtained from the 357 suppliers involved. The results will help direct future selection processes.

In October 2015, the ISO 9001:2008 certificate of conformity of the "Quality Management System" was confirmed for the Purchasing and Service Center Logistics Departments under the responsibility of the Business Support Office, with specific recognition for the initiatives taken in the field of sustainability. This initiative has led to the mapping of 23 department processes with the identification of 117 performance indicators that permit the monitoring and improvement of the administration of services supplied to internal clients and suppliers.

The application of the green procurement policy, which contains guidelines for establishing the environmental requirements of products/services purchased, continues to be an integral part of the procurement policy. 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.

Some questions on the annual satisfaction survey (see Involvement initiatives) relate to the green procurement policy and to principles relating to human and employment rights, as well as on their implementation by suppliers, with a view to increasing their involvement in matters of sustainability.

Sustainability checks

[G4-DMA Supplier Human Rights Assessment], [G4-DMA Employment] Activities intended to verify the sustainability performance of common suppliers and sub-suppliers continued in 2015 in the framework of the Joint Audit Cooperation (JAC)¹ initiative, in accordance with the Memorandum of Understanding signed at the end of 2009 by Telecom Italia, Orange and Deutsche Telekom. In 2011, Proximus (former Belgacom), KPN, Swisscom and Vodafone Group signed up to the memorandum, followed by Telenor and TeliaSonera 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.

¹<http://jac.initiative.com>.



[G4-HR4b], [G4-HR5c], [G4-HR6b], [G4-HR11c], [G4-HR11d], [G4-LA15] Between 2010 and 2015, thanks to the gradual increase in the number of members of JAC, 209 audits were carried out – including 61 in 2015¹ - in production plants (suppliers and sub-suppliers) located in Asia, Central and South America, North Africa and Eastern Europe. The checks were carried out through international specialised companies selected by competitive tender, and related to a total of more than 600,000 workers. The suppliers included in the audit campaign belonged to the user devices and equipment, network equipment and IT equipment production sectors.

The table below shows the non-conformities recorded during audits on Group suppliers, including those relating to Human Rights. The higher number of non-conformities detected in 2015 is basically a consequence of the higher number of audits conducted last year (61) as compared with 2014 (37) and 2013 (37).

	2015	2014	2013
Environment	27 (22)	14 (12)	13 (3)
Discriminations	5 (3)	2 (2)	2 (1)
Business ethics	38 (35)	18 (18)	32 (19)
Forced Labour	8 (7)	5 (4)	5 (4)
Child labour	7 (5)	8 (8)	11 (5)
Freedom of association	2 (2)	2 (2)	5 (1)
Working hours	33 (27)	23 (20)	34 (19)
Pay	22 (18)	6 (3)	11 (7)
Disciplinary proceedings	5 (4)	4 (3)	2 (1)
Health and Safety	130 (115)	79 (68)	79 (31)

(data relating to suppliers also operating for the Brazil BU is given in brackets)

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 members¹.

On 22 January 2015, Suzhou (China) hosted the fourth annual forum with suppliers involved in the JAC programme, on the matter of: “Transparency of the Supply Chain”. The event was attended by approximately 150 delegates, representing members of the JAC, suppliers, members of the press, entities operating in sustainability and NGOs.

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 around 3,500 enabled 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 ninth 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

¹ 52 of Telecom Italia suppliers, of whom 23 in 2015 alone.

¹ **[G4-DMA Supplier Human Rights Assessment], [G4-HR11e]** As the aim of the initiative is to help suppliers in the countries at greater risk in terms of the application and respect for sustainability principles improve their performance, non-conformities always result in corrective action and not the termination of the purchase contract.



for 3 weeks. The analysis involved 1,078 active suppliers in the Vendors Hub, with a participation rate of 59.1%, higher than the one recorded in previous editions and around 4.2% higher than the one achieved in 2014. The overall assessment of the supply relationship with the Telecom Italia Group achieved a score of 81/100, having improved by three percentage points compared to 2014. The positive satisfaction rating achieved in previous surveys was therefore confirmed.

Commitment

[G4-DMA Non-discrimination], [G4-DMA Child Labor], [G4-DMA Forced or Compulsory Labor], [G4-DMA Security Practices], [G4-DMA Indigenous Rights], [G4-DMA Supplier Human Rights Assessment].

2015 results and 2016 objectives: Italy

INDICATOR	DETAILS	2015 OBJECTIVE	2015 TOTAL	2016 OBJECTIVE
% suppliers audited.	Total amount of high risk suppliers who have undergone an in-depth sustainability audit since 2010 ¹ .	90% of high risk suppliers, as defined in the paragraph on "sustainability initiatives".	90%	80% of high risk suppliers, as defined in the paragraph on "sustainability initiatives".
% of suppliers assessed.	Suppliers assessed with a basic ethics questionnaire. Moreover, suppliers belonging to risk sectors are assessed with a more complex questionnaire ² .	100% of qualified suppliers, as defined in the introductory part of this section.	100%	100% of qualified suppliers, as defined in the introductory part of this section.
% procurement staff who received training on ESG risks relating to purchasing decisions.	% staff directly involved in procurement, who participated in at least one training session on social, environmental and governance matters.	90%	94%	90%
% contracts containing clauses connected with ESG risks.		100%	100%	100%
% suppliers with ISO 14001 or equivalent certificates.		25% of network suppliers.	60% of network suppliers.	50% of network suppliers.
Integration of the ESG risk profile in the general supplier risk profile.	All suppliers that are qualified and enrolled in the Supplier Register are assessed via a comprehensive "Key Risk Indicator" (KRI) which includes also sustainability considerations.	100% of qualified suppliers, as defined in the introductory part of this section.	100%	100% of qualified suppliers, as defined in the introductory part of this section.

¹ The number of high risk suppliers changes every year, since it depends on both the yearly purchase order value and the procurement market in which they operate. The same applies, in general, to the total number of suppliers operating in the various procurement markets.

² This KPI refers to both new and existing suppliers in case of qualification renewal or extension.



2015 results and 2016 objectives: Brazil

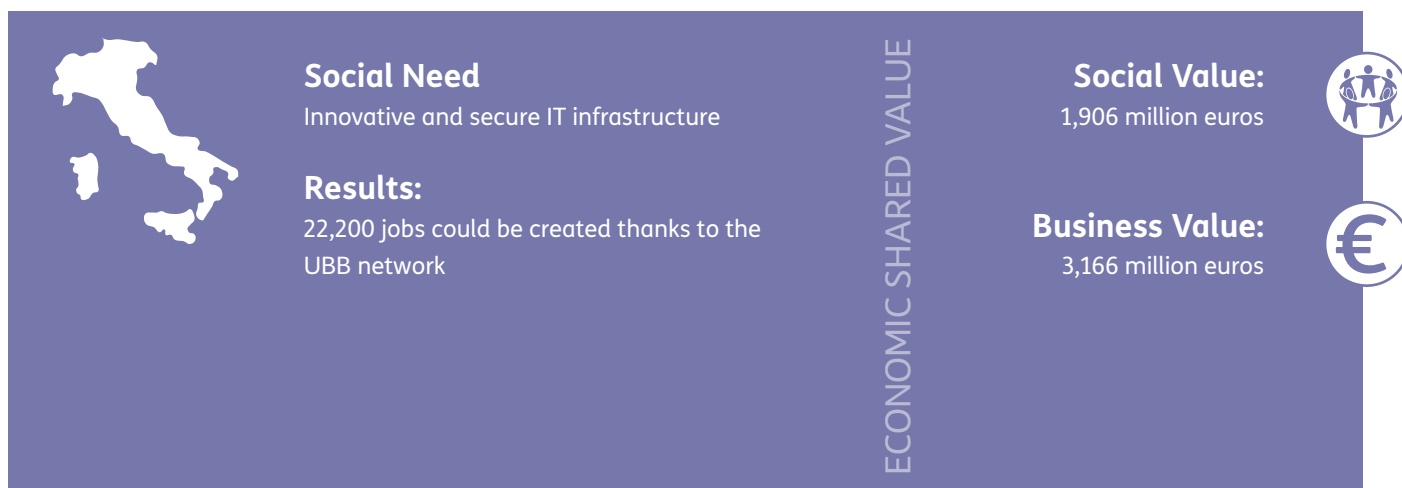
INDICATOR	DETAILS	2015 OBJECTIVE	2015 TOTAL	2016 OBJECTIVE
Supplier management	Number of the main suppliers assessed under sustainability criteria	60	357	200



CORPORATE SHARED VALUE PROJECTS



DIGITISATION OF THE COUNTRY



Scenario

In line with the objectives established by the Digital Agenda in 2020, and the Governments super-fast broadband strategy, the Company's investment plan is strongly oriented towards ensuring access to fixed and mobile super-fast broadband access to the greatest possible number of Italians, reducing the gap that still separates them from more developed European countries, providing ever faster connection speeds and making the most of technological evolution.

Aim

High quality super-fast broadband access becomes a distinctive asset on which to focus the Group's strategy, both to consolidate its current position and, in the medium to long term, to complete its transition from a traditional Telco into a Digital Telco & Platform Company: the country's digital life enabler. The plan provides for the position in multimedia entertainment to be strengthened to include activities in the fields of video, music, gaming and publishing, amongst others. A basic aim of the new plan's development strategy is also gradually to cover an increasing number of areas with the FTTCab service and 100 cities and 51 municipalities with FTTH technology by 2018.

The achievement of the Digital Agenda objectives, the increasing demand for connectivity and services that require large amounts of bandwidth on the move, are also supported by the deployment of TIM's LTE network.

Strategy

By the end of 2015, the fixed super-fast broadband service was available in 772 municipalities, covering 42% of the country's households in total. As a result of the new investments, this will increase to 84% by the end of 2018.

The 2016-2018 plan also boosts the structural transformation of the Network. Investments in innovation, decommissioning and network modernisation will benefit and improve Network architectures and the operating model.

In the mobile arena, the operational plans will allow commercial LTE coverage of the outdoor population to increase by 2018 from the current 88% to 98%, supporting customer growth with positive effects on data traffic.

The expected increase in customer numbers will be supported by bundle offers (fixed/mobile, voice/data/video) that will provide Internet access from a variety of devices (PC, TV, smartphone, tablet) while promoting the replacement of old terminals with next generation ones.

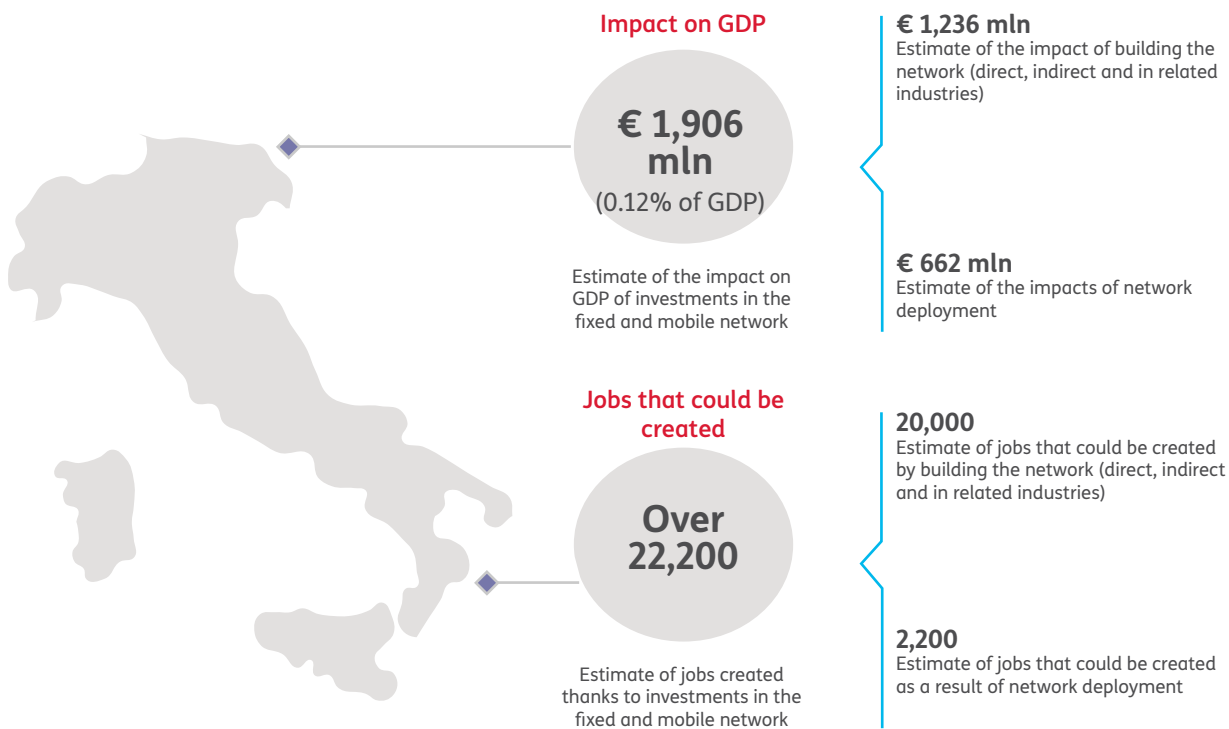


Methodology

The Social Value consists of the following:

- 1,236 million euros: investments made in Italy, in 2015, to build the fixed network (broadband and super-fast broadband) and mobile network (LTE and 3G) multiplied by 0.93¹.
- 670 million euros: obtained by multiplying the 2015 GDP (ISTAT estimate for December 2015) by the increase in the penetration of broadband and super-fast broadband in 2015 compared to 2014 and multiplying this by 0.0256%².

The Business Value is Telecom Italia S.p.A.'s revenue from broadband and super-fast broadband (fixed and mobile) for 2015.

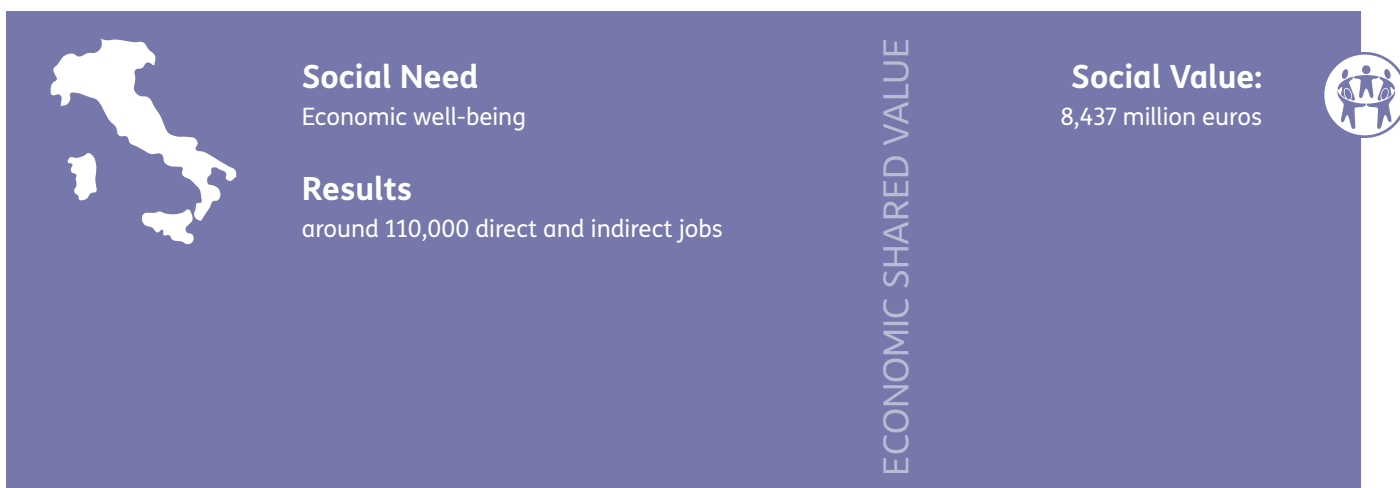


¹ Impact of broadband on the economy, ITU, 2012 – National Broadband Plan in Germany. The value expresses the euros of GDP generated per euro invested in building the super-fast broadband networks and includes direct (generated by the companies that build the network), indirect (generated by supplier companies) and induced impacts (generated by greater consumption deriving from direct and indirect impacts).

² Penetration rate multiplier from the Impact of broadband on the economy study, ITU, 2012. The multiplier used comes from the R. Katz et al. study (2010) and refers to countries with a high penetration (over 31% of the population served by broadband connections). This multiplier estimates the effects of implementing the network (e.g. on increasing productivity) and indicates the potential growth in GDP per percentage point of increased penetration.



EMPLOYMENT IMPACT



Scenario

The Group's activities generate direct employment for over 52,000 people in Italy. This means that for every 225 employees of the private sector, one belongs to Telecom Italia. The phenomenon becomes even more significant when you consider the indirect employees, i.e. the ones working on projects connected with the activities of the Group. A total of around 110,000 people, corresponding to around 1% of employees in the whole private sector, are either directly or indirectly employed by the Group in Italy.

Direct employment: the direct impact on employment is measurable based on the number of employees. In Italy, the Company can count on a workforce of 52,554 as of 31/12/2015.

Indirect employment: estimated number of workers in the supply chain that is structurally interdependent with the business of Telecom Italia. 57,000 workers are estimated to be employed indirectly by the Company.

Methodology

The Social Value consists of the following:

- 2,754 million euros: direct contribution to the families of the Domestic Business Unit.
- 1,437 million euros: indirect contribution to the families¹.
- 4,246 million euros: indirect contribution to businesses² and public administration.

¹The contractual remuneration for the product categories of suppliers were considered for an accurate calculation.

²The figures consists of the economic resources distributed to supplier companies in Italy, net of the indirect contribution to families.



Direct and indirect jobs around 110,000



Direct jobs

Around 53,000

This means that... For every 225 employees of the private sector, one belongs to Telecom Italia

- **Around €2,754 mln** the direct contribution to households

Indirect jobs

Around 57,000*

This means the employees of all Telecom Italia suppliers (working on projects connected with Telecom Italia's activities)

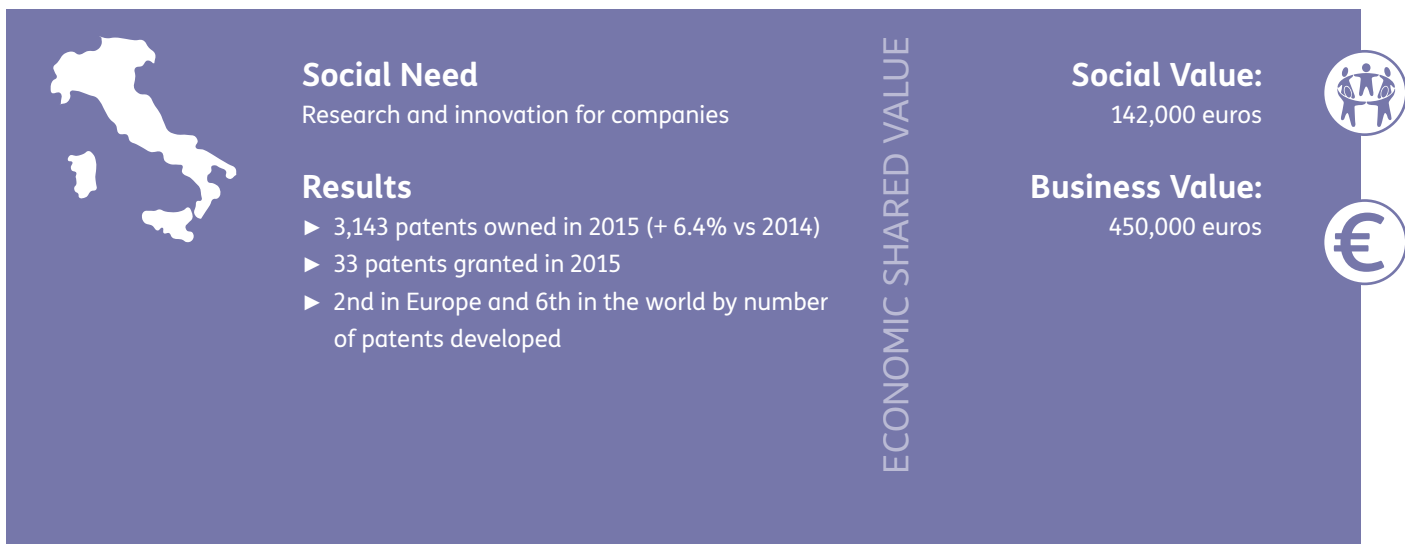
- **Around €1,437 mln** the indirect contribution to families
- **Around €4246 mln** the indirect contribution to businesses and local government offices

Value generated: 8,437 mln €

* Source BS data (related industries data updated as of 2014)



PATENTS



Scenario

From an individual company’s point of view, patents are a commercial tool with which to protect investments made in research and innovation and obtain additional financial resources by managing the rights of use. In practice, a patent results in the effective enrichment of a company, in addition to strengthening its market position.

However patents are also an important asset for the country as a whole. This is essentially for two reasons:

- patenting promotes a wider dissemination of knowledge through publication;
- patenting helps companies monetise their innovations and grow.

Technical standardisation in the ICT sector is a clear synthesis of the two outcomes just described.

The Patents project is an ongoing activity for Telecom Italia and is split into numerous processes involving various company functions.

The innovation areas of the TILAB and Strategy & Innovation departments make a great contribution to producing patents for the company, often working with the best Italian universities, thus providing a stimulus for patent production across the country as well. The Legal Affairs department provides support with drafting patents, thanks to a team of experts who can investigate the originality and patentability of ideas, follow their entire life cycle and explore the monetisation opportunities.

Strategy

By the end of 2015, the Group’s portfolio of patents had grown to include 33 new patents filed and dozens of other proposals undergoing assessment, strengthening a trend that has been growing over the past 3 years. The patenting areas relate to the whole ICT sector, with areas of excellence in the mobile sector.

Since 2014, a new process has been launched to enhance the patents portfolio in standards, in the knowledge that patenting and standardisation activities can interact in synergy, generating value for the community, by increasing the wealth of knowledge, and for the companies that hold the patents. Thanks to this process, 14 patents have so far become essential components of standard technologies.



In details:

- 3,143 patents owned by Telecom Italia as of December 2015 (667 filed and 476 granted),
- 33 patents granted in 2015,
- 174 patents resulting from collaboration with universities and research institutes since the collaboration was launched (1997).

A similar process of encouraging and enhancing patenting activity is also planned in Brazil, by supporting the creation of a new centre of excellence in innovation within the TIM Brasil company.

Moreover, in order to enhance the efforts made in recent years, the People Value department has implemented a policy aimed at rewarding the authors of patents granted and filed the previous year.

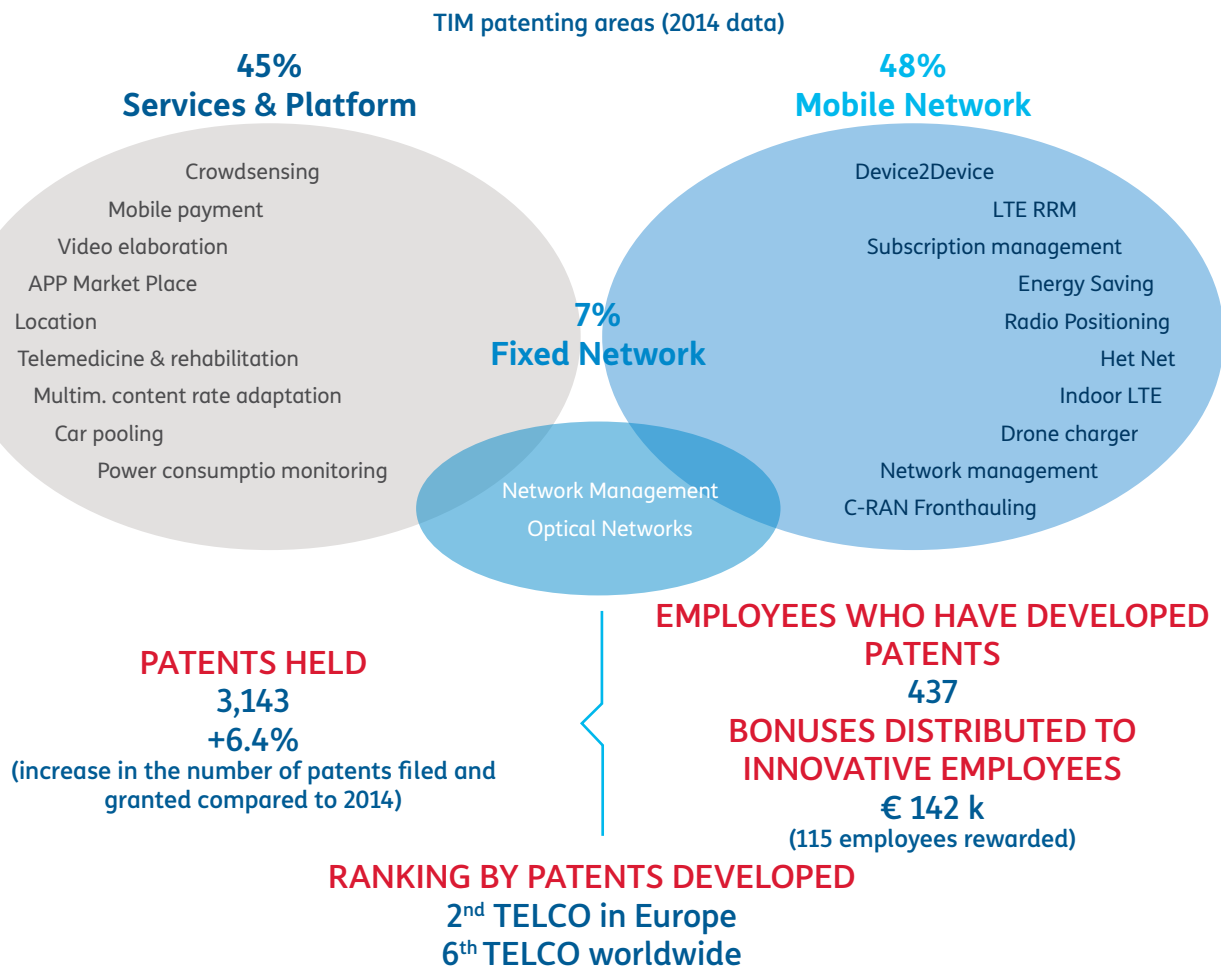
The Group’s commitment to technological innovation, which is manifested through its patents, is the shared heritage of a constantly evolving company.

