

TELECOM ITALIA

**UN Global Compact
Communication on Progress 2012**

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Chairman's Letter¹

In a macro-economic environment characterised by one of the worst international economic crisis since the end of the war, which in just two years (2008 and 2009) reduced gross domestic product by two percentage points, wiping out the slow growth achieved with great difficulty during the previous five years, we have handled the challenges imposed by the competitive and business environment with courage and determination.

The arrival of new players in the world of telecommunication has led to a profound rethink of the way we are required to operate, but we have faced the new competitive environment with awareness of the values that make us unique.

In the four years just ended, we have worked tirelessly to cut costs and improve the competitiveness of our commercial offerings, for the benefit of customers and the market. We have dealt responsibly with the staff redundancies foreseen by the business plan, implementing solutions agreed with the social partners that have minimised the impact on employees.

Thanks to the consolidation and relaunch of activities in Brazil and Argentina, we have been able to rebalance our presence in foreign markets, recovering the strong international vocation that Telecom Italia had in the past.

Through a careful management of company's operations we have rebalanced the ratio between debt and cash generation, bringing it back to normal levels.

We have developed a constructive dialogue with the Authorities, promoting innovative solutions that fulfil requirements in terms of ensuring protection and equality of treatment between our sales division and alternative operators.

We have continued to act incisively with regard to compliance and behavioural practices, transforming our organisational architecture in order to build more effective control systems.

Responding to customer needs remains the main priority in the Group's business strategies and the results achieved in terms of improving satisfaction indexes reward the efforts made, although we believe we can do even better.

All of this has been done because we believe that a sustainable company is a company that takes into high consideration its own impacts on the whole system with which it has to interact in every corporate decision it makes.

And it is precisely with the aim of increasing the level of awareness of the importance of these aspects in the decision-making process that we have launched a sustainability training plan dedicated to all employees, which will continue throughout 2012. This is a concrete knowledge development tool based on an e-learning platform and on themed virtual classrooms aimed at creating a common and shared knowledge base within the Group.

Constant attention to technological innovation and process management improvement has allowed us to increase our energy efficiency and produce significant results, including a 6.3% reduction in electricity consumption and a 6.2% reduction in carbon dioxide emissions into the atmosphere.

Our commitment to supporting the values of sustainability has allowed us to achieve important national and international acknowledgements, including our inclusion in all the major global sustainability indexes.

We continue to support the United National Global Compact through our involvement in the Italian network and our reporting of the progress achieved in applying the ten principles.

¹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

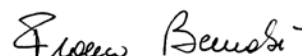
In the near future, our Group will be required to make important strategic choices, the effects of which will extend over the medium to long term. When evaluating choices of this magnitude we need to consider the interests of today as well as those of tomorrow, assessing their sustainability from all points of view.

In developing next generation networks, for example, we have opted for an architecture which, in addition to being economically efficient, is also a solution that allows the greatest energy savings to be achieved.

In the future, companies and Public Administrations will increasingly be opting for innovative Smart Service solutions that allow the most efficient use of resources, while at the same time ensuring a reduction in environmental impact and an improvement in citizens' quality of life. Telecom Italia intends to play a leading role in this context.

In less than five years, our Group has changed. Its expectations, prospects, behaviour and fundamental values have changed and its commitment to doing business responsibly has strengthened, in the belief that this is a prerequisite for the success of the Group in the long term.

Franco Bernabè
(President & CEO)



1) Strategy, Governance and Engagement

Criterion 1: Key aspects of the company's *high level sustainability strategy* in line with Global Compact principles.

Criterion 2: Effective *decision-making processes and systems of governance* for corporate sustainability.

Criterion 3: Engagement with all important *stakeholders*.

References related to the "Strategy, Governance and Engagement".