Methodology

The Social Value, which amounts to 142,000 euros, refers to the awards given to innovative employees.

The Business Value, which amounts to 450,000 euros, consists of the following:

- 250,000 euros: licensing revenue from a global contract of 2.2 million euros over 4 years (2015-2018).
- 200,000 euros: revenue from compensation arising from the infringement of patent rights.



- The Telecom Italia “policy” used for patents is to use them as a measure of innovative capacity and an instrument of “defence” and “competition”. Where possible, the Group makes commercial use of patents and prefers licensing and participation in patent pools, while also resorting to sale in special cases.
- The number of employees refers to the people who developed at least one patent.



EXPO 2015



Scenario

By investing over 42 million euros, the company has become an Integrated Connectivity & Services Partner, with a pivotal role in implementing and managing all the Information & Communication Technology infrastructure of the event.

Telecom Italia was the first Official Global Partner chosen by Expo 2015, providing state-of-the-art technological infrastructure and solutions and its expertise as an international operator to welcome guests and participants from many countries.

The partnership involved support provided by Telecom Italia to developing a sustainable and smart city – the first Smart City of the future – of which the exhibition site was an example.

As part of the project, the Group installed fixed network, mobile and IT infrastructure, supplied cutting edge technological solutions, including mobile payment and mobile ticketing solutions and smart solutions for visitors and public administration bodies.

Mobile network infrastructure

LTE broadcasting coverage of the whole exhibition site.

137 TB of data downloaded on the Expo site and over 16 million TIM calls, more than 70% of traffic on LTE.

Fixed network infrastructure

Generated almost 1 Petabyte of data (972 Terabytes) across the whole purpose-built Internet network.

Almost 285 Terabytes to support the Wi-Fi network, with peaks of almost 25,000 users at the same time.

The Cloud

- Over 90 mission critical app services managed in the cloud.
- Over 21 million tickets issued in the cloud.

Digital Systems

Expo Milan 2015 was also the first Digital World Fair. Advanced technological solutions, for the most part supplied by the Group, helped promote and disseminate its content via web platforms. The Digital Expo offered recorded 70 million visits.

Within the exhibition site as well, the visit was enriched by digital tools: via the management platform provided, the 100 interactive totems handled over 10 million sessions and over 1.7 million selfies sent by visitors.



Command and Control Centre (EC3)

The Group created the innovative and complex EC3, a kind of external control room to the exhibition site, which ensured the operational management of the event integrated with the police forces.

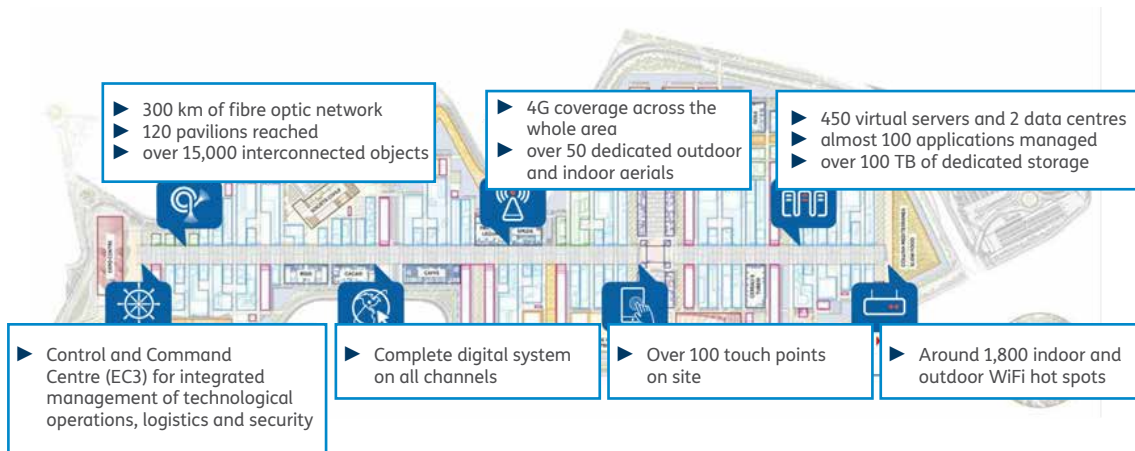
At the request of Expo 2015, Telecom Italia also operated as a Security Operations Centre for the operational management of IT security at the event. Thanks to the technological security platform, the efficiency of the agreed incident management process implemented with the cooperation of the other parties involved, and the effectiveness of the countermeasures, the volume of IT incidents was reduced by over 80% between the inauguration and the end of the event, and no incidents occurred that could be classified as critical.

Methodology

The Business Value is Telecom Italia S.p.A.'s revenue arising from Expo 2015.

The Social Value, which amounts to 51.6 million euros, consists of the following:

- 32.1 million euros: enhancement in kind of the Expo 2015 sponsorship.
- 10 million euros: Expo 2015 sponsorship.
- 6.5 million euros: indirect contribution¹ to businesses and families.
- 2.5 million euros: PIL generated by the amount of investment for the construction of the Expo 2015 Network multiplied by 0.93².
- 0.5 million euros: enhancement in kind of the Italy Pavillon.

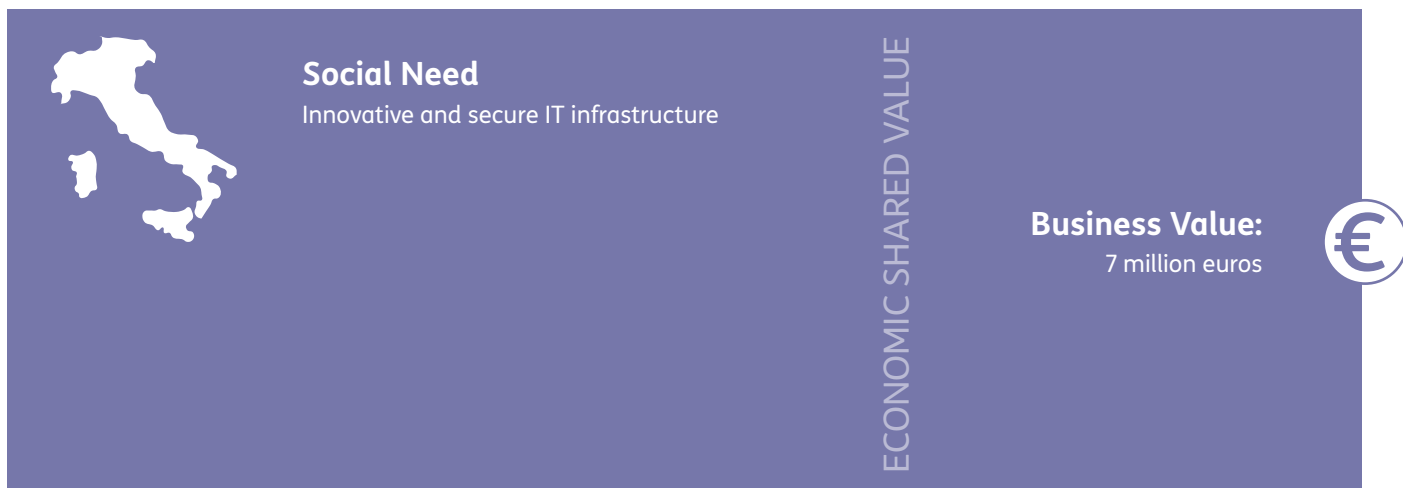


¹ The contractual remuneration for the product categories of suppliers were considered for an accurate calculation.

² *Impact of broadband on the economy*, ITU, 2012 – National Broadband Plan in Germany. The value expresses the euros of GDP generated per euro invested in building the super-fast broadband networks and includes direct (generated by the companies that build the network), indirect (generated by supplier companies) and induced impacts (generated by greater consumption deriving from direct and indirect impacts).



EXTENDED EXPO 2015



Scenario

With the Extended Expo project, resulting from a decision to extend best practice to the whole country, in terms of innovative IT solutions created for Expo 2015 and for the Countries participating in the World Fair, over 500 contracts were signed with public and private companies amounting to 7 million euros in revenue.

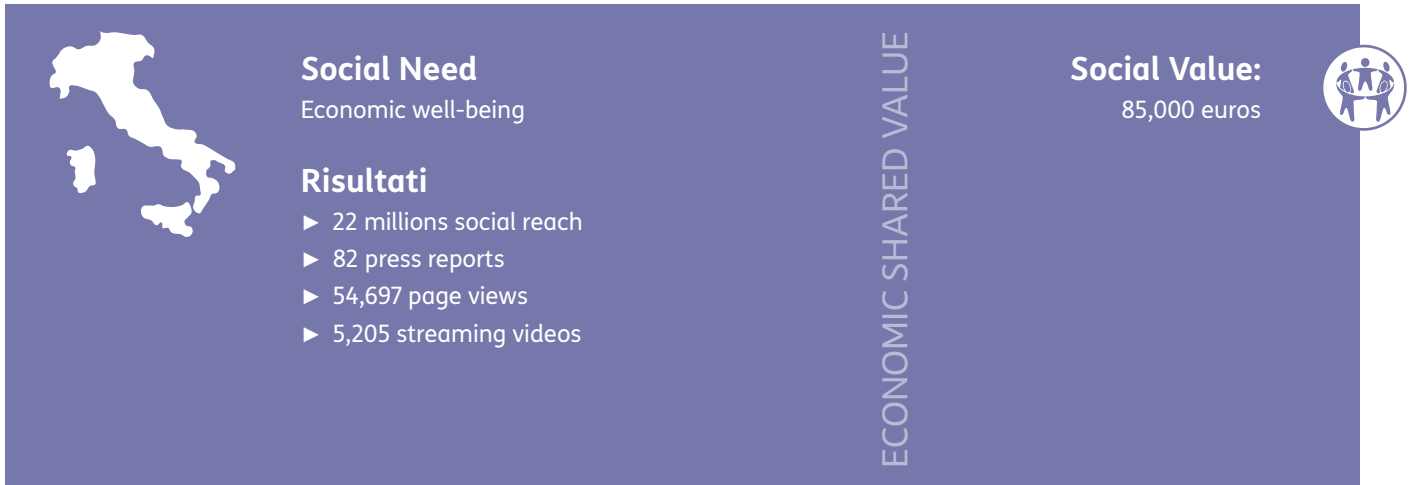
The over 500 companies that became involved in the Extended Expo project had access to an innovative tool (mobile app, web portal or digital signature solution) to enter the Smart City world and make their services and products more visible to the end client.

Methodology

The Business Value consists of the over 500 contracts signed after the event.



DIGITAL CHAMPION PARTNERSHIP



Scenario

The Digital Champion, a position created by the European Union in 2012, is an innovation ambassador, appointed by each Member State of the European Union and the European Commission to promote the benefits of an inclusive digital society. Digital Champions work with citizens, communities, companies, governments and the academic world, encouraging the dissemination of digital technology in communities, by promoting digital skills in education and e-Government services. The current Italian Digital Champion, Riccardo Luna, has decided to appoint a digital champion in every Italian municipality, launching the digitalchampions.it website, a point of reference for the network of activists, volunteers and digital enthusiasts tasked with mobilising the Country.

Digital technology is a means of enabling change in society and the Digital Champions initiative addresses digital technology, both as an enabler and in terms of education and training, contributing to creating social value (literacy, digital education) and economic value (opening to new markets/clients) as well.

The Group is a founding member of the Association and at the foundation ceremony on 20 November 2014 it was recognised as the first industrial partner. The closeness to this project is aimed at establishing effective collaboration with the network of Italian innovators across the Country.

Digital Championship is the digital talent show created and produced with the Digital Champions Association. A 6-stop tour during which 5 local Digital Talents are selected each time to illustrate 5 best practices, in 6 minutes each, in order to share them on social media and make them replicable.

Local open calls attracted 100 projects, 5 of which were selected for each of the 6 stops. During the live event, these were voted and commented on by 4 judges, 2 top managers from the Group and 2 leading figures from the relevant area.

All the events were broadcast in live streaming and on-demand on telecomitalia.com/digitalchampionship.

A few figures relating to the project

- 5,205 streaming users (live + on demand) in 2015;
- 1,450 physical participants in the 2015 events;
- 104,655 conversations generated on Twitter in 2015;
- 300 employees involved.

Methodology

The Social Value consists of the investments made by Telecom Italia to support the project.



WithYouWeDo



Scenario

WithYouWeDo provides citizens and charities or non-profit-making organisations with an innovative digital tool to raise funds, with a few distinct advantages over other crowdfunding platforms already on the market, supporting projects in the social, cultural and environmental fields. No commissions on the amount donated are taken and the same terms and conditions apply to participants as those applicable to the Group, which reduces transaction costs on payment systems. To take part you simply need to register at WithYouWeDo.telecomitalia.com and submit your project proposal to the portal. The WithYouWeDo team, which consists of Company experts and crowdfunding platform specialists, checks and selects the ones considered most suitable for each of the proposed areas (Social Innovation, Environment, Digital Culture). The selected projects are then published online for at least three months, during which the funding offered by interested donors can be raised.

The Company provides strong communication support and visibility for the initiatives through the various relevant communities and special dedicated initiatives.

In order to make donations, all you need to do is register on the platform supplying your email address and a password, or using your Facebook, Google or LinkedIn account. Donations can be made of between 2 euros and 5,000 euros maximum.

A few figures relating to the project

- 900 donations
- average donation above 260 euros per person
- average project goal: 21,000 euros
- 2,400 registered users
- 240 projects presented
- About 1,000,000 pages visited
- around 500,000 unique users
- over 400 project proposals received from organisations and associations since the launch
- in the first two calls, 27 of the 240 projects received were selected, for which a financial contribution of 25% of the target was guaranteed, up to a maximum of 10,000 euros per project
- in the call, as many as 8 out of 15 projects achieved the target set, raising over 270,000 euros (125% of the target), including the Telecom Italia contribution of around 55,000 euros.

Methodology

The Social Value consists of the investments made by Telecom Italia to support the project.



JOINT OPEN LAB (JOL)



Scenario

The role of innovation is ever more crucial for the growth, performance and sustainable renewal of companies, in terms of the transfer of advanced technologies to the market, systematic product and service improvement, radical changes to business and the rules of the game. The distinctive factors of competitiveness, particularly in periods of financial and industrial crisis, are increasingly tied to how able a company is to innovate and invest in innovation.

In this new context, the JOLs play a key role. With the “company on campus” model, they encourage a natural osmosis between the academic and industrial worlds, in which the co-design and co-development of innovative solutions are not just the result of a process but its fundamental reason for existing.

Strategy

Telecom Italia has launched this innovative cooperation model within the Innovation & Industry Relations department, promoting the development of different JOLs across the country, located within Italian universities.

In this context, universities play an outreach role, promoting the direct application, enhancement and use of knowledge to contribute to the social, cultural and economic development of society.

With the JOLs, Telecom Italia has anticipated the Open Innovation paradigm, in which new ideas can come from multiple sources, not always from within conventional organisational structures. Direct and ongoing contamination with an expanded ecosystem of actors encourages the openness of the value creation process, which becomes an essential vehicle for developing entrepreneurship, and in turn generates opportunities for the Company.

The multidisciplinary nature of the partnerships has also promoted an exchange of knowledge and approaches that create new business opportunities.

Thanks to the results achieved, the participation and involvement of the ecosystem created, the JOL project has been renewed for the 2016-2018 period, with plans to extend it to three new Italian universities.

In the last three-year period (2013-2015), Telecom Italia achieved significant results with the JOLs in six important areas:

- market proposition: over 10 innovative ideas which were transformed in the JOLs into mature business propositions and commercial opportunities;
- financials: over 5 million euros of funding for Telecom Italia, 1.6 million euros of funding by the Company for the university ecosystem with which the JOLs work;
- knowledge: 27 patents filed, 4 patents filed with MPEG standardisation body, 1 patent undergoing SpinUp;



- international footprint: collaboration with over 30 centres of excellence and universities abroad; over 15 nationalities in the team making up the JOLs;
- way of working: exchange of new working methods applied to innovation to improve internal skills within the Company;
- brand reputation: over 250 papers, more than 20 events, 40 training seminars at JOLs, over 30 articles a month in JOL blogs, 2 Big Data Challenges involving over 1,100 people, 650 international teams and over 40 university teams.

Methodology

The Social Value consists of the following:

- 450,000 euros invested in material for the JOL programme
- 960.000 euros invested in research projects among the universities involved in the JOL programme
- 200.000 euros invested in structures for the JOL programme



MOBILE BROADBAND



* The above figures are a preliminary estimate subject to further investigation.

Scenario

By the end of 2014, 24 million fixed broadband and 158 million mobile broadband connections were registered¹, making a contribution of around 87% to the spread of broadband.

In this context, TIM Brasil offers its customers solutions that allow processes to be made more efficient, technological innovation to be improved and competitiveness to be boosted, while increasing the number of jobs available. TIM Brasil therefore has a positive influence on the development of Brazilian society.

All these factors have a positive impact on well-being and the growth of Gross Domestic Product (GDP).

An authoritative study entitled “The Mobile Economy - Latin America 2014”, conducted by the GSM Association, revealed that throughout South America the incidence of the mobile phone industry on the trend in overall GDP is significant and growing; more specifically:

- In 2013, the mobile sector accounted for 4.1% of overall GDP.
- By 2020, the percentage will increase to 4.5%.
- The 2013 figure includes a direct impact (1.35%) and an indirect impact (2.75%); in other words the indirect impact is twice the direct one.
- The impact on the resulting society is considerable. In particular, the mobile sector employs around 2.2 million people, including around 1 million direct jobs and around 1.2 million indirect ones (ratio 1:1.27).

TIM Brasil in particular contributes to producing around 0.4% of Brazilian GDP, if only the direct impact is considered, but if this is added to the indirect impact, its total contribution is 1.1%. The Company’s activities generate direct employment for around 13,000 people in Brazil, while the indirect impact in terms of jobs generated is estimated to be in the region of 23,000 (higher than average for South America).

In 2015, the efforts made by TIM Brasil focused on four pillars:

- expansion: increasing the capacity of existing aerials, installing new aerials and expanding the fibre optic network;
- network optimisation: upgrading of equipment and processes to minimise noise and interference;
- flexibility: preventive measures to avoid service interruptions;
- customer service: expansion and enhancement of service channels.

¹ Total 3G and 4G connections.



In the coming years, the focus will be on the high speed (Mobile broadband – MBB), data network with the use of 3G+ and 4G technologies. By the end of 2015, 411 cities were reached.

In the 2014-2015 period alone, investments in innovative infrastructure amounted to over 2 billion euros, and the plan for the 2016-2018 period is to invest around 4 billion euros, almost entirely dedicated to boosting the country's 4G coverage.

The number of sites with 4G coverage grew by 50% compared to December 2014, from 3,700 to over 5,600 in September 2015.

The growth of the 3G network was proportionately smaller (14%), reaching 11,800 sites. The investment in infrastructure allowed the fibre optic network (both urban and long distance) to be extended to 68,000 km.

Methodology

The Social Value consists of the following:

- over 5 billion euros: estimate of the impact of TIM activities on Brazilian GDP; in details, the direct impact of mobile TLC consists of 1.35%1 of the local GDP. 2015 TIM market share (26,2%) has been applied to this value.
- More than 13,000 direct jobs that increase to about 30,000 considering the indirect impact.

The Business Value is TIM's revenue for innovative services.



ENVIRONMENTAL PROTECTION



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 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, 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 needs expressed by stakeholders interested in environmental protection and with them it has developed various communication channels, including a multi-stakeholder forum organized in October 2015. This tested method of listening and involvement reinforced the understanding of the demands and priorities of stakeholders on environmental matters and gathered contributions on possible development areas.

Finally, Telecom Italia promotes and in some cases coordinates national and international environmental projects.

The Companies of the Group pay particular attention to the fight against climate change, evidenced by continuous and significant investments in research on energy efficiency and the extensive use of energy generated by renewable sources. Telecom Italia is also deeply convinced it can play a key role, together and in synergy with other sectors of the economy, in facilitating the transition towards a low carbon emission economy.

Adaptation to climate change and mitigation of its adverse effects strongly depend on the policies and measures implemented at international and local level and can be made more effective through the development and application of suitable technologies. In view of the greenhouse gas reduction objectives agreed in Paris during the COP21¹, which once endorsed by governments must be achieved through the development of appropriate action strategies and the provision of technical and financial instruments to support the actions, Telecom Italia hopes that the potential of Information and Communication Technologies is recognized and integrated into the energy efficiency programmes of the various sectors of the economy and into the national emission reduction plans. In particular it hopes for the adoption of measures and incentives to encourage the development of the high speed fixed and mobile networks and that the process of digitising the Country in line with the aspirations and indications of the European Digital Agenda is speeded up.

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 and energy 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.

¹ The XXI Conference of Parties to the Framework Convention of the United Nations on climatic changes (UNFCCC).



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 situations the Environmental Management System is integrated with the Quality Management System based on ISO 9001 standard as well as with the Safety Management System based on OHSAS 18001 standard: the relative certification was obtained for all these systems. The certification of the Energy Management System, based on ISO 50001 standard, was also obtained for the Rome Parco de' Medici offices and the Bologna Corticella premises¹. 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, monitor, record and validate or verify inventories of greenhouse gas (GHG) emissions or projects related to cutting these emissions. For further details on this subject go to the telecomitalia.com website.

CLIMATE CHANGE

The Green Economy is recognised as the driving force for sustainable development and the elimination of poverty. The 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 2030² Report published in 2015 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 their 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.

Reduction of emissions

The environmental impact of Telecom Italia in terms of CO₂ emissions is essentially determined, as shown in the following 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 sections*.

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.

¹ The energy efficiency of the Rozzano 2 data center is testified by the value of its Power Usage Effectiveness (PUE), which was certified in 2014 and is equal to 1.66; such value can be considered a good one, since that the data center was built between 2008 and 2010. The PUE values of the other data centers have not been certified yet.

² The "SMARTer2030 report: ICT Solutions for 21st Century Challenges" represents the upgrading of the SMART2020 and SMARTer2020 studies respectively published in 2008 and 2012 by the Global e-Sustainability Initiative.



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 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 present in Brazil most of the electricity 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. 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 N. 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 just over 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 *Digitisation, connectivity and social innovation/Research & development and innovative services* chapter) that can promote the virtualization of the society by reducing the need for people and goods to travel. For example:

- 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 and 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 eighth year running, and in January 2016 in the Carbon Efficient Index, ICO_2 , for the sixth 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 has been completed since 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 1,140,000 euros in 2013 and 2,000,000 euros in 2014.

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. In 2015 the Digital Life programme produced revenues of 2.5 million euros. The following offers¹ will be part of the Digital Life Programme and become the Service Elements for the creation of Smart Cities:

Lighting Suite (replaces and supplements the previous Smart Town offer) for the integrated management of local infrastructure networks and for the construction of Smart City environments (for a description refer to the *Digitisation, connectivity and social innovation* chapter).

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 kWh² 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 CO₂ emissions avoided³.

Smart Building namely ad hoc solutions for the smart management and automation of buildings able to be implemented on a project basis through the components of the Lighting Suite and Nuvola IT Energreen offers (for a description refer to the *Digitisation, connectivity and social innovation* chapter).

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 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.

Nuvola IT Urban Security for the management of participated security and urban territory control.

Nuvola IT Urban Security is the Cloud platform of Telecom Italia | TIM, offering a suite of automated and integrable solutions that allow the online monitoring and management of important topics concerning the city and the region, both of public interest (e.g.: mobility, road control, polluting agents) and connected to the activities of companies and organizations (e.g.: inspections, maintenance).

It is a scalable and flexible solution which, on the one hand fits in with the offers for the Smart City of Telecom Italia | TIM according to the guidelines of the Italian Digital Agency and, on the other, meets the needs of companies that also operate in the region (for a description refer to the *Digitisation, connectivity and social innovation* chapter).

¹ The actual names of the services offered may vary once work is under way.

² Source: from the blog of the Italian Government Commissioner for the Spending Review.

³ Using the 2009 conversion factor for Italy calculated by the GHG Protocol, which is 0.3864 kgCO₂/kWh.



The revenue trend (in millions of euros) assumed by Telecom Italia for the overall programme over the next three years is the following:

- 2016: 4
- 2017: 6
- 2018: 7

ENVIRONMENTAL PERFORMANCE

The information regarding environmental performance 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. The main indicators used to measure the Telecom Italia Group's environmental performance in 2015 performed as follows:

Indicator	Trend
Total electricity procured and produced	Up
Total CO ₂ atmospheric emissions	Up
Total water consumption	Up (*)
Eco-efficiency	Up

(*) As explained further on, the review of the reporting method has meant that the quantities consumed in 2015 in Italy were significantly higher than those published in the sustainability Report in previous years. Whereas application of the same criteria to the calculation of previous consumption would presumably result in a reduction as compared with last year.

Energy

[G4-EN3], [G4-EN6] Energy consumption by the Group is presented according to the guidelines proposed by the Global Reporting Initiative regarding direct consumption for heating, electricity generation and transport (Scope 1, according to the GreenHouse Gas Protocol¹) and indirect consumption for the purchase and use of electricity (Scope 2).

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	59,486,649	100%	0%	0%
Energy generated by natural gas	MJ	488,602,104	100%	0%	0%
Total energy for heating	MJ	548,088,753	100%	0%	0%
2015 v. 2014		(24)%	(24)%	0%	0%
2015 v. 2013		(31)%	(31)%	0%	0%

¹ The Greenhouse Gas (GHG) Protocol, developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), defines the standards of reference for measuring, managing and recording greenhouse gas emissions.



The data in the table shows that in 2015 a significant reduction with respect to 2014 and 2013 can mainly be attributed to the review of the methods for reporting on fuel consumption, but also the climatic conditions that occurred during the year of reference and to real estate rationalisation and energy efficiency improvement actions.

In Brazil, given the particular climate conditions throughout the year, indoor heating is not used. INWIT, the company of the Group that operates in Italy in the electronic communication infrastructure sector, is much smaller than the Group and is therefore part of the Domestic BU.

Transport(*)					
		Group breakdown by Business Unit (%) and % variation compared to the previous 2 years			
		Group	Domestic	Brazil	Media
Energy generated by unleaded petrol	MJ	53,395,166	19%	80%	1%
Energy generated by diesel fuel	MJ	652,677,678	99%	0%	1%
Energy generated by LPG	MJ	5,182,862	100%	0%	0%
Energy generated by natural gas	MJ	328,017	100%	0%	0%
Total energy for transport(**)	MJ	711,583,723	93%	6%	1%
2015 v. 2014		1%	2%	(10)%	(5)%
2015 v. 2013		(2)%	(1)%	(14)%	(3)%
Total number of vehicles	no.	19,571	95%	5%	0%
2015 v. 2014		(2)%	(2)%	0%	(2)%
2015 v. 2013		(2)%	(2)%	(3)%	(9)%
Total distance travelled	km	308,809,797	95%	4%	1%
2015 v. 2014		2%	3%	(6)%	(10)%
2015 v. 2013		(1)%	0%	(12)%	(9)%

(*) The data shown in the tables and graphs 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 (expressed in kg).

In general the energy uses for transport and the travel times are slightly up compared to the previous year, and slightly down compared to 2013. In Italy a project is underway to renew the operational fleet, which involved around 1,500 vehicles between November and December 2015.

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	727.868.891	19%	77%	4%
2015 v. 2014		20%	47%	16%	(1)%
2015 v. 2013		(69)%	(93)%	39%	37%
Electricity from renewable sources	kWh	1.906.970.185	100%	0%	0%
2015 v. 2014		0%	0%	0%	0%
2015 v. 2013		4.774%	4.774%	0%	0%
Total electricity consumed	kWh	2.634.839.076	78%	21%	1%
2015 v. 2014		5%	2%	16%	(1)%
2015 v. 2013		10%	3%	39%	37%

Electric 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 covered 2015, to buy guarantees of origin that certify the electricity generated by renewable sources. This explains in the table the significant percentage changes in the quantities of electricity used, by type, in 2014 and 2015 compared to 2013.

In 2014, to offset its direct emissions, TIM Brasil purchased 6,000 tCO₂ of carbon credits by financing a forest protection project, and aims to offset the direct emissions produced in 2015 with the remaining credits added to the credits that will be purchased in 2016. The process to select the project that will be funded in 2016 is currently underway.

The Group continued with the ongoing research to improve its energy performance by means of:

- temperature alignment and redefinition of Group policies, improving the efficiency of the existing cogeneration plants and energy stations, recalibration of set-points in multi-system sites, cogeneration refrigeration systems, free cooling and disconnection of obsolete equipment;
- 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;
- communication and involvement measures aimed at the Company’s staff to make everyone aware of the impact of their behaviour and 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, disseminating the results achieved at all levels and promoting a culture of energy-saving and environmental respect within the Company.

Technological developments launched in 2015, related mainly to the NGAN (Next Generation Access Network) implementation plan and LTE technology, are generally leading to an increase in energy consumption. 2015 in particular saw a significant boost being given to the technological development of the fixed and mobile networks and a significant growth in new installations in the internal and external market in the field of Information Technology, as well being characterised by exceptional weather conditions, with average temperatures, during the summer months, well above the levels in 2014. All these factors resulted in a significant increase in energy demand for both fixed and mobile communication.

The increase in the demand for energy in 2015 was estimated to be approximately 165 GWh, 21% (35 GWh) of which was associated with the increase in temperatures.

This increase was offset by the savings made possible by a series of energy efficiency improvement measures undertaken and completed in 2013 and 2014, as well as new measures undertaken and completed during 2015, including, in particular,



projects involving the replacement of obsolete equipment with new, more efficient systems. A significant boost to electricity generation has been achieved by co- and tri-generation - resulting in an estimated increase of 45 GWh on 2014 - implementing measures to improve the efficiency of currently operating systems and bringing a further 6 into service, in addition to existing ones.

It is important to underline that cogeneration and trigeneration systems use around 30% less energy than traditional electricity generation systems, and play a by no means negligible role for Telecom Italia, particularly in industrial sites, typically data processing centres (DPCs), which have notable energy requirements and high heating/cooling requirements, allowing losses due to transfer from production site to consumption site to be minimised.

- trigeneration: the 3 large co-generation plants and the 3 Plug&Play plants launched in 2014 were brought into operation. Efforts to improve the performance of systems were also put in place to achieve an average rate of operation of 87% for high power plants and 75% for those with power below 600 kw (small co-generation);
- lighting: the plan to replace conventional (neon) light fittings in the main office premises with LED technology and motion sensors has achieved 50% of the initial target of 41,000 lighting fixtures. In line with the expectations, the plan to replace 100,000 traditional light fittings (neon) in the fixed network exchanges with LED tubing technology was completed. It is important to point out how the use of a LED tube, which produces a cold light, also permits energy savings on air conditioning;
- power systems: operations on power stations were completed in accordance with the plans, by both replacing older equipment with new stations with a higher performance, and by retrofitting which led to the replacement of just the rectifier modules;
- air conditioning systems: works to replace obsolete cooling and air conditioning systems with new higher performance equipment and, in the mobile network area, Dedicated Free Cooling works, namely the installation of air ducts directly onto the chassis of a Radio Base Station (Ericsson model 6000) to extract heat, allowing an even more efficient use of Free Cooling and the air conditioner, were completed according to plans;
- DPC: in 2016 optimization works will continue in the Data Centres identified following energy audits;
- trials:
 - ◆ the CAGE project: the testing of the CAGE system on a site in the Milan area was finalised with the creation of a row of exchanges for 7 incremental racks in indoor containers (cages) with the distribution of “cool side” conditioning, a fire-fighting system and a controlled access system. The aim of the project is to reduce the energy consumption of the air conditioners directly associated with the row containing the cages and to further reduce the consumption of the remaining conditioners in the room by eliminating the thermal energy no longer developed by equipment that was once compartmentalised (the energy saving is obtained from the room layout);
 - ◆ Vigilant: this solution was tested in a room of the Oriolo Romano Data Centre with the aim of optimizing the cooling system in the room. The project involves installing a probes system and the respective actuators on the air conditioning equipment in DPC rooms.

Over the year, during the summer period, further unscheduled work was carried out to combat the increase in drawings linked to the exceptional temperatures recorded in 2015 with respect to previous years.

In detail:

- the cleaning of air conditioner filters before the planned date (approximately 1,100 cases);
- ignition tests for the telephone exchange generators (around 420 cases);
- increase of 1° C of the room temperature in the plants (in August this affected around 3,800 rooms);
- summer closure of around 900 offices.



It is expected that in 2016 innovative infrastructural solutions will be implemented, the designs of which were launched in 2015.

In detail:

- modernisation of the hydronic circuit¹ of the refrigeration units from fixed capacity to variable capacity with an inverter to modulate the working speed of the pumps;
- Rotary UPS²: the project includes the introduction of dynamic UPSs on a vertical axis with the aim of eliminating static UPSs in the telephone exchange, increasing the power plant's reliability by streamlining the mains-Power Generator exchange system and reducing or eliminating batteries in the telephone exchange;
- management of the temperature set-points using the "well-being button" to ensure suitable climatic conditions during targeted and temporary work carried out by technicians.

During 2015, Telecom Italia was awarded energy efficiency certificates (Titoli di Efficienza Energetica - TEE) for 34 projects, corresponding to around 40,000 TOEs (Tonnes of Oil Equivalent) per year saved and an estimated financial value, at current prices, over 5 years, of around 40 million euros.³

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 July 20, 2004, these certificates are issued by GSE⁴ to reward entities carrying out innovative projects resulting in a significant saving of electricity or fuel. One "White Certificate" corresponds to 1 Ton of Oil Equivalent (TOE) saved, and its economic value is negotiable. In fact, electricity and gas distribution companies – known as "required" entities as they are required to achieve specific annual quantitative targets for primary energy saving – can fulfil their obligation through energy efficiency projects that entitle them to white certificates or by purchasing TEEs from other entities on the energy efficiency certificates market organized by GME⁵.

¹ A hydronic system uses water to transport thermal energy, both to heat and to cool the atmosphere.

² UPS is the acronym for Uninterrupted Power Supply, or continuity unit; in this case it involves dynamic units fitted with a flywheel that is kept at a constant speed when the system is powered from the mains and therefore stores kinetic energy that is transformed into electricity in the event of a black-out.

³ The reduction with respect to 2014 is mainly due to the fact that in 2015 the Authorities imposed the application of different regulations to already approved projects. These regulations involve a reduction in the assessments of the reporting planned for the upcoming years.

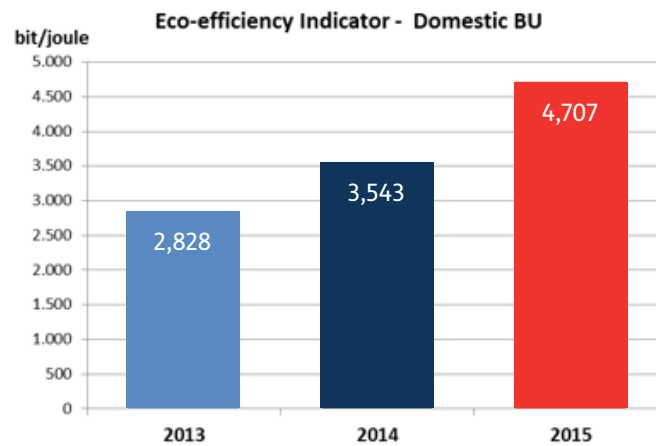
⁴ Gestore Servizi Energetici – www.gse.it.

⁵ Gestore del Mercato Elettrico, GME S.p.A. – www.mercatoelettrico.org.

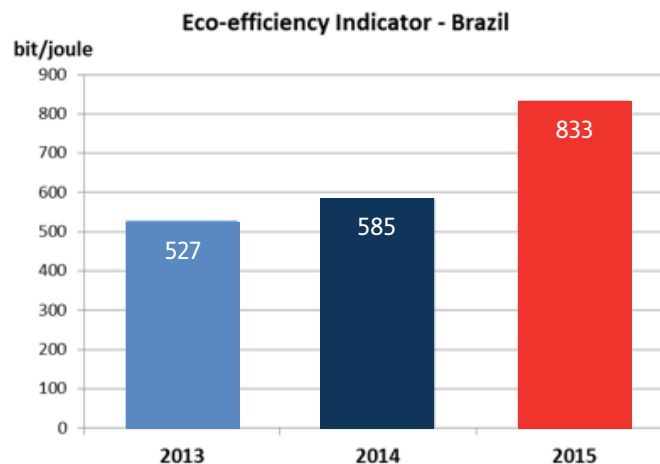


Eco-efficiency

[G4-EN5] The 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 diagrams show the level of the eco-efficiency indicator over the past three years for the Domestic BU and Brazil.



In 2015 the value of the indicator calculated for the Domestic BU was 4,707 bit/joule, up by around 33% compared to 2014 and by over 66% compared to 2013. The commitment continues with the establishment for 2016 of an objective of 5,300 bit/joule, an increase of + 12% on the figure for 2015 (see 2016 *Objectives* in the *Appendix*).





The eco-efficiency indicator calculated for Brazil also showed continuous improvement over time: in 2015 it grew by 42% compared to 2014 and by 58% compared to 2013. This was due to a considerable increase in the data traffic over the last year which did not lead to a corresponding increase in the electricity consumption thanks to the efficiency of the network. 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 in view of the 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 hydrochlorofluorocarbons and hydrofluorocarbons (HCFC and HFC) from air conditioning plants are also considered and converted into kg of CO₂ 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 (Scope 1: use of fossil fuels for transport, heating, power generation), indirect emissions (Scope 2: purchase of electricity for industrial and civil use) and other indirect emissions (Scope 3). Unless otherwise stated, the atmospheric emission figures given in this Report have been calculated based on the updated coefficients made available by the GHG Protocol¹.

The following table shows the total CO₂ emissions of the Group.

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	53,048,211	93%	6%	1%
CO ₂ emissions from heating	kg	30,966,636	100%	0%	0%
Emissions of CO ₂ equivalents for HCFC/HFC(*) dispersals	kg	6,653,780	100%	0%	0%
CO ₂ emissions from electricity generation by cogeneration	kg	60,695,712	100%	0%	0%
CO ₂ emissions from electricity generation using diesel	kg	3,012,587	77%	20%	3%
Total direct emissions of CO₂ - under Scope 1 GRI	kg	154,376,926	97%	3%	0%
2015 v. 2014		10%	10%	(5)%	(2)%
2015 v. 2013		(2)%	(2)%	(9)%	0%
CO ₂ emissions from purchases of electricity generated by mixed sources	kg	82,266,006	3%	85%	12%
Total indirect emissions of CO₂ - under Scope 2 GRI	kg	82,266,006	3%	85%	12%
2015 v. 2014		4%	(33)%	7%	(1)%
2015 v. 2013		(89)%	(100)%	81%	37%

(*) The equivalent CO₂ emissions of the hydrochlorofluorocarbons (HCFC) and hydrofluorocarbons (HFC) 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.

¹ Emissions relating to the consumption of electricity purchased from mixed sources in the Italian market have been calculated by using the coefficient published by the GHG Protocol for 2009 - which considers the national energy mix - equal to 386 grams of CO₂/kWh. For Brazil, the average coefficients for 2013, 2014 and 2015 have been used, as calculated and published by the Ministério da Ciência, Tecnologia e Inovação (Ministry of Science, Technology and Innovation), of approximately 96, 135.5 and 124.4 grams respectively of CO₂/kWh.



Atmospheric emissions

Group breakdown by Business Unit (%) and % variation compared to the previous 2 years

		Gruppo	Domestic	Brasile	Media
CO ₂ emissions from work-home commuting(†)	kg	67,271,551	91%	9%	0%
CO ₂ emissions from air travel(‡)	kg	9,967,790	58%	42%	0%
Total of other indirect emissions of CO₂ - under Scope 3 GRI	kg	77,239,341	87%	13%	0%
2015 v. 2014		0%	(1)%	9%	(27)%
2015 v. 2013		(4)%	(7)%	24%	(24)%
Total emissions of CO₂	kg	313,882,273	70%	27%	3%
2015 v. 2014		6%	6%	7%	(2)%
2015 v. 2013		(69)%	(77)%	64%	34%

(†) In determining the impact of home-work commuting, reference is made to statistical data produced on the company's personnel. The scope taken into consideration has been extended from 2014 to all the Domestic BU while in previous years only the main companies were considered. The emissions were recalculated for a similar scope for 2013 too in order to obtain an accurate comparison.

(‡) 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 DEFRA (Department of Environment, Food and Rural Affairs of the United Kingdom) based on the number of journeys actually made, subdivided by the duration of each individual journey (short, medium or long).

The table showing emissions of carbon dioxide, particularly those under the GRI Scope2, 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 the electricity generated by renewable sources. In both years, the agreement related to almost 100% of the electricity used 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	m ³	28,600	100%	0%	0%
Consumption of water provided by water supply companies	m ³	5,656,777	97%	3%	0%
Consumption of water drawn from other sources	m ³	27,108	0%	100%	0%
Total water consumption	m³	5,712,485	97%	3%	0%
2015 v. 2014		19%	22%	(22)%	672%
2015 v. 2013		17%	18%	(15)%	465%

The significant increase in water consumption by the Domestic BU and the Media BU in previous years is due to a review of the calculation method which made it possible to obtain more accurate data. Presumably the consumptions of previous years would also show a significant increase with respect to what was published¹. In any case the comparison was made with data published in the previous Reports.

¹ A reworking of the evaluations of previous Group consumptions applying the current criteria would give the following approximate results: 6,360,000 m³ in 2014 and 5,560,000 m³ in 2013; therefore the total consumption in 2015 would show a reduction of 10% and an increase of 3% as compared with 2014 and 2013 respectively. Likewise, the total consumption of the Domestic BU, which is of 5,515,205 m³ in 2015, would have been of about 6,100,000 m³ in 2014 and 5,318,000 m³ in 2013.



Paper

Paper for office use

		Group breakdown by Business Unit (%) and % variation compared to the previous 2 years			
		Group	Domestic	Brazil	Media
Non-recycled and non certified paper purchased	kg	1,821	100%	0%	0%
FSC certified paper purchased	kg	283,954	87%	13%	0%
Total paper purchased	kg	285,775	87%	13%	0%
2015 v. 2014		(19)%	(20)%	(14)%	2%
2015 v. 2013		(21)%	(20)%	(28)%	106%

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 following 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. Moreover, towards the end of 2015, Telecom Italia was involved in Olivetti’s Cloud Printing project to deal with the need for the technological renewal of printing equipment, with the aim of optimizing printing processes and reducing the costs. The new printing equipment has high energy efficiency and reduced environmental impact.

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 consigned¹ and recorded by law².

Waste consigned

		Group breakdown by Business Unit (%) and % variation compared to the previous 2 years			
		Group	Domestic	Brazil	Media
Hazardous waste	kg	4,461,040	95%	5%	0%
Non-hazardous waste	kg	12,618,207	96%	4%	0%
Total waste consigned(*)	kg	17,079,247	95%	5%	0%
2015 v. 2014		31%	29%	88%	(19)%
2015 v. 2013		4%	3%	10%	(21)%
Waste sent for recycling or recovery	kg	16,465,964	98%	2%	0%
% Waste sent for recycling or recovery		96%	99%	44%	0%

(*) 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 2015, Telecom Italia decommissioned 126,163 poles weighing a total of 10,093,040 kg.

¹ By “waste consigned” is meant waste delivered to carriers for recycling or reclamation or disposal.

² 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.



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 8, 2010 (published in the Gazzetta Ufficiale on May 10, 2010) implemented the collection of Waste Electrical and Electronic Equipment (WEEE) by all Telecom Italia sales channels as of June 18, 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 2015, this allowed the landfill disposal of 1,300,000 products to be avoided and tangible financial benefits to be gained from their recovery.

The various management activities allowed logistics and network products (81,748 items) and commercial logistics products (127,782 items) to be regenerated, components and raw materials (1,012,476 items) to be sent for recovery and used products (83,880 items, almost exclusively of mobile telephony) to be resold.

In Brazil TIM collects and manages mobile terminals, batteries and accessories at its shops through the Recarregue o Planeta (Recharge the Planet) programme. 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 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 telephones and other mobile devices. Telecom Italia certifies and sells through its sales network only mobile devices 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 conformity¹. 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 Radio Base Stations, 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 devices using the frequency bands operated by Telecom Italia.

In Brazil the non-ionising radiation emitted by the radio base stations of TIM Brasil are fully within the parameters dictated by the World Health Organization and adopted by ANATEL. All the radio base stations of TIM Brasil have a license to operate issued by ANATEL.

¹ 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 provisions¹. During 2015, no significant financial penalties² were imposed on the Group's companies in Italy for violations of environmental legislation in the areas in which they perform their activities. This consideration is also valid for the previous two years. In Brazil a significant penalty was inflicted in 2015 for having put a radio base station into operation prior to obtaining the environmental authorization, while none were received in previous years. Now TIM has fulfilled all legal obligations, and is waiting to receive the authorization from the competent regulatory body.

Similarly, there are no non-financial administrative sanctions or environmental dispute resolutions via conciliation mechanisms to be reported for 2015 or the previous two years. In Brazil, there is no arrangement for environmental disputes to be resolved by conciliation.

ICT 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. It 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 *Digitisation, connectivity and social innovation* chapter).

In 2015, Telecom Italia handled centrally around 821 audio conferences and 5,778 video conferences between its offices in Rome and Milan. Using the specific automatic booking portal for audio and video conferencing services, employees independently held 44,425 video conferences (+30% compared to 2014) and 94,918 audio conferences (+16% compared to 2014). 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 to be avoided.

TIM ECO-FRIENDLY

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, renamed TIM eco-friendly in 2015, to identify both Telecom Italia's environmental protection 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 statement 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.

The eco-friendly range includes a number of products developed with the assistance of suppliers and dedicated to business

¹ Principles stated in the Group's Code of Ethics and Conduct and in the Human Rights Policy.

² Significant financial penalties for the Group in Italy are considered to be those that exceed 500,000 euros; for its own accounts, Brazil applies an amount of 100,000 reais.



and consumer customers alike.

The most recent environmental declarations issued relate to 4 new products launched in 2015, i.e.:

- the ADSL Wi-Fi N DA2210 modem produced by ADB and used for broadband services, which provides savings of over 28% on average annual electricity use with respect to a previous generation product, and comes with a high energy efficiency power supply (over 79%);
- the FACILE MAXI Panasonic cordless phone which provides electricity savings of 41% with respect to a previous product with the same functions;
- the FACILE SMILE Olivetti cordless phone which provides electricity savings of 38% with respect to a previous product with the same functions;
- the Range Extender Wireless WRE6505-AC750 produced by ZyXEL which, in the daily/annual operating cycle, provides a daily reduction of electricity consumption of over 39%.

The electricity savings also translate into an equivalent reduction of greenhouse gas emissions. It should also be pointed out that particular attention has been paid to the design and choice of the shell and packaging materials, which are homogeneous and recyclable.





CORPORATE SHARED VALUE PROJECTS



ENERGY EFFICIENCY



Scenario

The concept of efficiency pertains to the relationship between the inputs of a production process and the outputs sought by that process. Energy efficiency in the ICT context has economic and environmental relevance in terms of managing the energy required. The energy requirement and consequent consumption of the Domestic BU stands at around 2 TWh per year and the Group is the second biggest electricity consumer nationally.

The electricity purchased is almost all generated from renewable sources and is therefore covered by guarantee of origin certificates, contributing to a dramatic decrease in indirect carbon dioxide emissions.

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 Group to promote sustainable development in its areas of influence.

Environmental strategy

All the Group companies are inspired by the following fundamental principles: optimising the use of energy sources and natural resources; seeking to improve energy/environmental performance, minimising negative impacts and maximising positive ones; adopting purchasing policies that are sensitive to environmental themes; dissemination of the correct approach to environmental issues.

Environmental Management Systems (EMS)

Telecom Italia has an ISO 14001 certified EMS. In some situations the EMS is integrated with the Quality Management System based on ISO 9001 standard as well as with the Security Management System based on OHSAS 18001 standard.

Eco-efficiency

The 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 and mobile networks and energy consumption for industrial purposes (transmission and climate control in exchanges), domestic purposes (electricity for office use, air conditioning and heating) and vehicles.



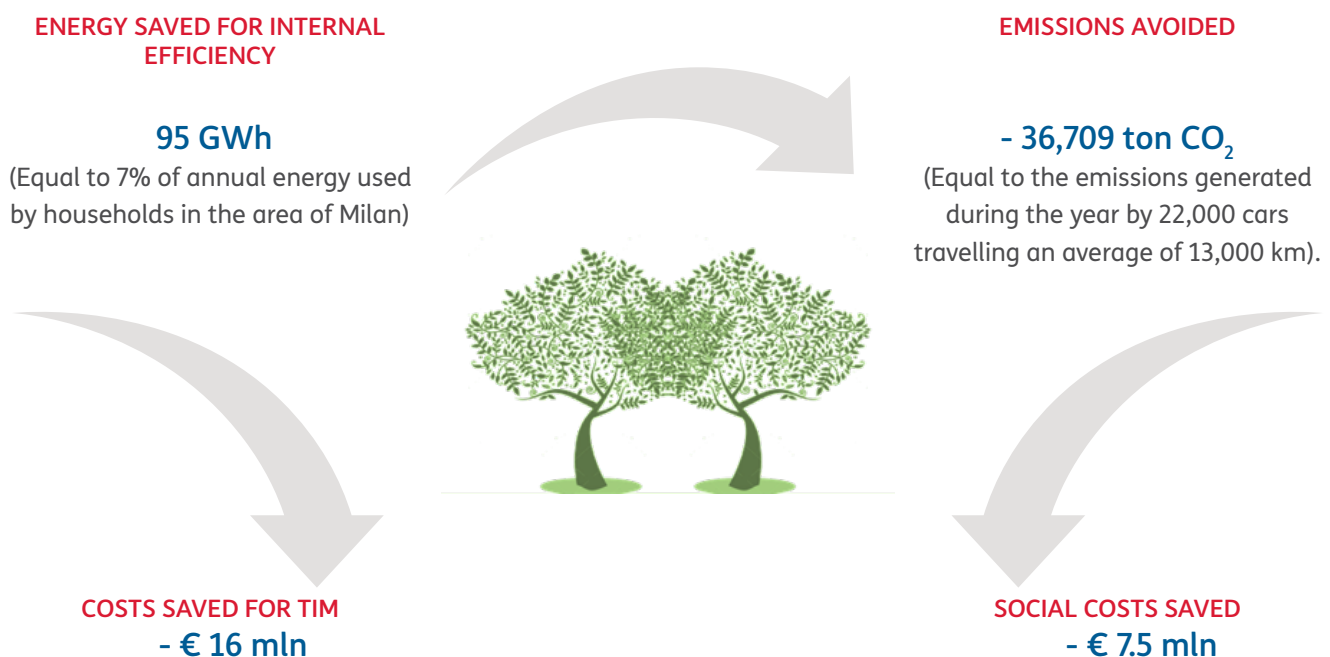
The Titoli di Efficienza Energetica (TEE) system

Also during 2015, Telecom Italia was awarded energy efficiency certificates (Titoli di Efficienza Energetica - TEE) for a total of 34 approved projects, corresponding to around 40,000 TOEs (Tonnes of Oil Equivalent) per year saved and an estimated financial value, at current prices, over 5 years, of around 40 million euros.

Consumption monitoring: internal use and supply to Customers

Consumption trends and the need to control them in real time, the ability to verify the effectiveness of optimisation activities, have promoted the creation of a proprietary monitoring system covering 42% of the group's total consumption, through a network of over 30,000 sensors. The number of fixed and mobile network sites with sensors is 2,768. Through these remote measurements and the processing done by the "TI Green" platform, the Company is able to certify the results of improvement actions implemented.

This experience and the great number of activities and projects aimed at reducing consumption and CO₂ emissions are an asset available to customers. The offer is able to fulfil the main requirements for optimisation of consumption among the various customer segments: from medium-sized industrial companies to public administration units and big multi-site industries with an international presence.



Methodology

The Business Value, amounting to 18 million euros, consists of the following:

- 16 million: enhancement of the reduction of atmospheric emissions. This reduction is an estimate of energy savings as a result of energy efficiency initiatives (amounting to 95 GWh) calculated by the coefficient of 0.386411 kg CO₂/kWh¹.
- 2 million: sale of energy efficiency certificates (Titoli di Efficienza Energetica - TEE) related to projects approved in 2015.


The Social Value is an estimate of the reduction of CO₂ emissions according to the following parameters: ton CO₂ * € 203/ Ton²

¹ Emissions relating to the consumption of electricity purchased from mixed sources in the Italian market have been calculated by using the coefficient published by the GHG Protocol for 2009 - which considers the national energy mix - equal to 386 grams of CO₂/kWh.

² Source: Stanford University - <http://news.stanford.edu/news/2015/january/emissions-social-costs-011215.html>.



BIOSITE



Social Need:



- ▶ Protection of the environment and landscape
- ▶ Research and innovation for companies

Social Value:

- ▶ Less environmental impact: a Biosite supports more technologies (data transmission, electricity and video cameras).
- ▶ Impact on the community: improvement in safety thanks to the installation of surveillance cameras.

Business Value:
about 18 million reais
(about 4 million euros)

ECONOMIC SHARED VALUE

Scenario

The rapid increase in the Brazilian population has led to a growing search for spaces to install telecommunication equipment, which has resulted in clusters of aerials springing up on roofs, the façades of buildings and metal structures.

In order to regulate this situation, many cities have established rules which have made the licensing process even more cumbersome. This has led to a slowdown in the expansion of the network.

The Brazilian telecommunication association estimates that there are over 250 different municipal laws relating to aerial permits.

In order to circumvent these barriers, TIM Brasil has launched the Biosite, a metal pole that supports all the equipment needed to install a Radio Base Station inside its own structure.

It is in effect a macro-site, developed and patented entirely by TIM Brasil, providing a triple benefit:

- low TCO (Total Cost of Ownership);
- quick installation;
- minimal visual impact.

The Biosite is a multifunctional structure that improves the quality of data transmission and can be used at the same time to provide public lighting and video surveillance.

It uses less energy and has a lower environmental impact because it uses 99% less steel than a conventional radio base station and requires less physical space, avoiding the need for external cabins or auxiliary structures.

The first Biosite was installed in June 2014 in Curitiba (Paraná). Over 100 Biosites have so far been installed across the country. The technology can be found in Rio de Janeiro, Brasilia and a further 6 cities.

The project provides for the installation of new 3G and 4G sites in additional cities and is estimated to reach 300 new installations in Rio de Janeiro for the 2016 Olympic Games.

Methodology

The Business Value consists of the cost reduction to install a Biosite versus a conventional Radio Base Station, calculated across 100 Biosites installed by 2015.



DIGITAL CULTURE



Alongside its infrastructure project, Telecom Italia has promoted various initiatives to improve digital literacy, the technological equipment used by the population 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 sponsored initiatives aimed at increasing awareness of solutions designed to improve the efficiency of public administration processes: 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.

[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, teaches 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. A recent 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. The Group, moreover, 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 managementⁱ
- network coverage and Disaster Recoveryⁱⁱ
- anti-corruption programmes

Relevant company policies:

Code of Ethics and Conduct of the Telecom Italia Group, Human Rights Policy, 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 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 *Digitisation, connectivity and social innovation* chapter.

ⁱ This subject is also dealt with in the *Digitisation, connectivity and social innovation* chapter.

ⁱⁱ This subject is also dealt with in the *Digitisation, connectivity and social innovation* and *Being sustainable in Telecom Italia* chapters.

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 *Note on methods*).

MACRO AREAS OF INTERVENTION	PROJECT IDENTIFICATION	PROJECT IMPLEMENTATION
<p>The two main areas of intervention as regards investment in the community are the following:</p> <ul style="list-style-type: none"> ■ voluntary activities consistent with the Group’s core business, associated with the provision of ICT services¹; ■ activities aimed at the general development of the community mainly including the activities of the Telecom Italia Foundation. 	<p>Telecom Italia identifies the projects to be implemented by the following means:</p> <ul style="list-style-type: none"> ■ 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). 	<p>Each project is implemented in 4 stages:</p> <ul style="list-style-type: none"> ■ 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: <ul style="list-style-type: none"> ◆ through public tenders; ◆ by direct decision of the Company, following the stakeholder consultation process, consistent with the guidelines for voluntary contributions to the community²; ■ 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.

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.

¹In 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 Digitisation chapter.

²The guidelines for voluntary contributions to the community are available on the telecomitalia.com, website, sustainability section, under codes and policies, environmental and social policies.



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 and the dissemination of the digital culture.

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, the Group has relations with local authorities in all regions where 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, in particular, environmental protection institutions are regularly consulted when deciding on where radio base stations should be positioned and multifunctional structures are used which improve the data transmission quality and can be used for public lighting and video surveillance at the same time¹.

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 new methods that are more engaging 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.

eSchooling

The younger generations rely on technical innovation on a daily basis, even through social communities and the countless sources of information present online; this context requires the identification of new digital teaching models in keeping with the styles of acquiring knowledge and skills.

The project, starting with the technologies adopted and/or adoptable in the school context and a new form of participatory education, has defined and validated a “digital teaching model for schools” which is sustainable and capable of integrating technologies (even “social” ones) effectively, to support new learning processes and extend them outside the classroom.

The project ended in 2015 and the technical and scientific objectives achieved were:

- to devise an educational communication model supported by digital technologies in all the intra-inter-extra curricular relations for the promotion of a Learning Community;
- to devise a learning support model, which moves towards “support for cognitive processes” and overcomes the traditional paradigm of the “presentation of content”;
- to devise a methodological and educational publishing model that offers a flexible publishing format;
- to identify and develop a digital education model that incorporates the specific models identified and is based on specific educational and methodological standards;
- to develop prototypes for the various models identified.

¹ TIM Brasil has launched the Biosite, a metal pole that supports all the equipment needed to install a radio base station inside its own structure (adjust formatting) as better explained in the *Environmental protection* chapter and in the CSV sheet *Biosite*.



Digital Culture Projects

The common denominator of all the projects is the establishment of participatory, equitable and stable relationships and replicable intervention models both inside and outside. These initiatives are part of the Corporate Shared Value activities #ilfuturoèditutti, an activities programme based on creating shared values with the communities the Company operates in. EducaTI is a CSV digital education project developed for students, teaching bodies and families, a multi-annual synergistic programme which plans the implementation of a series of complementary initiatives carried out in collaboration with the Ministry of Education, Universities and Research (MIUR) and with some institutional partners of excellence. The main ones are listed below:

- **Programme the future:** the Group was the first company to sign up, in the role of “Founding Sponsor” partner, to MIUR’s “Programme the future” initiative to encourage the introduction of computational thought and coding to primary school students. The initiative is being implemented by CINI (Consorzio Interuniversitario Nazionale per Informatica - National Inter-University Consortium for Information Technology). The Company is contributing in three ways, providing economic support (by supporting the activities and awarding prizes for the most deserving schools) through communication (with initiative development activities through the website telecomitalia.com and the Group’s social channels) and providing corporate volunteering. The Company provides volunteers (over 400) from its staff to offer support and tutoring to teachers and students. The commitment will allow it to achieve the objective of ensuring the presence of its staff in around 4,000 classes over the three years of the plan. The initiative was started at the end of 2014 and will be carried out for the next three school years. At the end of May 2015 an awards ceremony was held at MIUR for the end of the first year of the initiative which saw over 300,000 students take centre stage, around 2,100 schools participate and 16,500 classes get involved. October 2015 saw the start of activities for the second year; specifically, “TIM4CODING” was held on 8 October, a day when 100 volunteers provided teaching support to teachers and children in 100 schools to encourage the introduction of computer science to schools.
- **A Social Life:** during 2015 the Group renewed its collaboration with the Postal and Communication Police to run the second edition of the “A Social Life”, a road show, aimed at raising awareness among young people on the topic of online security and the dangers connected with being uninformed about the use of the internet and Social Networks. The project was organized by the External Relations Office and the ceremony by the Secretary’s Office of the State Police in collaboration with MIUR. The educational tour on legality on the web was developed throughout the country, in all regions and in several cities and small towns where the Company organized events and presentations by representatives of Marketing and Security departments on the topic of Internet safety and communication activities through the Group’s corporate website and social channels. A “Handbook for young surfers: the rules for safe browsing” was created, in collaboration with the State Police, with 10 virtuous behaviours that a “social” teenager should follow on the Internet. The brochure was distributed during the stages of the tour. The second edition of the initiative came to an end in June 2015, visiting 55 cities and involving 400,000 students in schools and over 100,000 in city and town squares.
Moreover, a special edition of the tour was put together for Milano EXPO, offering visitors truck entry and parking at the Fair (9 and 10 May) and a special corner was set up for the State Police within the Company’s temporary store.
- **YouTeach:** is a creative contest set up in collaboration with MIUR for high schools throughout the country involving the creation of videos in which, in a reversal of roles, students conduct a lesson for their teachers on the use of social networks. The aim of the initiative was to involve 10% of the 5,000 secondary education schools and receive 50 video productions. The classes participating had to prepare and film a lesson, using a smartphone, lasting no more than five minutes and addressed to teachers, on the responsible use of Facebook, Twitter, Instagram or YouTube. The contest rewarded the films received (around 120) which best conveyed the learning process of the social tool and its value as regards the digital culture to be disseminated at school.

- **TIMWebRulez:** is a digital education campaign starring ten webstars who will be the ambassadors of the booklet developed in collaboration with the National Police to disseminate the responsible use of the Internet among teenagers. The TIMWebRulez website also offers a section dedicated to scientific reflection on internet safety topics: ten real cases, news events, each linked to one of the ten rules, commentated by experts from the Postal and Communication Police and the Minotauro Institute of Milan.

The initiatives concerning the school environment include:

- **Technical applications 2.0:** an event organized in Turin with 20 schools during which an introductory lesson was delivered at the same time, which allowed around 1,000 students from primary and secondary schools in the city to acquire the first electronics/making/DIY (do it yourself) skills, encouraging them in the informed use of the new technologies through a problem solving experience and technological creativity.
- **TIM Young College:** an offer for students consisting of a package including a Tablet + connectivity + study contents.
- **Study Plan:** since 2009 Telecom Italia has partnered with MIUR in this project which aims to provide secondary school students who own a student card with offers in all goods sectors at favourable conditions. The group provides special offers for talking, messaging and browsing.
- **#TIMgirlsHackathon:** the Company organizes a hackathon¹ for girls in the last three years of high school. This coding opportunity allows them to experience the world of technology as key players, a total immersion of around 7 hours to bring out the feminine side of technology. This is a project with a great scope capable of involving young women who would like to become part of the technology world or who would like to gain familiarity with it but who are not confident enough of their skills.

Moreover, Telecom Italia is a member of the advisory board of SIC - Italian Safer Internet Centre - in the context of MUIR's Connected Generations project and it is part of the "ICT Coalition for Children Online" Association, a platform of around 25 European ICT companies (including some telcos and players such as Microsoft, Google, Facebook, Twitter, etc.) which help young European Internet users to address the risks and challenges of the web.

The digital culture is also the scope of projects aimed at bringing high quality cultural content and digital languages together, making the most of the interaction opportunities offered by the Web. In so doing, the Company is asserting itself as an innovative partner in the Italian cultural and artistic world. Using digital technologies generates shared value: Telecom Italia therefore assumes a role recognised by stakeholders who work alongside it in the various cultural sectors in which digital dissemination initiatives are run.

The partnership with Accademia Nazionale di Santa Cecilia takes the form of the PappanoinWeb project conceived for the purpose of bringing great classical music to the web. 2015 was its fifth year and it has been enhanced by the experience offered by "360° overview" filming technologies. Over the five years of the programme, the concerts offered have been watched by over 200,000 users in streaming on telecomitalia.com/pappanoinweb, thanks to the listening guides, exclusive interviews and the opportunities to interact with an expert musicologist at the Accademia during direct broadcasts. A big open air rehearsal also allowed around 2,000 colleagues to experience the excitement backstage, with the protagonists, and to view the real difficulties of a high level musical performance.

As regards writing we should mention the collaboration with the Eutopia webzine (resulting from a partnership between the Company and Editori Laterza) and the partnership with Scuola Holden, Turin, founded by Alessandro Baricco. The first fulfils the aim of drawing the public, particularly the young, into the debate about the prospects for a new European model of society. The second experiments with new ways of teaching and sharing ideas, knowledge and 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 to be set up and together we are implementing original dissemination projects, including the #wehaveadream social writing experiment. Scuola Holden also supports, with a working group formed by the best students, communication of all the stages in the travelling Digital Championship project, promoted by the Company and the Digital Champions association.

¹ The word "hackathon" is a portmanteau of the words "hack" and "marathon", where "hack" is used in the sense of exploratory programming. It is an event in which computer programmers and others involved in software and hardware development collaborate intensively on software projects. Some hackathons are intended simply for educational or social purposes.



On the Brazilian front, 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
<ul style="list-style-type: none"> ■ Partnerships with organisations, institutions and public and private entities. 	<ul style="list-style-type: none"> ■ 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. 	<ul style="list-style-type: none"> ■ 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.

The following is a summary of the Instituto TIM *modus operandi*:

O Círculo da Matemática do Brasil (Brazilian Math Circle)

One of the greatest obstacles to scientific and technological progress in Brazil is the poor standard of maths teaching in schools. According to the Ministry of Education, only 42% of students in the third year of primary school can do simply arithmetic like addition and subtraction. In the Programme for International Student Assessment (PISA) 2012, based on the results achieved in maths by its students, Brazil came 59th on a list of 65 countries. By focusing attention on the first few years of primary school, the O Círculo da Matemática do Brasil project, working with its founders, professors Bob and Ellen Kaplan of Harvard University, introduces the Math Circle approach to the Country, perfecting and adapting its content to the Brazilian context. The strength of the Math Circle lies in its educational aspect, according to which student participation and reflection are fundamentally important for acquiring mathematical knowledge. In 2013, 7,000 lessons were held in connection with the project, involving over 6,000 students between the ages of 7 and 9 from 61 schools across the Country. The project began by training 50 teachers selected from public schools throughout the Country. The teachers attended a training workshop with Bob and Ellen Kaplan and learned to replicate the Math Circle approach in class with their own students. At the end of the period, an assessment of the project was carried out, which showed that in just three months the maths skills of students had increased by 5.7%. Over 14,000 lessons were held in 2014 at Brazilian public schools in the cities of Duque de Caxias (RJ), Porto Velho (RO), Belém (PA), Brasilia (DF), Fortaleza (CE), Aracaju (SE), Salvador (BA), Porto Alegre (RS), Rio de Janeiro (RJ) e São Paulo (SP), involving 8,000 students and promoting the training of 200 teachers from the schools where the lessons were held. In July of the same year, three teachers were selected to take part in the 7th annual training held at the Math Circle Summer Teacher Training Institute, Notre Dame University, Indiana, United States, as ambassadors of the O Círculo da Matemática do Brasil programme. The impact assessment conducted at the end of the year showed that children who took part in the project improved their maths skills by 7.3% on average. In 2015, 12 cities and 5,546 students were involved in the project, and still are. Around June, 50 teachers began to take an active part in this training process, replicating the approach and taking responsibility for training a further 1,800 teachers. This will allow more

than 50,000 students in 20 Brazilian cities to enjoy the fruits of the teaching method.

TIM Faz Ciência (TIM Does Science)

The results achieved by Brazilian students in science are far from ideal. The PISA (Programme for International Student Assessment) science test conducted in 2012 placed Brazil in 59th place on a list of 65 countries. Out of the three areas assessed - reading, maths and science - the last was the one in which Brazilian students achieved the least satisfying results. However, during academic year 2014, more than 2,000 teachers in public schools across the country were able to apply a more interesting approach in science lessons. In the second half of 2013, Instituto TIM launched TIM Faz Ciência (TIM Does Science): an educational activity aimed at teachers and students in the 4th and 5th years of primary school. The project is intended to develop a set of resources aimed at providing guidance to teachers in teaching the foundations of scientific thought to children. The content explores the notions of definition, observation, formulating questions and assumptions, classification, verification, application and generalisation. Overall, in 2014, 70,000 students were invited to explore scientific notions and concepts in a more pleasant and effective way. In 2015, the programme involved over 125,000 students and 4,000 teachers and was adopted by 6 cities as a local training project.

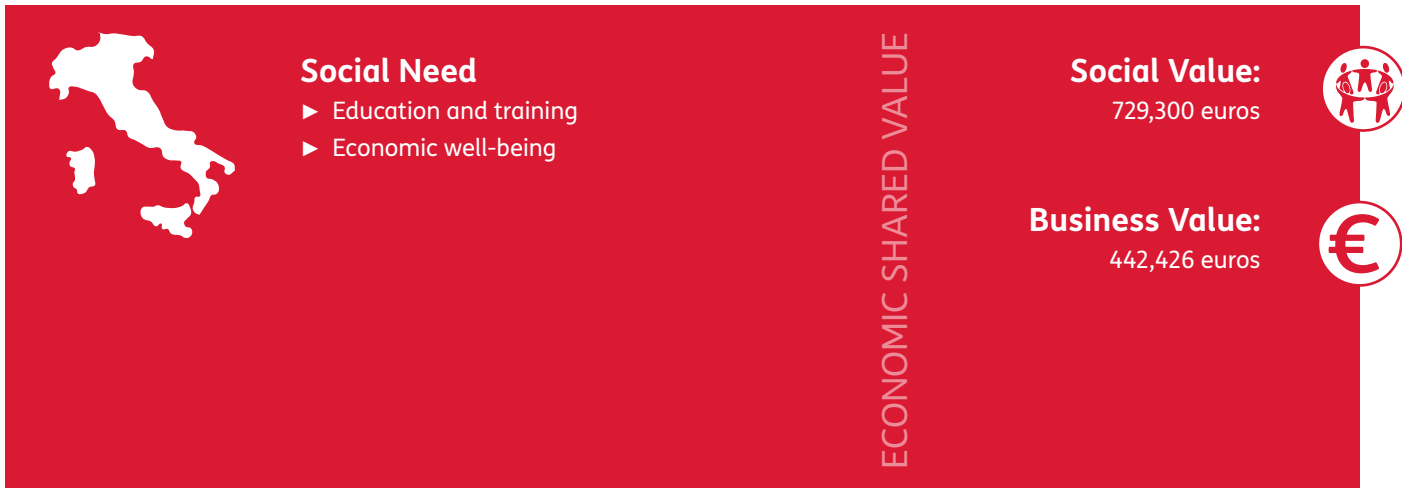
Further information is available in the Sustainability Report of Tim Participações and on the website en.institutotim.org.br.



Digital culture

CORPORATE SHARED VALUE PROJECTS

DIGITAL SCHOOL



Scenario

In recent years the advent of new computer technologies, the availability of faster and more evolved transmission networks and the introduction of social networks have allowed global contact to be established between individuals and access to information. This fast evolution process, supported by the rapid development of PC and tablet computer tools, as well as European standards and guidelines, has created a process of digitisation in schools in almost all EU Countries. Our Country is at 6% in its development of the European Scuola 2.0 [School 2.0] project according to the OECD survey. For the 2013/2014 academic year in particular, the latest report from the Court of Auditors notes that out of 180,000 students, 12,000 have a PC and of these 3,900 also have a tablet. Respectively 7% and 2% coverage in terms of standard equipment. This picture offers Telecom Italia great potential and the opportunity to become a decisive driving force for the Country's plan to develop digital education for young people, particularly in schools. In 2015, the Company played an active part in digital education with the EducaTI and Tim College projects.

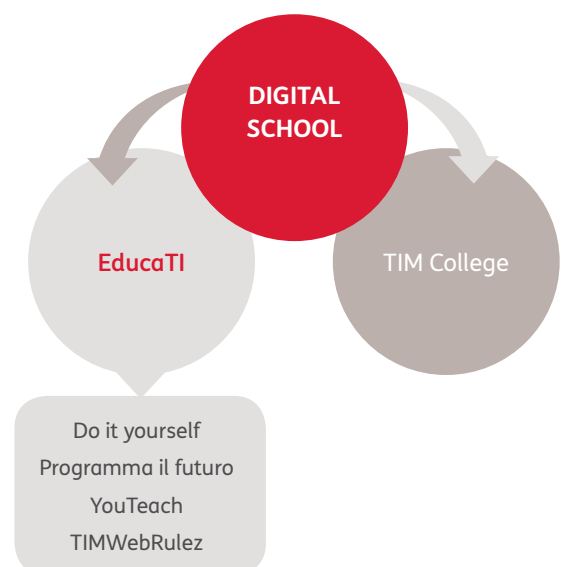
EducaTI

This project sums up the commitment of Telecom Italia to Italian schools.

As the ultimate place of learning, schools have to open themselves up to digital change. Having an Internet-connected PC in the classroom is no longer enough, teaching and learning methods need to be enriched, teachers and students must be taught to use technologies and make responsible use of the internet.

Telecom Italia has long been committed to making Italian schools smarter. 2015 was an important year because it contributed actively to the achievement of the Buona Scuola [good schooling] plan through the following projects (see more details in the boxes):

- Do it yourself
- Programma il futuro
- YouTeach
- TIMWebRulez





Economic Shared Value

Business Value:

- reach of over 22 million
- 136 press reports
- 233,351 page views
- 185,000 video views

Social Value: 608.000 euros

For additional values generated, see the individual projects

EducaTI

DO IT YOURSELF - Technical applications 2.0

Open source electronics with Arduino and visual programming with Scratch have arrived on the desks of 20 schools in Turin thanks to the Do it yourself - Technical applications 2.0 initiative.

The meeting was held simultaneously in 20 lower secondary schools in Turin and streamed live.

Organised by Telecom Italia, the event involved an introductory lesson to teach 1,000 students basic electronics/making/DIY skills, encouraging them to use the new technologies through a problem-solving and technological creativity experience.

The lesson was split into four parts, which allowed students and teachers to experiment with an example of a simple lesson in electronics.

The schools were supplied with hardware kits and the young people were guided during a practical lesson by a team of specialised teachers, with whom they followed a practical training process and completed the final mini-project.

A few figures relating to the project

- 20 lower secondary schools
- 4 themes dealt in the lessons
- 3 mini-projects carried out in class

EducaTI

Programme the future

The way in which digital natives approach new technologies involves a change in learning processes and educational paths. New media are increasingly becoming an unavoidable dimension for young people from their early years of life. However, ease of access, product and publication of content are not always accompanied by cultural growth, a capacity to reflect and critical skills.

Educating young users, responsible and aware of the new technologies, but also reinventing the way they study thanks to the web, experimenting a new way of being at school that combines studying and playing, it is essential for today's children and teenagers.

Italian schools have prioritised the teaching of IT as a purely technological discipline, necessary for the development of specific professional skills. Other European Countries have acted differently, and particularly the United States, with its enormously successful Code.org initiative, which set up the site of the same name.

Furthermore, as the reference partner for the project, to mark the European and world coding days, the Group organised two special project promotion initiatives, involving over 230 schools across Italy, in over 30 cities, amounting to 750 classes and 19,000 pupils in total, all of them simultaneously involved in the hour of coding.

A few figures relating to the project

- 370 schools involved as of 31/12/2015
- 1,871 classes planned
- 47,000 students involved
- 282 colleagues involved

YouTeach

YouTeach is a creative competition run by the Group with the Italian Ministry of Education, which resulted in the production of a video in which students gave lessons to their teachers on the use of social networks.

The classes involved had to prepare and film a lesson, using a smartphone, lasting no longer than five minutes, on the responsible use of Facebook, Twitter, Instagram or YouTube.

The Contest rewarded the films received which best conveyed the learning process of the social tool and its value as regards the digital culture to be disseminated at school.

A few benefits of the project

- highlight the benefits and advantages of using social networks and the internet in general;
- facilitate and contribute to disseminating positive opinions of the internet, as a good practice driver and accelerator;
- build awareness of a more informed use of the internet, involving students and teachers;
- encourage and offer young people creative and virtuous opportunities in using the internet;

A few figures relating to the project

- 100 video presented
- at least 2,000 students involved
- 100 teachers interested

TIMWebRULEZ

TIMWebRulez: is a digital education campaign starring ten webstars who will be the ambassadors of the booklet developed in collaboration with the National Police to disseminate the responsible use of the Internet among teenagers. The TIMWebRulez website also offers a section dedicated to scientific reflection on Internet safety topics: ten real cases, news events, each linked to one of the ten rules, commented by experts from the Postal and Communication Police and the Minotauro Institute of Milan.

Research presented last September at the international “Global Trends in Online Safety” conference run by FOSI, showed that in only 55% of cases do parents advise their children on how to manage their privacy online, while at school on 33% of teachers discuss Internet security with their pupils. Another research project entitled *La bruttezza immaginaria* [Imaginary ugliness], supported by the Telecom Italia Foundation and carried out by Professor Gustavo Pietropolli Charmet, also highlights a problem among teenagers that pushes them to isolate themselves, therefore staying away from the places normally frequented by their friends, and to immerse themselves in a virtual dimension characterised by the excessive use of new technologies.

This leads to the growth of phenomena like cyber-bullying, the creation of violent contents, messages of hate and racism, as well as aggressions, which increased from 39% in 2010 to 55% in 2014.

It is therefore fundamentally important to promote awareness-building campaigns that contribute to promoting good practice and virtuous behaviour on the Internet.

A few figures relating to the project

- reach of over 14 million
- 11,000 shares
- 178,000 likes
- 77,000 pages visited
- 4,000 young people registered to take part in the competition



TIM College

Economic Shared Value

Business Value: 442,426 euros

Social Value: 121,300 euros

The TIM College offer expresses the commitment to bring technology into Italian schools. The offer is aimed at people under thirty and is intended to boost digital schools, providing a sound instrument to help young people in their training and studies.

The Company was the first to launch an offer dedicated to students in May 2014, across the whole of Italy. The offer was subsequently relaunched in May 2015, introducing new content useful for students and changing the associated tablet. The current offer includes a Samsung Galaxy A Tab 9.7" LTE, with 4G connectivity, a data traffic bundle of 5 GB per month and a series of educational contents in digital format for young people between the ages of 14 and 18, including an English, French, Spanish or German language course and a maths course, both lasting for 30 months. The offer is completed by 21 classics of Italian literature, 3 manuals, a 50 euro voucher to buy digital school books at scuolabook.it and access to the Oilproject learning platform.

A few figures relating to the project

1,992 packs were sold in 2015 which, added to the previous ones, amount to a total of 5,300 customers, providing revenue of around 540,000 euros. The offer resulted in the distribution of 5,300 tablets, promoting the digital inclusion of students and an approach to a new way of studying, particularly thanks to two elements: the ability of equipment to support innovative 4G LTE connections; the included traffic data of 5 Gb per month.

The Company included a great deal of content for study and learning in the bundle, in order to boost digitisation in schools starting from students.

The adoption of digital text books not only promotes digitisation in the schools, but has also resulted in around 2,885 tonnes of paper being saved, with a resulting reduction in CO₂ emissions from paper production, and a saving of about 87,000 tonnes of water.

Customer interest was confirmed by a sign-up rate of 40%, which is a high level compared to data recorded for other similar offers.

Data at a glance:

- 442,426 euros of revenue resulting from the initiative
- 5,300 tablets distributed
- 90% reduction in the weight of backpacks
- 2,885 tonnes of paper saved
- 87,000 tonnes of water saved thanks to the purchase of digital school text books
- 121,300 euros distributed to customers

Digital school methodology

The Business Value is Telecom Italia S.p.A.'s revenue from TIM College offer.

The Social Value, which amounts to 729,300 euros, consists of the following:

- 608,000 euros: investments made by Telecom Italia to support the project EducaTI.
- 121,300 euros: value of an average bonus (first and second version of the offer TIM College) of 60.89 euro multiplied by the 1,992 students who have benefited from it.



PARTNERSHIPS WITH SCHOOLS AND THE ACADEMIC WORLD



Scenario

For a long time now we have been living in a “knowledge society” where knowledge is assuming a central role in economic, social and political terms, constantly fed by research and innovation. Universities are required to promote the direct application, enhancement and use of knowledge generated by training and research by collaborating with businesses and other local actors.

With this in mind, Telecom Italia has launched a new relationship model with leading universities and national and international research centres, which focuses on enhancing talent and developing key skills to transfer innovation to the Company. The goal is to strengthen the Company’s ability to innovate while at the same time contributing to the development of research and the training of young people together with schools and universities to contribute to bridging the gap between the skills required by the world of work and the education and training provided.

School and Business are two fundamental levels for economic development in a period of economic difficulty and transformation.

The “TIM-Network Scuola Impresa” project, sponsored by the Italian Ministry of Education, was set up in 2009 to transfer key skills, scenarios and evolutionary trends in the sector to students, promoting the image of the company across the country and enhancing the Company’s skills by promoting its dissemination externally.

Seven editions of the TIM Network Scuola Impresa Project were carried out between 2009 and 2015, with the annual involvement of 35 schools and as many teachers from Telecom Italia.

With regard to cooperation with universities, we would highlight:

- the funding of scholarships to encourage young graduates to study for post-graduate qualifications: 131 doctorate scholarships were assigned between 2011 and 2015, dedicated to the development of specific company research projects. For the 2015-2016 academic year, another 40 doctoral scholarships have been envisaged;
- collaboration with postgraduate study courses via the funding of 4 Master’s courses on subjects closely linked to business;
- a permanent national and European observatory on issues connected with digital innovation, job evolution and the respective skills for the development of new skills for young people;
- sponsorship for the “Tim Chair in Market Innovation” as part of the multiannual collaboration with Milan’s Bocconi University.

Telecom Italia’s collaborations with schools and universities play a full part in the activities and projects the company implements to create shared value for the business and society, strengthening the link with the local productive fabric. These



partnerships in fact boost local economic and social development and contribute to training personnel with specific skills in areas of interest to the company.

A few figures relating to the project

- 45 universities with which the Group has implemented partnerships
- 171 three-year doctorate scholarships funded (27th - 31st cycle)
- Over 1,000 hours of training provided by Company experts in 2015 in the academic and educational field
- 40 thesis writers managed in 2015
- around 56 interns in 2015
- around 2.3 million euros invested in cooperation projects with Universities in 2015

Methodology

The Social Value consists of the investments made by Telecom Italia to support the project.



PAPPANOINWEB



Scenario

Officially founded in 1585 and transformed over the centuries into a modern and internationally acclaimed symphonic and concert institution, the National Academy of Saint Cecilia in Rome combines an academic body of 100 members, which includes the most illustrious exponents of musical art and culture, with a symphony orchestra and choir among the most renowned internationally, while preserving an immensely rich historical heritage, reflected in its centuries-long history.

The PappanoinWeb project stems from the consolidated partnership between Telecom Italia and the National Academy of Saint Cecilia. A partnership created to promote culture by making innovative use of the Web, encouraging the dissemination of high quality content and the socialisation of classic artistic experiences, involving audiences and innovative content distribution channels. The internet and the increasing spread of connected mobile devices like smartphones and tablets are transforming the cultural experience, partly transferring it from offline to online (digital goods and services) and partly increasing the traditional ways in which venues, content and works are used.

Since 2011, the Group has been interacting with internet audiences to share the cultural values of the country, including classical music. All the concerts are streamed live and made available on demand on the telecomitalia.com/pappanoinweb website, where dedicated listening guides and further information are available. The project is aimed both at young people, allowing them to approach and appreciate cultural themes like classical music, and the not so young, who, attracted to the internet by cultural content of interest to them, gain familiarity with digital technologies, understanding their potential.

The 2015 edition of PappanoinWeb was split into 4 events with the live involvement of the Web audience, who used the dedicated live chat to share their excitement and interest on social media. Over its five-year programme, PappanoinWeb has been followed by 200,000 users connected by streaming, generating considerable interaction on social media.

In 2015, the online user experience was further enriched by new viewpoints thanks to the new 360° panoramic filming technologies. The over 60,000 “360° spectators”, in addition to the streaming users, who used the appropriate App, demonstrate that this innovation was welcomed with great interest.

A few figures relating to the project


- 5,226 streaming users (live and on demand)
- 200,000 streaming users (live and on demand) from 2011 to 2015
- 60,174 streaming users (live and on demand) “360 panoramic”

Methodology

The Social Value consists of the investments made by Telecom Italia to support the project.



TIM TEC




Social Need
Education and training


Risultati

- ▶ 16,626 students enrolled
- ▶ 17 courses published in December 2015 (24 published courses are planned by the end of February 2016)
- ▶ 20,000 students reached
- ▶ partnerships with 15 Brazilian federal institutes
- ▶ 7 MOOC platforms already published in partnership with federal institutes

ECONOMIC SHARED VALUE

Social Value: 

- ▶ 7.8 million reais (over 1.8 million euros)
- ▶ reduced environment impact: reduced CO₂ emissions thanks to the fewer journeys made by students

Business Value: 

improvement in reputation; over 50 press reports.

Scenario

One of the priorities of the Brazilian government is to increase the availability of professional and technological education courses. In 2011, the government launched PRONATEC - National Programme for Access to Technical Education and Employment – on which 6 million people are currently enrolled. One of the initiatives of PRONATEC is the e-TecBrasil Network, which provides free technical and distance learning courses.

The TIM Institute, which shares the same ideas as PRONATEC, has created TIM Tec, a distance learning platform that uses the MOOC (Massive Open Online Courses) concept. These courses, which are provided and made available for free on the platform, are intended for students attending high schools and technical colleges.

Anyone can enrol on the courses, which teach programming languages and how to create databases, websites, games and many other things. There are also courses for primary school teachers and others intended to improve the skills considered to be basic for the training of any professional, such as how to write well.

The technology and content of the TIM Tec platform are shared with the Federal Institutes of Education, Science and Technology, with the support of the Department of Vocational and Technological Education of the Ministry of Education (SETEC/MEC).

The source code of the system developed for the platform can be downloaded on GitHub, thus allowing teaching establishments to use it free of charge and adapt it to their requirements. The TIM Institute supports the Federal Institutes in the process of installing and using the platform.

The first pilot course was organised for students from the Cultural Training Centre of the City of Tiradentes in São Paulo and the Sul-Rio-Grandense Federal Institute (Ifsul).

With TIM Tec, the TIM Institute has confirmed its commitment to vocational and technological education in the Country thanks to an investment of around 8 million reais in the 2013-2015 period for the implementation of this project.

Methodology

The Social Value, which amounts to 7.8 million reais, consists of the following:

- 5.8 million reais: estimated from the hourly average cost of online education courses multiplied by the duration of a TIM TEC course (40 hours) and by the number of registered students.
- 2 million reais: investments made by Instituto TIM to support the project.



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 2015-2017 is the natural evolution of the radical review of activities and processes that involve the staff, from management to training, remuneration to organisation, which resulted in the definition of nine inter-departmental working groups ("Workshops") established in 2014. In 2015 the results of the Workshops that had concluded the planning stage and started the operational stage were implemented and a further two Workshops were launched¹. Thus in 2015 the initial tangible results were recorded of the work of over 200 colleagues 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. DEVELOPMENT MODEL	2. NEW CAPABILITIES	3. 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. IDENTITY	5. PAYING FOR VALUE	6. PROCESS DESIGN AND FUNCTION
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. MANAGEMENT MODEL	8. TOTAL REWARDING	9. NEW 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

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.

¹ Management Model and Total Rewarding Model.



[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; Human Rights Policy of the Group; 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, such as the training targets and in particular those relating to training on health and safety, and accident containment related targets.



CONCISE FIGURES¹

[G4-9] A summary of the numbers relating to the Group people can be seen in the table below:

(units)	31.12.2015	31.12.2014	Changes
Italy	52,554	52,878	(324)
Abroad	13,310	13,138	172
Total personnel on payroll	65,864	66,016	(152)
Agency contract workers	3	9	(6)
Total personnel	65,867	66,025	(158)
Non-current assets held for sale - abroad	16,228	16,420	(192)
Total	82,095	82,445	(350)

Excluding personnel concerned with non-current assets held for sale (Telecom Argentina Group) and agency contract workers, the Group's workforce has decreased by 152 units compared to December 31, 2014.

These changes are due to:

- entry into the scope of consolidation of the company Alfabook (17 people);
- net turnover (net of changes to scope) down by 169 units, as detailed below by individual Business Unit:

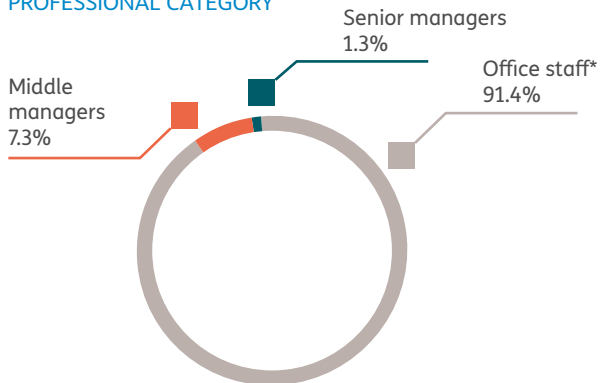
(units)	Recruited	Departed	Net change
Domestic	823	1,151	(328)
Brazil	3,918	3,717	201
Media and others	4	46	(42)
Turnover	4,745	4,914	(169)

<i>Turnover: detail by BU</i>	Recruited	Departed	Internal transfers Group +	Internal transfers Group -	Total change
Domestic	350	710	473	(441)	(328)
Brazil	3,918	3,717			201
Media and others	3	13	1	(33)	(42)
Turnover	4,271	4,440	474	(474)	(169)

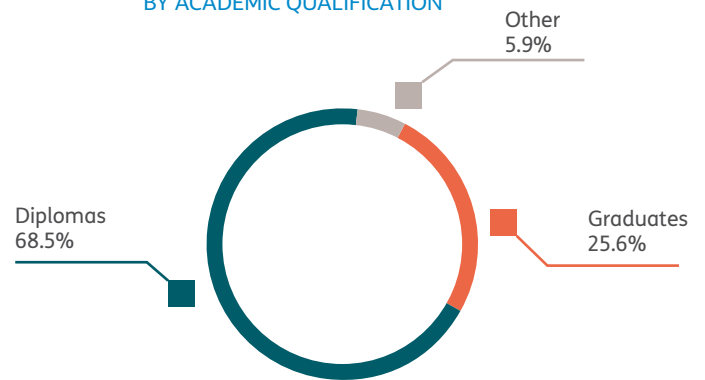
¹ Unless otherwise stated, the data shown in the tables contained in the *Telecom Italia people* chapter relate to all the Telecom Italia Group companies (see *Note on methods*).

The people in the Group, net of “Non-current assets held for sale and temporary contract workers”, can be broken down in various ways:

TELECOM ITALIA GROUP: EMPLOYEE DISTRIBUTION BY PROFESSIONAL CATEGORY



TELECOM ITALIA GROUP: EMPLOYEE DISTRIBUTION BY ACADEMIC QUALIFICATION



* inclusive of one unit belonging to the professional category "workers "

Distribution of employees and new employees by geographic area

(units)	31.12.2015	31.12.2014	31.12.2013	Change (15/14)
Italy	52,554	52,878	53,152	(324)
Abroad	13,310	13,138	12,467	172
Total	65,864	66,016	65,619	(152)

(units)	31.12.2015	31.12.2014	31.12.2013	Change (15/14)
Italy	325	575	410	(250)
Abroad	3,946	5,224	4,901	(1,278)
Total	4,271	5,799	5,311	(1,528)

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 around 8% in 14 years, and on a Group level, in this same period, by around 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

	31.12.2015	31.12.2014	31.12.2013
Men < 30	0	0	0
Men 30 -50	2	4	1
Men > 50	9	4	9
Women < 30	0	0	0
Women 30-50	1	0	0
Women > 50	5	5	1

[G4-LA12b]

Members of the Group's professional categories by gender and age

	2015				2014				2013			
	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	700	3,518	37,507	41,725	733	3,459	37,616	41,808	744	3,387	37,244	41,375
Women	145	1,267	22,727	24,139	135	1,254	22,819	24,208	132	1,201	22,911	24,244
Total	845	4,785	60,234	65,864	868	4,713	60,435	66,016	876	4,588	60,155	65,619
Up to 32 years	0	22	9,899	9,921	0	22	10,600	10,622	0	31	11,022	11,053
From 33 to 45	87	1,081	18,016	19,184	113	1,271	19,823	21,207	133	1,375	21,552	23,060
Over 45	758	3,682	32,319	36,759	755	3,420	30,012	34,187	743	3,182	27,581	31,506
Total	845	4,785	60,234	65,864	868	4,713	60,435	66,016	876	4,588	60,155	65,619

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.



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 peacefully 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 2015, under the scope of “Work-life balance” were:

- 20 nurseries: in addition to the 9 Company nurseries (in 8 cities), 11 discount agreements were signed with an equal number of external nurseries and a Company kindergarten was opened in Rome;
- 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);
- 40 summer camps for employees’ children (8,000 teenagers);
- mobility management to assist people with commuting between home and work through car pooling, company shuttles and bicycle racks at the offices;
- motivational initiatives relating to sport, art, culture, entertainment and events working with several different company departments, most of which are sponsored by the Company. In 2015 over 14,000 tickets and invitations to exclusive areas were assigned;
- Talent Days: to support young people in the challenging task of gaining familiarity with job seeking techniques, Telecom Italia and the company HRC Academy worked together to organize 13 orientation days in 10 different Italian cities, which saw the participation of around 360 children of employees;
- orientation webinar for employees’ children: the Group signed up to “Push to open”, a programme that introduces teenagers to the world of work through direct and interactive discussion with professionals and experts from companies and testimonies from young people in online mode through webcasts and interactions with social networks. The webinars, which started in November, envisage the involvement of 200 teenagers.

In order to contribute towards volunteering initiatives taken by employees, 2015 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 Italia Blood Donors Group: 70 blood donation days were organised;
- 210 “*banchetti della solidarietà*” (solidarity stalls) were set up by charities in company premises, with the involvement of employees;
- at the beginning of 2015, the “Programma il Futuro” [Future Programme] was launched by the Ministry of Universities and Research to promote the introduction of computer programming in primary schools. The initiative is being implemented by CINI (Consorzio Interuniversitario Nazionale per Informatica - National Inter-University Consortium for Information Technology) and Telecom Italia is the “sponsor” partner. For this project, Telecom Italia provided volunteers from among its staff (around 400 colleagues) to work in particular in classes that request their presence within the area where the applicant lives or works;



- volunteering campaign organised for Expo 2015: around 80 local colleagues worked on a voluntary basis for one day within the exhibition area; similarly, around 100 parents and adult children of employees collaborated for two weeks in the month of July.

In 2015, 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 January the TIM Factory was opened in Rome. It is a physical as well as conceptual place dedicated to sharing views which, almost every day, hosts various types of events on diversity: book presentations, training, working groups, performances, and seminars. It is also a site where programmes and memorandums of understanding with the local authorities and municipalities can be arranged. During the year over 60 diversity events were organized;
- in September the e-learning module “Managing disability” was set up for disabled people to improve how disabled employees are handled;
- in October the classroom training plan “IDEA-Factory” kicked off, aimed at all managers of People Value;
- in November we launched an active learning module involving 15 colleagues considered to be “talents” who will aim, in 6 months, to produce ideas and projects specifically about ageing, one of the most critical diversities for Telecom Italia;
- the “TIM Diversity Week” was launched from 16-20 November with its calendar of over 80 events (online and live) entirely conceived, planned and implemented by the Group’s personnel in 10 cities and many different locations.

The results of this work can be seen:

- ◆ internally, in increased participation, collaboration and organizational citizenship;
- ◆ externally, in the recognition of the value of the programmes launched even through the prizes received, the last of which was the “PARKS Award”: Telecom Italia came first in the LGBT¹ Diversity Index, the first benchmarking tool in Italy for company policies and practices implemented for LGBT employees. The index used a questionnaire to evaluate and promote company activities aimed at creating an inclusive and respectful working environment: from the involvement of management to benefits and permissions extended to same sex partners, from staff training to internal and external communication;
- in the “age diversity” field, in order to ensure the full integration and promotion of the skills of senior employees within the Company and overcome age-related stereotypes, four “Comparing Generations” role model meetings were organised in the cities of Rome, Ancona, Potenza and Genoa (in addition to the two held previously in Milan and Naples) involving 360 employees;
- in collaboration with other companies, three “Welfare Labs” were organised: Parental Leave Management, Remote Working, Welfare plan and Taxation.

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), 420 employees, by telephone or email, have enquired about the operation of the service. In total 370 people have used the PCC:

- 300 have started a counselling process;
- 70 company cases have been referred to the Head of People Caring Department and taken under the care of the People Value Department.

Initiatives with a specific focus on disability were organized aimed at improving inclusion in the work and social life, such as:

- a policy that provides for the mandatory adaptation of the workstation, be it fixed or mobile, of disabled workers;
- the Comunico-IO project – aimed at promoting communication between the hearing impaired and other employees, improving their ability to operate fully independently using state-of-the-art technological tools – has enabled deaf people at Telecom Italia to integrate into the most advanced working processes thereby giving rise to the Deaf Database Project which involves using these resources as part of the Database department;

¹ Lesbian, Gay, Bisexual and Transgender.



- communication: each e-convention is also available in a sign language version; the new videos published on the Intranet are always subtitled; the events attended by deaf colleagues live (including training) always include the presence of an Italian Sign Language (LIS) interpreter; email addresses for deaf colleagues are being activated to allow them to communicate with the main company services (ASSILT, Telemaco, CRALT);
- #wcap: our Working Capital accelerators host various start-ups dedicated to disability: Marioway (which has patented an innovative means of transport for disabled people), Padius (a communication service for deaf people), Horus (which is designing a device that can be applied to all types of glasses to assist blind and visually impaired people in performing their daily activities)

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 2015, the association disbursed refunds totalling approximately 53 million euros (around 600,000 cases). As of December 31, 2015, the Association had 149,000 members, including 50,000 employees, 33,000 pensioners and 66,000 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, 2015, the Association had 3,500 members in service or retired, in addition to family members, making a total of more than 7,700 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. On 31 December 2015 there were around 39,600 subscribing employees of Group companies, around 59,300 total subscribers, and 178 associated companies.

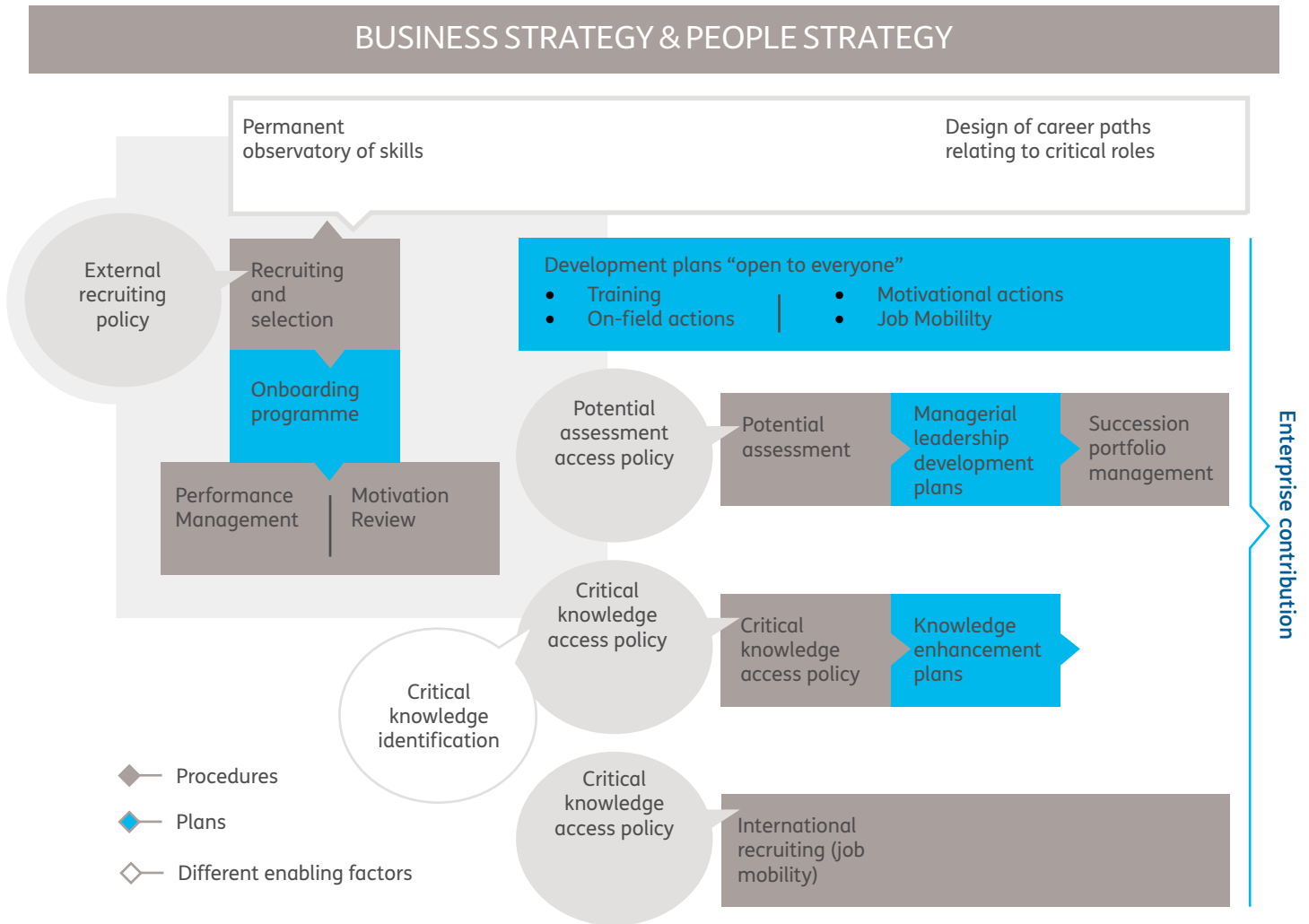
CRALT is the recreational club for employees of the Group and organises sight-seeing, sports, cultural and recreational activities for its members, employees, pensioners and their families. By entering into specific agreements, CRALT also allows members and their families to purchase goods and services 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, 2015, there were 44,174 members, including 37,772 employees and 6,402 pensioners. In 2015, CRALT made an average contribution of 15% to the cost of activities for the benefit of its members, as it did the previous year.

[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

[G4-LA11] 2015 was dedicated to the detailed planning, implementation, measuring and refining of various processes and tools of the new Development Model, defined as part of the People Strategy Workshops.



The Telecom Italia development model

Through the integration of all the assessment processes (recruiting, performance, potential, motivation, knowledge), the model aims to ensure accurate knowledge of people in order to create individual development plans fine-tuned to the characteristics of each person and aimed at managerial and professional improvement and growth.

The model mainly focuses on the following areas:

- **Recruiting and Selection:** in 2015 the new Internal and External Recruiting procedure was issued, aimed at integrating the processes for the internal and external scouting of professional and managerial skills. In this respect, one of the most important features introduced as part of the process is the creation of a "control room" set up to ensure the end-to-end supervision of the entire job mobility - both internal and external - in accordance with clearly defined and communicated rules. Finally, the internal managerial recruiting process was systemized. The re-engineering of the process also included redefining the means of support and the evaluation steps differentiated by target and skill



type. A Permanent Skills Observatory will provide updates on the development of skills through a methodological platform driven by a series of inputs from both within the organisation (e.g. Strategic Plan, Technological Plan, People Strategy) and from the external world through an international network of experts in various subjects. The definition of the development of new capabilities has, moreover, made it possible to work in a targeted and systematic way on the employer branding initiatives and on the partnerships with the world of education and academia in order to steer the training investments so they fit with the company requirements. In this respect, 60 training internships and 78 employer branding initiatives were set up in 2015, which were attended by over 8,000 young people from secondary schools and the academic world. With regard to Internal Recruiting, 58 professional profile searches were carried out through job posting, which led to a pool of over 2,400 applications being received from professionals motivated to increase their employability.

- **Onboarding programmes**, introduced to accelerate the “time to perform” of people joining the Company, encouraging engagement and motivation, which are basic elements for an enduring relationship.
- **Individual Performance Feedback: [G4-LA11]** completed in the first half of 2015, it was aimed at non-managerial staff and focused on providing feedback on 2014 performances. The process focused on performing a qualitative assessment aimed at identifying areas of strength and improvement, as well as helping employees to enhance their performance through an open discussion with their manager. The process was completed in May 2015 and involved around 47,900 non-managerial staff from the Group, with a 99.8% coverage of domestic resources.
- **Performance Management: [G4-LA11]** in March 2015 a new performance evaluation process (objectives and behaviours) was launched, aimed at the entire company population: managers, professionals and employees.
- **Development plans “open to everyone”**: a sort of web-based book has been designed which, based on people’s performance results, motivation level and professional history, helps managers to define the specific individual development plan for each collaborator, alternatively made up of motivational, on-field and job rotation training. The book will be operational from the end of the first quarter of 2016.
- **Potential Assessment System**: the methodology has been simplified on the one hand with the definition of clearer and more transparent process rules, and on the other differentiated based on the different types and opportunities for managerial growth in organizational terms. With a view to transparency and engagement, the entire pre- and post-assessment process has also be redefined up to the preparation of a development plan and the monitoring timing and procedures.
- **Succession Planning**: the process for defining the Succession plan for Executive Directors has been reviewed, and the process for creating and managing the Succession Planning Charts of Top Executives has been consolidated. In 2015 the first evaluations cycle was completed at Group level which, in addition to the first tiers to the Executive Directors, involved a managerial population selected on the basis of specific criteria (relevance of role, professional seniority, performance trends, estimated readiness). The assessment process results analysis led to the definition of an improvement programme divided into different lines of actions and geared towards risk reduction.
- **Managerial development policy**: a new policy for appointing management was drawn up. From this year, based on testing carried out last year, a set of standard criteria will be used which allow comparisons with the outside world to be made, even at international level.
- **Career paths**: a model has been designed to outline structured career paths that target the critical managerial and professional roles, in coherence with the strategy of the organization, encouraging the professional and managerial development of personnel.
- **Motivation Review**: a new process has been designed, aimed at detecting the motivational level of people through the multi-assessment and self-assessment tools of the manager. These tools will be validated on a sample of Telecom Italia representatives, in collaboration with “La Sapienza” University of Rome. The results will integrate the Performance Management data, representing a key component of knowledge of the people in order to carefully steer the professional and managerial development plans and maximise the investment choices in career terms. The process will be operational from 2016 and will take place every two years.



- **Knowledge Review:** a new process has been designed, which is intended to make the most of the knowledge in the Company. The knowledge assessment, which assesses technical knowledge of one's role for the entire company population, and the knowledge risk analysis, aimed at people who hold professional roles defined as critical, will be used to identify the Knowledge Holders. Knowledge Holders are critical for business and essential for the operation of the core processes of the Company. This process underlies the professional career, which provides specific development paths for the Knowledge Holders. The process will be implemented in 2016 and will take place every two years.

Brazil

In 2015 four main programmes were implemented in TIM Brasil which had a great impact on people, in coherence with the organizational changes and the competitive positioning on the market:

- **Skills Model:** after having defined the new company values and issued the new strategic plan, TIM Brasil adopted the same Skills Model as the Group, focused on a process of selecting the people most geared towards meeting the company requirements. This model is based on professional training and performance measuring, which is useful for the development and remuneration of people.
- **Performance Evaluation:** **[G4-LA11]** in 2015 the performance evaluation process was implemented according to a methodology that also included, in addition to the direct manager's assessment, a self-assessment, a peer evaluation and a collaborators' assessment¹.
- **Career paths:** moments for ad hoc research of career paths were set up to stimulate people to contemplate the role held, encourage engagement and facilitate a pro-active attitude in order to define an individual development plan.
- **Culture:** in the belief that the corporate culture is closely linked to company performance, for the first time, in 2015, an analysis was carried out to assess the type of culture existing at TIM Brasil, with the aim of identifying the behaviours suited to achieving the company objectives. The results of this analysis led to the drafting of a three-year Cultural Development plan to spread the most suitable values and behaviours throughout the Company.

¹ In Brazil, assessment campaigns are repeated each year, involving all employees who have worked at least 149 days in the company. In 2015 the assessment process was completed with 96% coverage. For the call centre operators, performance is assessed by means of an ad hoc programme.



COLLABORATION WITH UNIVERSITIES, TRAINING AND KNOWLEDGE MANAGEMENT

Telecom Italia has further strengthened its relationship with leading universities and national and international research centres, focusing 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:

- collaboration with secondary schools as part of the "School Business Network" project, which was launched in 2009 with the aim of creating a structured relationship with high schools, particularly in order to enhance the skills within the Group, get in touch with young people across the country and promote the company's image;
- financing of scholarships to help young engineering and economics graduates achieve a postgraduate qualification: from 2011 to 2014, 131 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 2015-2016 academic year, another 40 doctoral scholarships are envisaged;
- collaboration with postgraduate study courses by organizing 5 Master's courses closely linked to business;
- 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.

[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;
- increase digital skills and social collaboration also to support the evolution and digitisation of the national system;
- lower the environmental impact of training activities through the use of e-learning solutions which reduce CO₂ emissions. These formats also represent the Group's commitment to enhancing the quality of life of its employees and contributing to the correct balancing of their personal and professional lives.

[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 Company².

In Italy, the main training programmes implemented in 2015 fell into the following main groups:

- *Management education*, involving around 1,400 Group managers. The programme was set up to support the Business Plan by disseminating and strengthening agreed forms of leadership behaviour. The main projects are:
 - ◆ individual and collective coaching path for executive management, launched in 2014 and concluded at the start of 2015;
 - ◆ ALP "Action Learning program" project for around 140 senior managers, aimed at stimulating networking and idea generation on business topics. The project was started in 2014 and concluded in 2015. From 2015, 3 strategic

¹ 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.



- projects that emerged from the working groups are in progress;
- ◆ “SALP training programme: Social Action Learning Program” with the aim of acquiring know-how and methodologies relating to some business challenges, stimulating inter-departmental work and networking and generating innovative solutions for the Company. SALP provides a social working method in line with the new digital methodologies increasingly found in education programmes. The programme will continue even in 2016 and will involve around 600 managers;
 - ◆ online library which allows all managers to benefit from videos, webinars and materials from national and international speakers on business, finance, technology and leadership topics.
- *The training plan on New Development, Leadership and Performance Management Models*, aimed at all people in the Group and divided into different initiatives that aim to increase knowledge of the change introduced by the New Models (see *Development and new skills* paragraph), to promote the culture necessary to guide behaviour and to reinforce the maturity of the assessment. In particular, the “3L Model and Performance Management” training programme was launched in May for managers and team leaders (around 4,200 people), as was “FIT - Future in Training”, aimed at the entire population of professionals and employees (around 47,000 people). See boxes on pages 171 and 172. *Induction training*, a programme that forms part of the Onboarding project (see *Development and new skills* paragraph), aimed at people who join Telecom Italia from the external market or from companies of the Group, aimed at speeding up professional growth and the consolidation of skills through a gradual inclusion route. In 2015, 3 new editions were launched and around 250 people were involved.
 - *Space for growth*, a programme designed to offer support to much of the company’s workforce by strengthening specific behavioural areas: communication, change, team work, systemic problem solving, a focus on results, negotiation, planning/organization, innovation/creativity and coordinating resources.
 - *Post skill assessment training*, which includes training aiming to update competences and develop new skills.
 - *Talent In Action*, a development and training project intended for one specific segment of the population of around 1,000 people, which seeks to define individual action plans. A structured training offer tailored to the needs of individuals, consisting of around 80 different initiatives, has been defined as part of this project. The activities started in November 2014 and will continue throughout 2016.
 - *Professional retraining*, a series of training activities aimed at redeveloping people’s technical and specialized skills and at achieving efficiency and savings. One example is the “Single Front End” in the Network context, where training accompanied the complex transformation of the Front End ensuring the operating effectiveness of people also by measuring the effectiveness of the training itself.

As regards the obligations involved in the implementation of company prevention and protection measures deriving from current regulations, a series of actions were taken in keeping with previous years aimed at ensuring the protection of all professionals that make use of the workplaces of Telecom Italia.

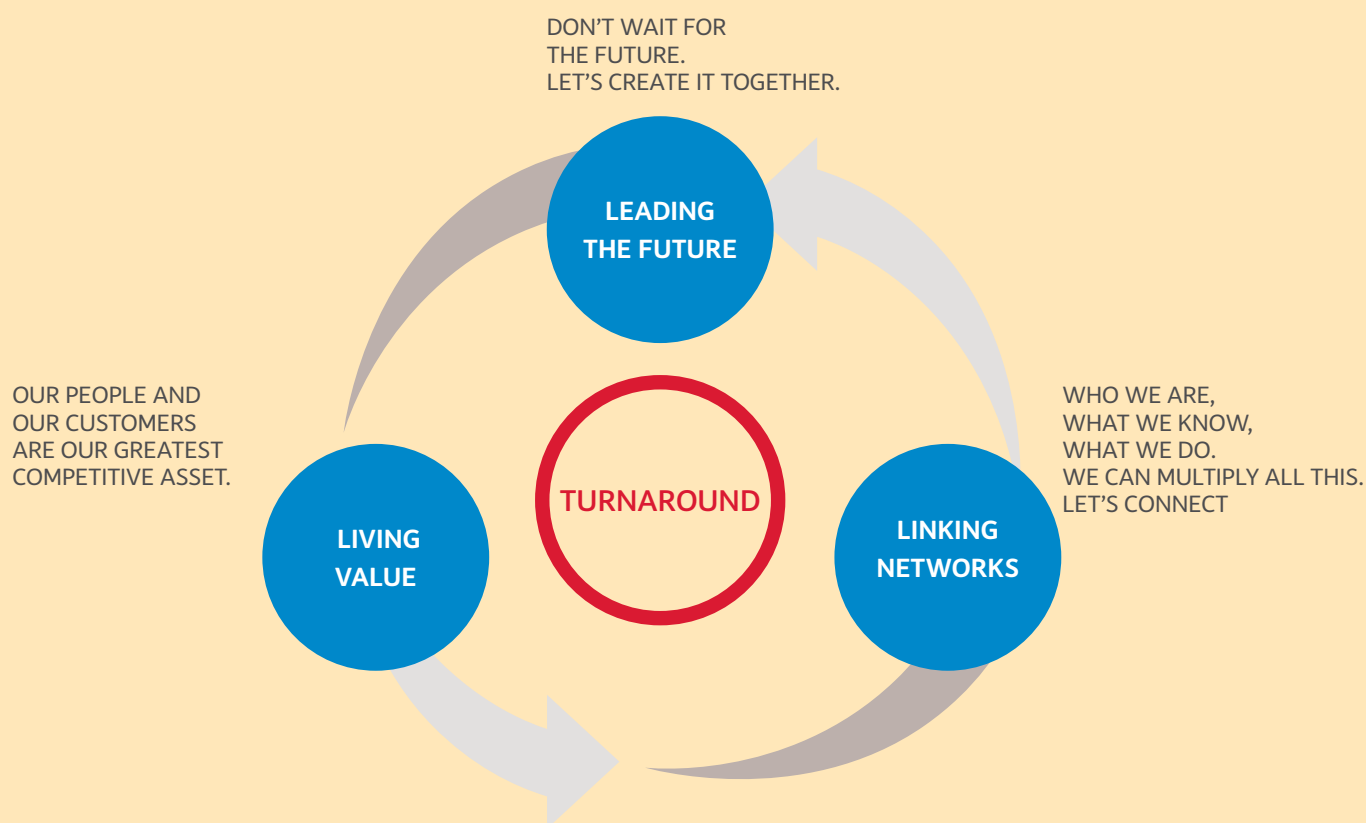
The Compliance department involved different company departments in specific days referred to as “Compliance Days”, as well as in different cross-group training actions on Sarbanes-Oxley-Act, 231 Organizational Model and Databreach Procedure issues. The “competition compliance” programme was launched in the second half of 2015, which will also give rise to a specific training course on the topic it will focus on for the whole of 2016.

THE TELECOM ITALIA LEADERSHIPMODEL

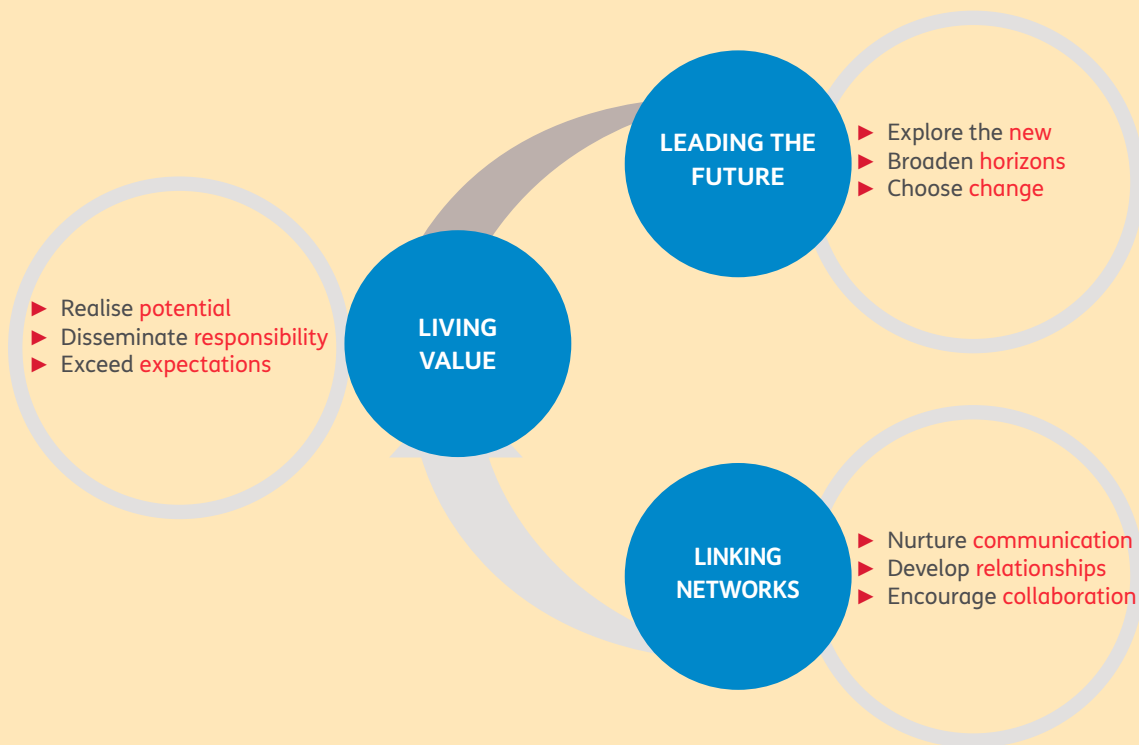
The idea on which the Model is based is that leadership can be spread, i.e. can be exercised by everyone in relation to their activities. The Model therefore targets the whole of the company population, so as to allow everyone to contribute towards the major, necessary evolution of skills, in order to 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:



The 9 skills, translated into observable conduct, were included in the performance management system. 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.



[G4-HR2], [G4-HR4], [G4-HR5], [G4-HR6], [G4-HR7] Finally, an online course on respect for Human Rights, linked to the publication of the Human Rights Policy in the Group, was made available to all employees of BU Domestic; the same course, in the local language, will be extended to the employees of BU Brazil in 2016.

In 2015, in Brazil, the training mainly concerned compliance with the Code of Ethics and 231 Organisational Model, rules relating to health and safety at work and privacy matters.

Telecom Italia confirmed its commitment to the cultural transformation process by launching training courses on Diversity topics: in 2015 around 50 managers discussed the topic of ageing and generational comparison.

In Brazil all new recruits are required to attend training courses on company-wide issues, such as ethics and sustainability. In 2015 as well, 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*.

2015	Hours		Participation ¹	Participants	Coverage ²
	Totals	Per head			
Total	2,498,571	37.94	479,209	58,628	89.00%
Senior Managers	22,113	26.17	3,771	811	96.00%
Middle Managers	107,240	22.41	16,046	3,946	82.50%
Office Staff/Workers	2,369,218	39.33	459,392	53,871	89.40%

2014	Hours		Participation	Participants	Coverage
	Totals	Per head			
Total	3,765,649	57.39	453,188	63,806	97.20%
Senior Managers	23,091	26.36	2,387	675	77.10%
Middle Managers	114,123	24.87	14,214	3,902	85.00%
Office Staff/Workers	3,628,435	60.32	436,587	59,229	98.50%

2013	Hours		Participation	Participants	Coverage
	Totals	Per head			
Total	3,765,649	57.39	453,188	63,806	97.20%
Senior Managers	23,091	26.36	2,387	675	77.10%
Middle Managers	114,123	24.87	14,214	3,902	85.00%
Office Staff/Workers	3,628,435	60.32	436,587	59,229	98.50%

¹ Shows the overall number of participation in training sessions, in the various forms provided (classroom, online, training on the job).

² Coverage 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 linked to respect for Human Rights mainly related to the dissemination of the Group's Human Rights Policy, compliance with the Code of Ethics and 231 Organisational Model (see *Being sustainable at Telecom Italia*), and the rules relating to Health and Safety at work and Privacy matters.

Number of hours of training on human rights¹

	2015	2014	2013
Domestic	253,883	397,414	394,682
Brazil	44,940	-	-
Media	372	950	755

Percentage of employees trained on human rights¹

	2015	2014	2013
Domestic	46.54%	94.12%	94.36%
Brazil	87.89%	-	-
Media	37.50%	93.18%	53.57%

[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. Alongside the more traditional training activities, 2015 saw the continuation 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 model has two key characteristics: it is overarching and innovative. Overarching because it is founded upon the involvement of several company departments based on the principle of competence; innovative because it fosters the generation of new skills and ideas in order to encourage structured involvement, exchange and collaboration with the aim of contributing to the Company's competitive advantage.

¹ As stated in the 2014 sustainability Report, the disclosure of this information in the Brazilian BU started in 2015.



INTERNAL COMMUNICATION

The path taken towards a new internal communication strategy derives from the new reference context linked to the transformation of business models, technologies and consumer behaviours in TLCs. The “conversion” of the traditional channels to more innovative ways of favouring two-way communication inspired by web-centric logic and promoting the exchange of ideas, dialogue and discussion between members of the corporate community has continued. In this respect the intranet and the company portal are fundamental tools for providing information and implementing formal and informal forms of listening.

The specific communication objectives achieved in 2015 are listed below:

- **Communicate the strategy**, in order to share the new Group vision and organic design which supports transformation also through the mobilization and involvement of middle management, which guides the process and engages people.
- **Organisational identity development**, to give substance to the new identity system, in keeping with the renewed positioning and the Group Values, Leadership Model and Employee Value Proposition. See box on page 176.
- **Support the implementation of the People Strategy**, to meet the expectations of the Telecom Italia people and to enhance the skills capital, as well as to motivate the programmes and actions necessary for transformation towards future skills suited to the Company’s business.
- **Engage people**, in order to count on their energy, motivation and creativity, and to encourage “positive telling” and new styles of storytelling (positive teller, Archimedes project, Values contest).
- **Support the spreading of initiatives designed to satisfy people’s attention/well-being requirements**, for a more inclusive and efficient workplace, in line with digital transformation, to promote a work-life balance

Innovative communication initiatives such as the cascade events system, which monitors the participation, satisfaction, contributions and qualitative results of the meetings planned by the system, 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 management meeting of 25 March, targeted at the whole company, has marked the start of an intense programme of the dissemination and communication of the company strategies in order to promote greater awareness of the Business plan: through local meetings around 28,000 people were involved in the presentation of the 2015-2017 plan.
- following the management meeting, a number of “instant events” were organised in the company’s main offices by the team of Positive Tellers, the company’s selected “narrators” trained in using the most innovative visual and social network education techniques to disseminate the main business content, and the campaign to communicate the values of the company was continued. In 2015, 300 positive tellers informed 4,000 colleagues through 100 instant events held in 31 locations;
- between April and June, the Departments involved all their people in meetings led by departmental managers to share ways of implementing the main themes of the business plan in their professional context and realising their commitment;
- 25 managerial meetings of the first lines of business, in 12 cities, many of which were reported on the intranet via the news, documents and video highlights;
- a new Local Meetings format was launched in June, during which the company’s Executive Directors and top management present strategies, plans and objectives to an audience of around 1,000 colleagues at each meeting. Four local meetings have been held since the start of the year in Bologna, Milan, Rome and Naples, which each included a moment of celebration to promote and highlight people and cases of business excellence;
- the road shows across Italy continue to disseminate the 2015-2017 People Strategy programme, formalised in a brochure containing illustrative diagrams and summarised data, published on the intranet and distributed by email to all the Group’s employees.

VALUES



WE ARE RESPONSIBLE LEADERS

We understand that being leaders means looking beyond the horizon of our daily work, sharing knowledge, leading by example, knowing how to be role models.

We agree that being responsible is a personal commitment we must all make, at all levels and for all the many professions in our Company. We choose the culture of inclusion because everyone's contribution, as a person and as part of a team, is an asset for all of us and for our customers. We see discussion as an opportunity for mutual growth and we are committed to fostering continued and constructive dialogue with everyone.



WE WANT TO GROW

We are proud of what we have achieved for the development of telecommunications in our Country. We keep our passion alive and feed our curiosity, remaining open to all the stimulus the world offers.

We want to keep getting better so we undertake new projects with courage and conviction, continuing to devote ourselves with skill and commitment to building the future.

We work every day for the economically sustainable future of our Company.



WE AIM FOR EXCELLENCE

We believe that doing things well is a source of satisfaction.

We aim to make our work excellent as a result of creative drive, constant focus on innovation and solid execution.

The needs of our Customers, People and Organisations form the basis of our decisions. We control our processes to improve the quality and safety of the whole Country's digital experience every day, providing a competent and experienced service, accessible via all channels. We are convinced that everyone's contribution must always serve to achieve an overall result for the whole company, sharing best practice and information.



WE LIVE THROUGH OUR CUSTOMERS

We work to allow people to communicate, making life simpler and filled with opportunities and relationships.

Our experience as women and men of Telecom Italia can evolve, alongside the customer, along a path of reciprocal, care, development and enrichment.

Our expertise and our capacity for innovation find value in transforming technology into services and products that can really improve the lives of our customers. We want to be deeply in tune with the expectations and aspirations of our customers, make their needs, desires and dreams our own, offer an experience of value in the relationship with Telecom Italia.



- in May, August and November three Parli@none events were organised and broadcast online in video-streaming to the whole Company. In these, the company's Executive Directors continue their dialogue with people and present updates on the main economic data for the quarter, celebrate the results achieved, encouraging improvement;
- in 2014 the ninth edition of the climate survey was carried out in Italy and Brazil, involving the entire company population. The 2014 form included a specific section dedicated to identity. The first half of 2015 was dedicated to presenting the company departments with the main results. The departments then devised improvement plans, which are catalogued and stored in a specific web intranet area;
- the listening system has been boosted by focus groups: during the first half of 2015, over 300 employees were involved. These were representative of the workforce as a whole in terms of their gender, geographical presence and organisation.

In Brazil, 2015 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. Moreover, two new listening initiatives have been launched, Fale com People Value and Focus Groups, in order to improve dialogue between the Company and people, understand the expectations of the latter and improve their physical and mental well-being.

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] During the first half of 2015, action regarding health and safety at work was mainly concerned with particular areas of assessment and preventive actions concerning specific professionals in the company's organisation. Constant monitoring in this area led to the release in May 2015 of a new version of the Risk Assessment Document, which reflects the changes made in the previous period.

With regard to risk assessment, particular attention was paid to work-related stress; in February 2015, the third preliminary assessment was completed, conducted in accordance with the INAIL¹ method on the 16 uniform groups of workers into which the company's people were split. The outcome of the risk assessment was that work-related stress was found to be "insignificant".

The path undertaken was appreciated by sector experts and institutions on a national and international level. Telecom Italia has been one of the partner companies of the 2014-2015 "Healthy Workplaces Manage Stress" campaign promoted by the European Agency for Health and Safety at Work. The partnership meant becoming part of a network of businesses that have made available and pooled their experiences and projects thereby helping to create greater awareness of the topic. The campaign officially ended in November 2015.

A noteworthy project, in the context of instrumental measurements relating to the environment and safety at work, involves the purchase of 4 new mobile units allocated to local offices to ensure more detailed specialised support for the company's technical departments, creating local and central roving laboratories to make interventions by the HSE department more effective, and to promote Telecom Italia's focus on prevention and protecting the safety of its personnel and the community by participating in exhibitions as well as cultural and information events.

The Company continued its safety training for all company staff with different programmes based on the risks to which workers are exposed.

Also launched, as they are every year, were the safe driving courses for staff who use company cars.

With a view to promoting the safety culture in all contexts, even the most operative ones, encouraging debate and collecting suggestions for improvement, 46 meetings were held in 2015, called "Safety Moments" where technical experts and managers, in the presence of the Health, Safety and Environment department, addressed topics such as accidents, health monitoring, equipment and PPE²; the discussion provided some helpful insights which will lead to the definition of improvement actions over the course of 2016.

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, Snam, 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.

As part of the actions promoted by INAIL and by the ELIS consortium³, aimed at carrying out practical actions to encourage the dissemination of a security in the workplace culture, Telecom Italia was an active participant at the working discussions that saw two guidelines issued on managing the risk of road traffic accidents with the aim of creating a useful tool for assessing the risks and identifying the necessary prevention and protection measures. The same discussions also identified the guidelines and procedural requirements for managing the supply chain with particular reference to the selection methods, inclusion in registers, as well as the monitoring and evaluation of performances.

With regard to activities intended to raise awareness of health and safety issues in the supply chain as well, periodic audits of the main suppliers continued. In 2015, audits were conducted of all the fixed Network companies, the results of which contribute to determining the vendor rating. Audits were also conducted on major companies operating nationwide in the field of infrastructure maintenance, some mobile Network companies and a sample of additional suppliers of materials and products.

In 2015 two technical meetings were organised involving all the fixed Network companies to discuss specific aspects of safety associated with contracted activities.

¹ Italian national institute for insurance covering accidents at work.

² Personal Protective Equipment.

³ Education, Work, Training and Sport.

Accidents and occupational diseases

Accidents			
	31.12.2015	31.12.2014	31.12.2013
Number of accidents (excluding travel)	554	566	538
Severity index(*)	0.21	0.34	0.21
Frequency rate(*)	8.31	8.96	8.34
Average duration in hours	139.93	131.62	132.83
Unproductivity index(*)	1.42	1.39	1.40
Accidents per 100 workers	1.27	1.30	1.23

- (*)The severity, frequency and unproductivity indexes 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

For Telecom Italia S.p.A., statistical analysis shows a slight reduction in the number of incidents at work that took place in 2015.

Further examination of the indicators reveals that:

- the reduction in the number of incidents and the increase in the hours worked have had a positive effect on the reduction of the frequency indicator and on the ratio of incidents out of 100 workers. The severity indicator also records a downturn on the previous year;
- against the reduction in the number of cases, an increase is recorded of an average event duration in hours.

Details on accidents, occupational diseases and absences required by standard GRI-G4 [] are given in the appendix to this chapter.

The main 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 2013-2015, 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 2015, the occupational diseases reported by workers concerned pathologies relating to the respiratory, musculoskeletal and hearing/voice systems and psychological/psychosomatic illness.

[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.



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 11 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.

In TIM Brasil 27 people are involved in prevention 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.

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, specifying 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 labour¹.

Telecom Italia S.p.A.

The Telecom Italia system of industrial relations is based on participation, which is seen as a value to be pursued in any discussion, not only in negotiations. The year 2015 featured several discussion and information sessions with union representatives in accordance with the established national and local industrial relations structure.

The 2016-2018 Business plan focuses on industrial development and on strengthening the pursuit of technological leadership in the domestic market by increasing investments and building new technology infrastructure networks; important investments in the most strategic sectors for the future business of Telecom Italia, in order to ensure the Company’s commitment to innovation and allow the necessary levels of competitiveness and efficiency to be achieved. The main objectives include equipping the country with a modern new generation network structure, reaching 84% of the population with fibre optics and more than 98% with the 4G mobile network in 2018. Implementing the plan also requires a professional remix to renew the portfolio of skills available and, wherever possible, ensure that high value activities are carried out internally. In discussions held on aspects connected with the employment-related effects, the parties explored every possible solution to

¹ 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.



identify socially non-traumatic instruments that would be economically sustainable for the people working in the Company. In this respect, an agreement was reached in September 2015 that established a course for implementing the plan aimed at achieving operational efficiency while safeguarding jobs.

The instruments identified, which were subsequently the subject of implementation agreements, are:

- solidarity contracts for a period of two years with a commitment to extend it for a further twelve months, in order to allow redundancies to be minimised over the three-year period, particularly through early and voluntary retirement using the other legal tools identified;
- support for early retirement using the voluntary redundancy tool;
- recourse to article 4 of the Fornero law, which allows older workers to bring forward their retirement by immediately receiving an amount equal to the pension accrued until that date (so called early retirement paid for by the Company). The Company will continue to pay social security contributions as well until the actual retirement age is reached;
- professional retraining, in order to allow workers currently employed in areas where efficiency needs to be improved to retrain in order to perform more valuable activities providing medium to long term stability of employment.

In order to lessen the financial hardship caused by the reduction in working hours under the solidarity contracts, which is only partly offset by the INPS contribution, the Company has decided to provide company loans at subsidised rates for employees who specifically request them¹. The ultimate purpose of the operation is to ensure stability of employment at Telecom Italia and therefore protect jobs and improve competitiveness. The agreement also provides for the Company to pay the workers covered by solidarity contracts a one-off sum as a bonus at the end of the solidarity suspension if the overall implementation of the plan has been positive and its objectives have been achieved.

Particularly intensive discussions continued with executive employee representatives, allowing socially sustainable instruments to be identified, in addition to the ones normally available in the Company, to assist with the necessary right-sizing, ensuring it is not traumatic and is able to reconcile staff turnover administration and management remix requirements.

In this respect, an important agreement was signed with executive representatives that provides for the voluntary departure of a maximum 150 executives who fulfil legal requirements. As a result, executives will be able to benefit from the mutually agreed termination of their employment contract if they fulfil the minimum requirements for retirement or early retirement within four years of the termination, with the Company paying out a benefit equal to the pension to which the workers would be entitled based on existing rules and continuing to pay INPS the contribution until the minimum requirements for a pension are fulfilled.

In full compliance with current legal provisions, Telecom Italia S.p.A. carried out the procedures required with the relevant union representatives regarding two separate corporate transactions, both successfully completed with an agreement between the Parties. In particular, the Telecom Italia S.p.A. business unit was transferred from the Tower department to Società Infrastrutture Wireless Italiane S.p.A.. (INWIT). This initiative fulfilled the objective of establishing an independent radio network infrastructure operator who can develop and enhance the towers business involving various types of electronic communication service operators and ICT players. As part of the procedure, specific agreements were signed on maintaining the salary levels and contractual terms and conditions applicable to the employees affected by the transfer.

Discussions between the Company and the unions were similarly positive aimed at completing the procedure for the merger by incorporation of Telecom Italia Media S.p.A. into Telecom Italia S.p.A.. The operation helped rationalise and simplify the Group's structure and to ensure a more efficient management of the process of enhancing Persidera S.p.A., also by seizing medium to long term opportunities.

Moreover, a complex and fruitful series of discussions was held between the Company and the unions on the scope of Telecom Italia's involvement in Expo 2015, as its Official Global Partner, and the associated need to oversee the event as effectively as possible.

In this context, an agreement was signed with the unions that governed Telecom Italia's oversight and support operating model for Expo and all the associated aspects, including working hours, shifts and availability of Company staff who contributed to this event.

¹ Official ECB refinancing rate currently at 0.05%.



Brazil

Meetings were held to discuss the 2015-2016 amendments to collective agreement ACT 2014/2016. They began in September 2015 and ended in December, when the amendments were approved unanimously across the country. The Company held five meetings with the two national Federations (FENATTEL and FITTEL), which together represent the country's 27 trade unions. The negotiations related to financial aspects, including salaries increases and benefits. With regard to health care for children, the age limit for insurance was raised: from a maximum of 6 years of age to 7 years. Finally, the 28th, 29th and 30th of December were recognised as holidays.

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 Broad-Based Share Ownership Plan (SOP).

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. Following on from 2014, the "gate" mechanism was confirmed for 2015 as the threshold applied only to the company's targets: if the "gate" target is not achieved, this mechanism prevents the bonus associated with the Company's other targets from being accrued.

Unlike in 2014, each beneficiary of the MBO will be set a target with a weight of 20% based on the overall result of the assessment made through the new Performance Management system (see *Development and skills* paragraph).

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 on the 2014-2016 stock option plan, which involved the Chief Executive Officer, the Top Management and a selection of managers¹.

In 2015, the implementation of Total Rewarding principles is confirmed and extended for the purpose of allow the flexible use of multiple instruments, which are no longer only monetary but include welfare, training, professional and development paths. The 2015 remuneration policy therefore intends to consolidate the process that began in 2014, making flexible use of five pillars, the first two of a financial nature, the remaining ones associated with a broader system of rewards: salary increases, bonuses, cars, job levels and training. Finally, possible instruments of the remuneration policy include the SOP (Broad-based Share Ownership Plan), a system for sharing in the risks and profits of the company, aimed at supporting employee motivation and reinforcing a sense of belonging. In June 2014, the Company launched a 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. In August 2015, one year after allocation, if ownership of the shares had been retained and the owner remained in employment, one free share (bonus share) was awarded for every three shares subscribed.

Below are the main types of objectives connected with sustainability present in the company MBO system.

¹ In order to provide a correct indication of the relationship between remuneration paid to Top Management and the rest of the company's employees [G4-54], [G4-55], according to the "Policy for Classifying and Managing Information in accordance with confidentiality requirements", Telecom Italia provides some indications for calculation purposes in the customary tables of the Remuneration Report (page 25) of the Annual Financial Report (page 283). The continuation of the process implementing the guidelines GRI G4 will, also on a sector level, enable the assessment of the various methods of representation.



Reference stakeholders	Targets subject to incentives	% of managers (to whom the target applies)
Customers	<ul style="list-style-type: none"> ■ Customer satisfaction ■ Quality of the service delivered ■ Quality of the service perceived by consumer and business customers ■ Quality of the service perceived by other national fixed and mobile telephony operators 	<p>99%</p> <p>18%</p> <p>99%</p> <p>6%</p>
Human Resources	<ul style="list-style-type: none"> ■ Health and safety of employees ■ Programmes of training and professional growth ■ Welfare activities (People Caring) and the wellbeing of employees 	4%
Environment	<ul style="list-style-type: none"> ■ Consumption of materials, energy 	2%
Shareholders and Institutions	<ul style="list-style-type: none"> ■ Quality and speed of Company information delivery 	1%
The Community	<ul style="list-style-type: none"> ■ Organisation of corporate events ■ Quality of corporate initiatives/projects 	2%

Details on the remuneration required by standard [\[G4-LA13\]](#) are given in the *Appendix* to this chapter.



REPORTS RECEIVED THROUGH THE INTERNAL CONTROL PROCEDURE

[G4-LA16]] Below are the reports received through the Internal Control Reporting Procedure (see *Telecom Italia Group*, chapter *Corporate Governance system*) on work-related matters for the three-year period 2013-2015, in Italy and Brazil.

Italy

	2015	substantiated	2014	substantiated	2013	substantiated
Total number of reports regarding work matters received through the formal mechanisms in the reference period	1	0	7	0	3	0
Handled during the reporting period	1	0	7	0	3	0
Resolved during the reporting period	1	0	7	0	2	0
Total number of reports regarding work matters received previously, which were resolved in the reference period	0	0	1	0	0	0

Brazil

	2015	substantiated	2014	substantiated	2013	substantiated
Total number of reports regarding work matters received through the formal mechanisms in the reference period	42	18	7	6	na	na
Handled during the reporting period	42	18	7	6	na	na
Resolved during the reporting period	35	18	6	6	na	na
Total number of reports regarding work matters received previously, which were resolved in the reference period	1	1	0	0	na	na

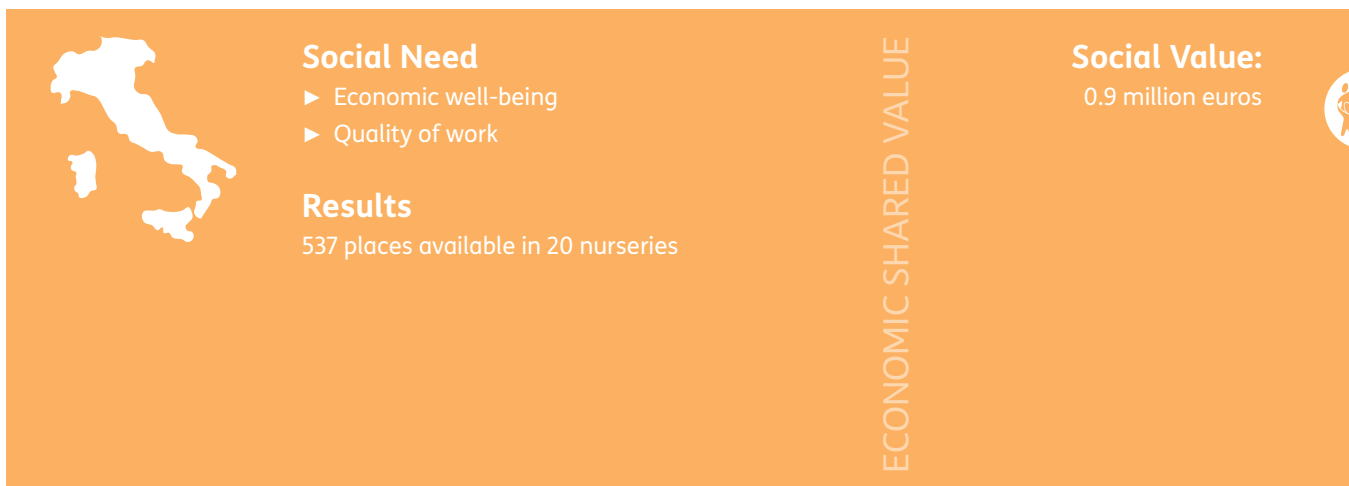
There has been a Reporting Procedure in Brazil since 2014. The increase in the number of reports in 2015 with respect to the previous year can be ascribed to the greater transparency and accessibility of the procedure, which was reviewed in 2015. In particular, through a series of guided steps on the reporting portal, the reporter is assisted in exposing the critical situation, carried out in full awareness of the guarantee of anonymity.



CORPORATE SHARED VALUE PROJECTS



NURSERIES AND PRESCHOOLS



Scenario

The MioNido nurseries for children of colleagues (or living as part of their families), aged between 3 months and 3 years, are internal facilities within the company, charging the same fees as local nurseries, with hours to suit the various requirements, aimed at improving work-life balance and quality of life in the Company.

10 Company nurseries are currently operating in offices in Turin, Milan, Florence, Ancona, Rome (3), Naples, Catanzaro, Palermo, with an additional 10 private nurseries operating by special agreement in Turin, Padua (2), Trento, Bologna and Rome (5). These facilities offer different time bands for children, in order to meet the needs of the staff, particularly those doing shift work. The location of the nursery is chosen based on assessments of the type of people employed by the Company (average age of employees, number of children between 0 and 3 years, presence of female workers) and the workplace location (logistical difficulties, presence of a call centre, etc.).

The 10 company nurseries and 10 private nurseries offer any places not filled by colleagues to external companies (Poste Italiane, Banca Intesa, Assicurazioni Generali, etc.) which, in turn, provide Telecom Italia with places in their nurseries.

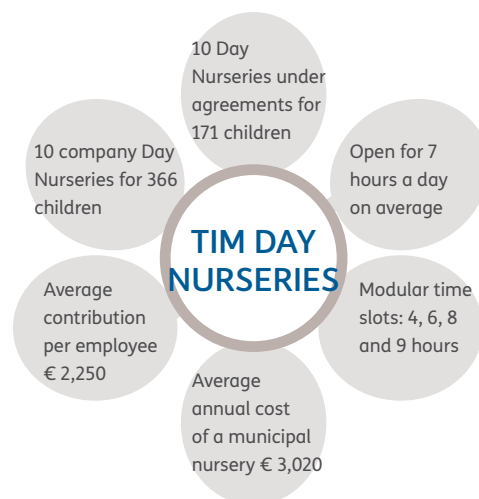
For the academic year 2015-2016, there are 20 nurseries and the Company is the first in Italy to be trying out a preschool service at its offices on Via Oriolo Romano, Rome, which already has a nursery.

A few benefits of the project

- significant reduction in absences of working mothers with children between 0-3 years in offices with nurseries, with a consequent reduction in the costs of absenteeism
- reduction in the full use of parental leave or recourse to part-time work by parents who have benefited from the service
- 537 places available
- 400 places occupied
- average contribution 2,250 euros
- potential income 1,208,250 euros
- actual income 900,000 euros

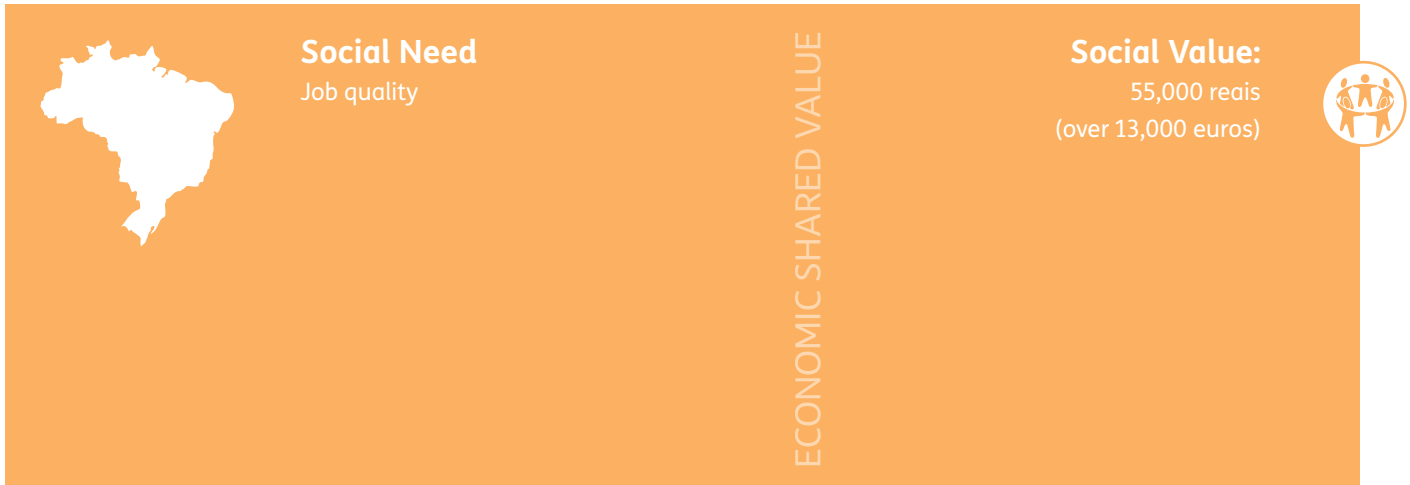
Methodology

The Social Value is the average contribution paid by the Company (2,250 EUR) multiplied by 400 places occupied by employees' children in nurseries.





CITIZEN WITHOUT FRONTIERS



Scenario

Starting from the conviction that together we can build a better world, TIM Brasil encourages its employees to participate in volunteering and solidarity initiatives, in order to do good by helping others.

Through its “Citizen without Borders” (Cidadão Sem Fronteiras) project, TIM Brasil encourages its employees to engage in volunteering work for organisations of their choosing or to participate in social actions promoted within the Company.

All employees can take a day off work per year to dedicate to volunteering for children, young people, the elderly and whole families by supporting welfare organisations. This kind of work contributes to achieving the annual volunteering objective of TIM Brasil.

The following are a few testimonials from employees who have already taken part in volunteering activities.

“I participate in volunteer activities with the NGO Dreaming Together. We are 15-20 volunteers visiting different hospitals and playing with hospitalized children, some with cancer, severe cases, some in isolation or postoperatively. Some colleagues helped me by donating materials for the games. Besides being a beautiful work, it doesn't cost me anything and it makes me see life differently. I distracted myself more than the children themselves, it's priceless to see them smiling.”

Fabiana Bochner (Analyst - Accounts Payable - Chief Financial Officer - Rio de Janeiro)

“Since I was little I used to participate in voluntary actions with my mother and I learned that life needs to be a circle of good deeds that by doing good, it comes back to us, like a wheel of love and charity. When I started working at TIM, I met people who were also engaged with these actions. I met Citizen without Frontiers program and initially with a smaller group of colleagues, we extend the action to all regional. There is no point being a person who does good for itself, good has to be extended to others, this will generate positive attitudes. I believe that charity is the only way to learn to transform us as people. Doing good to others generates more benefits to yourself, and only those who participates in a voluntary action can understand it. I thank TIM for allowing me to organize these actions within the Company.”

Priscilla Emilio (Specialist - People Management - People Value - São Paulo)

In 2015, 181 employees of TIM Brasil joined in the “Citizen without Borders” programme.

Methodology

The Social Value refers to the average daily salary of a TIM Brasil employee (303 reais) multiplied by the number of volunteer days carried out in 2015.



APPENDIX - DETAILED TABLES

Below is the analytical data for the Company workforce, broken down according to the indications given in standard GRI G4, Comprehensive option. 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						
	2015 Permanent contract		2014 Permanent contract		2013 Permanent contract	
	Man	Woman	Man	Woman	Man	Woman
Group	41,660	24,084	41,753	24,166	41,313	24,182
Domestic	35,521	17,001	35,793	17,180	35,988	17,266
Brazil	6,006	7,036	5,884	6,957	5,256	6,884
Media	52	12	66	22	58	25

	2015 Fixed-term contract		2014 Fixed-term contract		2013 Fixed-term contract	
	Man	Woman	Man	Woman	Man	Woman
Group	65	55	55	42	25	21
Domestic	65	55	55	40	24	18
Brazil	0	0	0	0	0	0
Media	0	0	0	0	1	0

[G4-10b] Employees on permanent and fixed-term contracts, by job type and gender.

Employees on permanent contracts												
	2015				2014				2013			
	Full Time		Part Time		Full Time		Part Time		Full Time		Part Time	
	Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman
Group	39,599	15,011	2,061	9,073	39,742	15,039	2,011	9,127	39,155	14,945	2,158	9,237
Domestic	34,523	11,005	998	5,996	34,783	11,107	1,010	6,073	34,904	11,201	1,084	6,065
Brazil	4,944	3,962	1,062	3,074	4,884	3,905	1,000	3,052	4,183	3,715	1,073	3,169
Media	52	11	0	1	66	21	0	1	58	23	0	2

Employees on fixed-term contracts												
	2015				2014				2013			
	Full Time		Part Time		Full Time		Part Time		Full Time		Part Time	
	Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman
Group	8	10	57	45	8	8	47	34	2	3	23	18
Domestic	8	10	57	45	8	6	47	34	1	0	23	18
Brazil	0	0	0	0	0	0	0	0	0	0	0	0
Media	0	0	0	0	0	0	0	0	1	0	0	0



[G4-10c] Employees on the payroll and agency contract workers, by gender.

Employees on payroll						
	2015		2014		2013	
	Man	Woman	Man	Woman	Man	Woman
Group	41,725	24,139	41,808	24,208	41,338	24,203
Domestic	35,586	17,056	35,848	17,220	36,012	17,284
Brazil	6,006	7,036	5,884	6,957	5,256	6,884
Media	52	12	66	22	59	25

Agency contract workers						
	2015		2014		2013	
	Man	Woman	Man	Woman	Man	Woman
Group	1	2	3	6	1	3
Domestic	1	1	3	5	1	3
Brazil	0	0	0	0	0	0
Media	0	0	0	1	0	0

[G4-10d]

Employees by geographic area and gender									
	2015			2014			2013		
	Italy	Abroad	Total	Italy	Abroad	Total	Italy	Abroad	Total
Men	35,516	6,209	41,725	35,706	6,102	41,808	35,876	5,499	41,375
Women	17,038	7,101	24,139	17,172	7,036	24,208	17,276	6,968	24,244
Total	52,554	13,310	65,864	52,878	13,138	66,016	53,152	12,467	65,619

[G4-10e]

Employees of suppliers working at the Group offices and whose activities are part of the core business of Telecom Italia ¹						
	2015		2014		2013	
	External FTE on site		External FTE on site		External FTE on site	
External FTE on site		1,801		985		1,869

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

	2015			2014			2013		
	<30	>=30; <=50	>50	<30	>=30; <=50	>50	<30	>=30; <=50	<30
Group	2,850	1,346	75	3,917	1,779	114	3,795	1,409	87
Domestic	137	170	43	241	258	82	186	172	51
Brazil	2,712	1,174	32	3,675	1,511	30	3,606	1,237	34
Media	0	0	0	1	10	2	1	0	2

[G4-LA1a]

New employees by gender and geographic area

	2015		2014		2013	
	Man	Woman	Man	Woman	Man	Woman
Group	1,940	2,331	2,781	3,029	2,111	3,180
Domestic	225	125	384	197	245	164
Brazil	1,715	2,203	2,387	2,829	1,863	3,014
Media	0	0	10	3	2	1

[G4-LA1b]

Turnover by gender and geographic area

	2015		2014		2013	
	Man	Woman	Man	Woman	Man	Woman
Group	2,029	2,411	2,350	3,058	2,416	3,010
Domestic	431	279	583	306	719	344
Brazil	1,593	2,124	1,763	2,752	1,695	2,664
Media	1	1	2	0	1	1

[G4-LA1b]

Turnover by age and geographic area

	2015			2014			2013		
	<30	>=30; <=50	>50	<30	>=30; <=50	>50	<30	>=30; <=50	<30
Group	2,397	1,705	338	3,283	1,682	443	3,450	1,588	388
Domestic	162	264	284	129	355	405	267	451	345
Brazil	2,235	1,435	47	3,151	1,326	38	3,183	1,133	43
Media	0	1	1	2	0	0	0	2	0



[G4-LA3b]

Employees who benefited from parental leave, by gender

	2015		2014		2013	
	Man	Woman	Man	Woman	Man	Woman
Group	172	1,301	191	1,796	177	1,775
Domestic	61	756	81	1,244	71	1,290
Brazil	111	543	110	549	106	483
Media	0	0	0	2	0	1

[G4-LA3c]

Employees who returned after having benefited from parental leave, by gender ¹

	2015		2014		2013	
	Man	Woman	Man	Woman	Man	Woman
Group	*	*	189	1,785	175	1,759
Domestic	*	*	80	1,239	71	1,278
Brazil	*	*	109	546	104	473
Media	*	*	0	2	n.a.	n.a.

* The data will be available from end 2016

[G4-LA3d]

Employees at work after a year from the end of parental leave, by gender ²

	2015		2014		2013	
	Man	Woman	Man	Woman	Man	Woman
Group	*	*	160	1,629	145	1,586
Domestic	*	*	76	1,216	70	1,260
Brazil	*	*	84	413	75	326
Media	*	*	0	2	n.a.	n.a.

* The data will be available from end 2016

[G4-LA3e]

(return to work rate) Percentage of employees returned to work after parental leave out of total employees benefiting from leave (LAc/LAb)

	2015		2014		2013	
	Man	Woman	Man	Woman	Man	Woman
Group	*	*	99%	99%	99%	99%
Domestic	*	*	99%	100%	100%	99%
Brazil	*	*	99%	99%	98%	98%
Media	*	*	0	100%	n.a.	n.a.

* The data will be available from end 2016

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 2014 and returned in 2015, his return is in any case reported in the 2014 column. This is why the data for the 2015 column is still partial and not yet able to be published.

² 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 2014 and after 12 months was still at work in 2015, his continuation at work is in any case reported in the 2014 column. As we do not yet know which, of the employees who went on leave in 2015 will still be at work after 12 months, we are unable to calculate the figure for 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)

	2015		2014		2013	
	Man	Woman	Man	Woman	Man	Woman
Group	*	*	84%	91%	83%	90%
Domestic	*	*	94%	98%	99%	99%
Brazil	*	*	76%	75%	72%	69%
Media	*	*	n.a.	100%	n.a.	n.a.

* The data will be available from end 2016

[G4-LA6a]

Injury rate out of total workforce* (number of injuries over hours worked)

	2015		2014		2013	
	Man	Woman	Man	Woman	Man	Woman
Group	7.58	3.53	8.12	3.63	7.70	3.19
Domestic	8.70	4.15	9.57	4.80	8.75	4.16
Brazil	0.96	2.31	0.88	1.40	1.63	1.17
Media	22.68	0.00	0.00	0.00	0.00	0.00

*Temporary workers are not considered in this type of record. Their incidence on a Group level is in any case very small (3 people as at 31.12.2015)

[G4-LA6a]

Days lost over workforce* (days of injury over working hours)

	2015		2014		2013	
	Man	Woman	Man	Woman	Man	Woman
Group	0.18	0.12	0.29	0.07	0.17	0.07
Domestic	0.21	0.16	0.35	0.10	0.20	0.09
Brazil	0.01	0.03	0.01	0.01	0.03	0.01
Media	0.14	0.00	0.00	0.00	0.00	0.00

*Temporary workers are not considered in this type of record. Their incidence on a Group level is in any case very small (3 people as at 31.12.2015)

[G4-LA6a]

Absenteeism rate out of total workforce* (total hours of absenteeism over working hours)

	2015		2014		2013	
	Man	Woman	Man	Woman	Man	Woman
Group	5.52	9.94	6.39	10.28	6.87	12.52
Domestic	5.98	11.50	7.14	11.74	7.58	15.07
Brazil	2.69	6.74	2.34	7.27	2.44	6.72
Media	10.62	11.77	12.01	13.01	10.90	10.77

* Temporary workers are not considered in this type of record. Their incidence on a Group level is in any case very small (3 people as at 31.12.2015)



[G4-LA6a]

Occupational disease rate out of total workforce* (number of cases over workforce)

	2015		2014	
	Man	Woman	Man	Woman
Group	0.03	0.00	0.03	0.01
Domestic	0.04	0.01	0.04	0.02
Brazil	0.00	0.00	0.00	0.00
Media	0.00	0.00	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.

** Temporary workers are not considered in this type of record. Their incidence on a Group level is in any case very small (3 people as at 31.12.2015)

[G4-LA9]

The following tables report training carried out in Telecom Italia S.p.A., broken down according to gender

2015	Hours		Participation*	Participants	Coverage**
	Totals	Per head			
Total	1,338,273	30.3	250,165	38,892	88.0%
Senior Managers	16,176	25.1	3,158	659	102.2%
of whom women	3,552	31.7	653	114	101.8%
of whom men	12,624	23.7	2,505	545	102.3%
Middle Managers	55,946	16.8	10,681	2,812	84.4%
of whom women	15,059	16.7	2,686	776	85.7%
of whom men	40,887	16.9	7,995	2,037	84.0%
Office Staff/Workers	1,266,152	31.5	236,326	35,471	88.2%
of whom women	289,757	24.5	81,706	10,173	86.1%
of whom men	976,395	34.4	154,620	25,298	89.2%

2014	Hours		Participation*	Participants	Coverage**
	Totals	Per head			
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	Hours		Participation*	Participants	Coverage**
	Totals	Per head			
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%

* Shows the overall number of participation in training sessions, in the various forms provided (classroom, online, training on the job).

** Coverage refers to the percentage of participants compared to the total, i.e. the % of human resources of Telecom Italia S.p.A. who took part in at least one training session in each individual category (senior managers, middle managers, office 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

Italia -Telecom Italia S.p.A.		2015	2014	2013
Senior Managers	GAS	0.91	0.92	0.93
	TAR	0.90	0.92	0.93
Middle Managers	GAS	0.95	0.95	0.95
	TAR	0.94	0.94	0.94
Office Staff/Workers	GAS	0.95	0.95	0.94
	TAR	0.95	0.94	0.96
Brazil				
Senior Managers	GAS	0.74	0.76	0.78
	TAR	0.77	0.73	0.80
Middle Managers	GAS	0.94	0.94	0.94
	TAR	0.94	0.94	0.94
Office Staff/Workers	GAS	0.63	0.61	0.58
	TAR	0.62	0.62	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).



TELECOM ITALIA FOUNDATION



TELECOM ITALIA FOUNDATION

The 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.

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, four 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”.
- **Historic and artistic heritage:** contributing to protecting a world-famous heritage, allowing it to be enjoyed, particularly by innovative means, to make our country ever more competitive.

The Foundation’s activities take place according to the following criteria.

TOOLS	STRATEGIC OBJECTIVES	PROJECT SELECTION AND MONITORING
<p>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. As of 2015, in specific areas of its operations, FTI will be looking to manage projects itself</p>	<p>FTI works to disseminate a culture of innovation, in order to promote solidarity and civil, cultural and economic development. FTI operates without discrimination based on nationality, race or religion and intends to pursue the definition, implementation and promotion of initiatives and projects institutionally, operating in the following sectors in particular:</p> <ul style="list-style-type: none"> ■ Education: aiming to use technologies to transform educational methods and activities, using digital technology as an enabling factor for education and training, for both students and teachers. ■ Innovation culture: a programme of annual lectures and outreach lessons in the field of scientific and technological culture is planned. ■ Social empowerment: consists of promoting the better use of technologies in social enterprises, as well as good management practice and efficiency, in order to ensure that good is increasingly done well. ■ Historic and artistic heritage: consists of implementing projects aimed at disseminating knowledge and enjoying heritage using new technological tools. Be it media used to digitise a museum’s archives or tools to revive ancient crafts and artisan excellence, projects are selected based on the collective usability of the result, with the aim of achieving cultural and social enrichment for everyone. 	<p>FTI was set up in 2008 as a corporate foundation operating in various fields, with a global and multisector approach, considering the multiple requirements of the community. The heart of FTI is the spirit of innovation, thanks to which the Foundation undertakes to work for an increasingly digital, cutting edge and competitive Italy, to improve people’s living conditions. This translates into the implementation of innovative projects aimed at promoting and disseminating science and technology and developing models, technological tools and systems to support social enterprises.</p> <ul style="list-style-type: none"> ■ 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, transformative and innovative 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.



2015 was a very important year for FTI, full of changes and activities. 2015 in fact saw the launch of **Lessons on progress**: a journey involving 10 stops (3 in 2015) intended to introduce young people to scientific culture. The idea for this format arose from a desire to create a new way of talking about science in a popular, emotive and infectious style, contrasting the technical explanations of a scientist with the more accessible ones of a person far removed from the academic world and able to bring scientific subjects and messages closer to a young target audience. The themes chosen for the lessons are among the most topical, delicate and hotly debated in the scientific and technological field, in particular, the first three lessons were the following:

- **Nanotechnologies** with Roberto Cingolani, Scientific Director of the Italian Technology Institute of Genoa and actress Claudia Gerini;
- **Neuroscience** with Salvatore Aglioti, Professor of Cognitive Neuroscience and Physiological Psychology and actor Antonio Albanese;
- **GMOs** with Michele Stanca, Chairman of UNASA and chef Davide Oldani.

The very positive results achieved, in terms of social network awareness, with the first lesson (760k Reach and 1.9m hits on Facebook and 723k Reach and 9.1m hits on Twitter) more than doubled for the third lesson (2.2m Reach and 5.5m hits on Facebook and 3.1m Reach and 94m hits on Twitter).

In the area of **education**, three important projects were launched: “Curriculum Mapping”, “I linguaggi della contemporaneità” [Contemporary languages] and “MirRobot”.

- The “Curriculum Mapping” project involves the creation of a platform to map curricula: it is a useful tool to facilitate the sharing of programmes between teachers of the same subject and between schools in the same education network, their supervision by head teachers, the orderly and integrated use of digital educational content by students. Mapping the curriculum means making the school *curriculum* and its component parts intelligible, shareable and transparent.
- The “I linguaggi della contemporaneità” [Contemporary languages] project is intended to reinvigorate and update the teaching of contemporary history in secondary schools, moving beyond the combination of text book and classroom lesson to integrate narrative strategies drawn from sources including television, cinema, theatre, photography and literature. The 15 classes involved in the project produced a multimedia proposal connected with a specific modern conflict, making the most of the opportunities for interaction and complementarity offered by a digital social platform.
- The “MirRobot” project consists of equipping the ITS (Biomedical Secondary School) of Mirandola, a city that was destroyed by the 2012 earthquake, with an automation and robotics laboratory in the biomedical sector, to offer students the opportunity to train in a growing technological sector and develop specific skills that are useful to their inclusion in the world of work. The laboratory organises robotics lessons and practice for ITS course participants. It will be useful for the ongoing training of company technicians and will be available to local students to introduce them to the world of technological innovation.

2015 also marked the third year of the TRIS project, which envisages the use of new technologies for educational inclusion to the benefit of students unable to attend school normally. The innovative strength of the project is that it not only helps disadvantaged students but is also concerned with the social networks that surround them. For students, specific attention is paid to welcoming them, to including them fully in the social life of the class and in the strictly educational aspects by involving them in lessons and collaborative activities with friends, both in and outside school.



The following were launched in the area of **social empowerment**:

- “BeeApp” the project against waste and hunger, run by Banco Alimentare with FTI. This is a smart phone app dedicated to food companies, allowing them to find out to whom they can send food that is no longer saleable but still edible.
- “DoLine” the first app connected with a Web platform that will allow medicines to be donated directly from your PC, smart phone or tablet, using a credit card, to people who can’t afford to buy them to treat themselves, thus contributing to the fight against health poverty.

Finally, two *Calls for Ideas* were held which received over 700 project proposals.

Initiatives involving employees

FTI also looks within the founding company, with initiatives that promote the volunteering spirit of Telecom Italia Group employees actively engaged in social work with non-profit organisations. In 2015, the Foundation also confirmed a corporate volunteering initiative involving many employees (known as “angels”) from all over Italy who passionately and enthusiastically support the Foundation in its activities. Furthermore, the second Fondazione #Italiax10 event was held, with the involvement of people from the Group. Each employee was able to put forward a project involving a voluntary sector organisation.

For further information regarding the activities of FTI go to the fondazionetelecomitalia.it website.

APPENDIX



2014 AND 2015 RESULTS

The results achieved are shown below, compared to the objectives published in the previous sustainability Report for the year 2015 and in relation to the Customers stakeholder only, for the year 2014⁽¹⁾.

Telecom Italia S.p.A. – Customers⁽²⁾

Area of reference	Indicator	Unit of measurement	2014 Target	Final result 2014	Target status 2014(*)	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	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	99.9	●	97
CUSTOMERS MOBILE	Residential customer assistance services – Average response time of the operator to incoming calls.	seconds	35	27	●	**
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	0.31	●	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	96.6	●	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	0.45	●	1.4
CUSTOMERS IPTV	Customer assistance response time – Average time of operator response to incoming calls.	seconds	70	85	●	**
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	0.66	●	1.0
CUSTOMERS IPTV	Availability of IPTV service – Average unavailability of the service.	hours/year	36	6.3	●	36

(*) Status Target: ● achieved; ● not achieved

(**)AGCom resolution no. 79/09/CSP, which establishes targets for call centres, is currently being updated.

(1) The actual figures of the above mentioned objectives for 2015 will be available in July 2016 on the websites stated in note 2.

(2) The full list of mobile service quality indicators, and the respective objectives for 2015, are available at tim.it. The full list of quality indicators for fixed network and IPTV Internet access services, and the respective objectives for 2014, are available at telecomitalia.it.



Telecom Italia S.p.A. – Other stakeholders

Area of reference	Indicator	Unit of measurement	Target 2015	Actual figure 2015	Target status 2015
HUMAN RESOURCES TRAINING	Training in health, safety and environment issues ⁽¹⁾	Training hours	100,000	231,356	●
HUMAN RESOURCES TRAINING	Training – Training hours per head ⁽¹⁾	Training hours per head	27	30.3	●
HUMAN RESOURCES TRAINING	Training - Coverage (percentage of employees out of the entire workforce who have taken part in at least one training session) ⁽²⁾	%	75	88	●
HUMAN RESOURCES ACCIDENTS	Accidents per 100 workers	Number	1.28	1.27	●
ENVIRONMENT - ENERGY	Eco-efficiency indicator ⁽³⁾	bit/joule	4,700	4,707	●
ENVIRONMENT - ENERGY	Self-generation of energy from cogeneration	GWh	131	130	●
THE ENVIRONMENT - ELECTROMAGNETIC EMISSIONS	SAR qualification ⁽⁴⁾	%	100	110 ⁽⁵⁾	●
THE ENVIRONMENT - ELECTROMAGNETIC EMISSIONS	SAR qualification of other technologically innovative devices (USB memory sticks, tablets and routers) marketed under the TIM brand	Number	5	6	●

(1) The data includes classroom, online and on-the-job training.

(2) The coverage data was calculated based on the average annual number for 2015.

(3) The indicator is calculated on the Domestic BU scope. For further information on the eco-efficiency indicator see *Environmental protection/Energy*.

(4) This is the percentage of mobile phones subject to the SAR (Specific Absorption Rate) qualification. The percentage is calculated on the most widespread and technologically innovative models of mobile phone handsets.

(5) In 2015 the SAR qualification for 20 terminals was envisaged, but 22 actually qualified.



TIM Brasil

Area of reference	Indicator	Unit of measurement	Target 2015	Actual figure 2015	Target status 2015
HUMAN RESOURCES	Training (total hours: in class, online and on the job) provided to its own employees, outsourced employees and interns	Training hours	900,000	1,085,614	●
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)	%	N/A ⁽¹⁾	90	●
THE ENVIRONMENT	Collection of mobile phones, batteries and other accessories to be sent for recycling	tons	2	1.192	●
THE ENVIRONMENT	Ratio between recycled waste and the total waste generated in the offices	%	68	19	●
SUPPLIERS	Suppliers assessed under sustainability criteria	Number	60	357	●

(1) A target was not defined for 2015 as a different method for identifying the objectives for training on sustainability issues was under examination.

2016 OBJECTIVES

The objectives for 2016 are shown below.



Telecom Italia S.p.A. – Customers

Area of reference	Indicator	Unit of measurement	2016 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	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	Activation time for broadband Internet access services – Percentage of valid orders completed within the date agreed with the customer (telephone lines transferred from another operator on which a broadband Internet access service was already in operation)	%	95
Customers internet	Activation time for broadband Internet access services - Average supply time (telephone lines transferred from another operator on which a broadband Internet access service was already in operation)	Days	15
Customers internet	Activation time for broadband Internet access services - Average supply time (telephone lines transferred from another operator on which a broadband Internet access service was already in operation)	%	12
Customers internet	Broadband Internet access service faults – Average repair time	Hours	26
Customers internet	Disputed charges - Ratio between the number of disputed charges in bills regarding all Internet access services (received during the survey period) and the total number of bills issued in the same period (broadband access services)	%	1.4



Telecom Italia S.p.A. – Other stakeholders

Area of reference	Indicator	Unit of measurement	Actual figure 2015	Target 2016
HUMAN RESOURCES TRAINING	Training in health, safety and environment issues ⁽¹⁾	Training hours	231,356	165,000
HUMAN RESOURCES TRAINING	Training – Training hours per head ⁽¹⁾	Training hours per head	30.3	30
HUMAN RESOURCES TRAINING	Training – coverage (percentage of employees out of the entire workforce who have taken part in at least one training session)	%	88	80
HUMAN RESOURCES ACCIDENTS	Accidents per 100 workers	Number	1.27	1.24
ENVIRONMENT - ENERGY	Eco-efficiency indicator ⁽²⁾	bit/joule	4,707	5,300
ENVIRONMENT - ENERGY	Self-generation of energy from cogeneration ⁽³⁾	GWh	130	151
THE ENVIRONMENT - ELECTROMAGNETIC EMISSIONS	SAR qualification ⁽⁴⁾	%	110	100
THE ENVIRONMENT - ELECTROMAGNETIC EMISSIONS	SAR qualification of other technologically innovative devices (USB memory sticks, tablets and routers) marketed under the TIM brand	Number	6	4

(1) The data includes classroom, online and on-the-job training.

(2) The eco-efficiency indicator was calculated for the Domestic BU net of the activities of the Olivetti Group.

(3) As of 2014, the target is extended to the whole Domestic BU. Note in this respect 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/smartphones subject to the SAR (Specific Absorption Rate) qualification. The percentage is calculated on the most widespread and technologically innovative models of mobile phone/smartphones.



TIM Brasil - 2016 Targets

Area of reference	Indicator	Unit of measurement	Actual figure 2015	Target 2016
HUMAN RESOURCES	Training (total hours: in class, online and on the job) provided to its own employees, outsourced employees and interns	Training hours	1,085,614	820,000
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)	%	90	90
THE ENVIRONMENT	Collection of mobile devices, batteries and other accessories to be sent for recycling	Tons	1.192	2
THE ENVIRONMENT	Ratio between recycled waste and the total waste generated in the offices	%	19	25
SUPPLIERS	Suppliers assessed under sustainability criteria	Number	357	200



Domestic BU – Multiannual Targets – Digital Inclusion

Indicator	Unit of measurement	Actual figure 2015	Target 2017	Target 2018
UMTS and HSDPA coverage(*)	%	96	97	//
Next Generation Plan (fixed telephony) cover (**)	%	>42	>75	84
LTE coverage (*)	%	>88	>95	98

(*) The percentage refers to the residential 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.

BU Domestic – Multiannual objectives - Environment

Area of reference	Indicator	Unit of measurement	Target 2015	Actual figure 2015	Status target	Target 2016	Target 2017	Target 2018
THE ENVIRONMENT ENERGY	Total electricity procured and produced	GWh	1,980	2,071	●	2,015	1,974	1,925
THE ENVIRONMENT ENERGY	Self-generation of energy from cogeneration	GWh	131	130	●	151	151	151
THE ENVIRONMENT ENERGY	Eco-efficiency indicator	bit/joule	4,700	4,707	●	5,300	6,100	7,250
THE ENVIRONMENT ATMOSPHERIC EMISSIONS	Reduction of CO ₂ emissions from the purchase and generation of electricity compared to 2013	Tons	695,000	697,500	●	680,000	680,000	680,000



GRI CONTENT INDEX FOR “IN ACCORDANCE”- COMPREHENSIVE [G4-32]

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G4-54	182	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.
G4-55	182	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.
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ADDITIONAL NON-MATERIAL GRI INDICATORS

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NOTE ON METHODS

Scope and criteria

[G4 -17b] The Sustainability Report has the same consolidation scope as the Consolidated Financial Statements, except for some information highlighted in the text or related to the environmental performance¹.

In accordance with the triple bottom line² 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 the sustainability data in the Consolidated Financial Statements, in fact preceding the 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 Report³, which is drawn up for every calendar year, complies with the same deadlines as the Group's Annual Financial Report and uses a multi-stakeholder approach, involving the joint analysis of actions taken in respect of the main stakeholders with whom the Company interacts. It is based on the Sustainability Reporting Guidelines of the GRI, G4 version (comprehensive option) and the principles (inclusivity, materiality, responsiveness) of the AA1000 AccountAbility Principles Standard (APS 2008), adopted as of the 2009 Financial Statements.

The Sustainability 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 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 the stock market sustainability indexes;
- the experience the Company has gained in the field of sustainability in almost 20 years.

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

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

¹ Environmental performance includes information relating to companies that fulfil the following two criteria: more than 300,000 euros in turnover and more than 40 employees. Furthermore, if the number of employees is within 5 units of the latter limit, above or below, in order to mitigate the effects of variations in the number of employees between one year and the next which, however small, would lead to the inclusion or exclusion of some companies from the consolidation scope, the CSV Function will make the appropriate decision. On this basis, Telecom Italia San Marino and Telecom Italia Trust Technologies S.r.l. have been kept in the consolidation scope, despite having slightly fewer than 40 employees.

² 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.

³ **[G4-29]** The Group sustainability report for 2014 was approved by the Board of Directors in March 2015.

**REPORT OF THE INDEPENDENT
AUDITORS**



INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2015

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 2015.

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 "Note on methods" 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

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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 2015 on which we issued our audit opinion, in accordance with articles 14 and 16 of legislative decree n° 39 of 27 January 2010, on April 4, 2016;
- 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 Participações 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.



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 become 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 2015 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 “Note on methods” of the Report.

Turin, 7 April 2016

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.
We have not performed any controls on the Sustainability Report 2015 translation.*

[G4-31]

Contacts

Corporate Shared Value

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