- Telecom Italia web site/Sustainability:
 - Being sustainable (Our vision/Our model),
 - Sustainability in Telecom Italia: from theory to practice (Our Model/Sustainability and Communications),
- 2011 Telecom Italia Sustainability Report:
 - Hot Topics (Introduction),
 - Reporting (Introduction),
 - 2010 and 2011 Results (Appendix),
 - References and Governance (Introduction),
 - Codes, Charters and Values (Introduction),
- Telecom Italia web site/Sustainability:
 - The Code of Ethics (Codes and Policies/Code of Ethics),
- 2011 Telecom Italia Sustainability Report:
 - The Group Sustainability Department (Introduction),
 - Communication of non-financial performance (Introduction),
 - 2012 Objectives (Appendix),
 - Results and 2012 Commitments (Suppliers),
- Telecom Italia web site/Sustainability:
 - How we identify our stakeholders (Our Vision/Our Model/Being Sustainable),
 - Organisations and Associations Our Vision/Our Model/Organisations and Associations),
- 2011 Telecom Italia Sustainability Report:
 - Stakeholder Involvement (Introduction),
- Telecom Italia Group and the United Nations Global Compact (summary),
- Telecom Italia Corporate Governance structure.

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Being sustainable (Telecom Italia web site/Sustainability/Our vision/Our model)²

Our Group's goal is to strike a balance between three dimensions:

- *economic sustainability*: keeping and increasing the economic capital;
- *environmental sustainability*: safeguarding the ecosystem while guaranteeing the balance between the use of natural resources and our processes;

² Please, see the following web site: <http://www.telecomitalia.com/tit/en/sustainability/our-approach/our-model/being-sustainable.html>

- *social sustainability*: promoting the principle of equity and respect among people and across generations.

In Telecom Italia we believe that the balance between these three dimensions can be achieved only by taking into account the expectations of all those we are involved with, our "stakeholders", whose opinions and requests we carefully listen to.

We group our stakeholders into eight categories: customers, suppliers, competitors, institutions, environment, community (*external stakeholders*), human resources and shareholders (*internal stakeholders*).

Stakeholders may have different expectations: the main challenge is to satisfy their requirements, even when they differ from one another.

Sustainability in Telecom Italia: from theory to practice (Telecom Italia web site/Sustainability: Our Model/Sustainability and Communications)³

We try being sustainable all the time, in everything we do.

Sustainable consequences of our business

Being a large telecom company, the contribution we provide to the sustainable growth of the community can be summarized according to the following scheme:

- *overcoming the geographic digital divide*: [our projects on broadband coverage of rural areas](#) follow in this category;
- *contributing to social digital inclusion*: for example, [our initiatives for dissemination of internet and of new technologies](#) among those who would otherwise be excluded for social reasons, as well as the [development of new technologies for helping disable and people with health problems](#) communicate;
- *research and innovation for the improvement of life quality*: fixed telephone, mobile telephony and the Internet have set fundamental steps in human progress both from a technological and a social perspective. In order for this progress to go on, research cannot stop. [Telecom Italia contributes to ICT research](#) and it is an active participant in national and international consortia;
- *ensuring the security of the information transmitted through our network, and protecting people from abuses over the Internet*: the WEB is an incredible source of opportunities, but it is subject to abuses and attacks. Telecom Italia has programs for [e-security](#) and [protection of minors](#) ;
- *offering services and products for the reduction of the environmental footprint of citizens and enterprises*: by 2020, telecommunications are predicted to contribute to a 15% reduction of other sectors' emissions. Services such as telework, virtual conferencing, infomobility, tele-monitoring, are predicted to grow, thus providing an opportunity for economical development compatible with the safeguard of the environment. [We offer these services](#) and we help the Public Administration, enterprises and people be acquainted with them.

Doing things in a sustainable way

Implementing sustainability means not only providing sustainable services and products, but also having sustainable internal procedures and praxis. In Telecom Italia all internal and external norms and [policies](#) concerning social and environmental issues are strictly attended. Actually, our social and environmental procedures go well beyond law requirements. Compliance with procedures is monitored by the Group's Audit company and by the certificatory bodies. The consequences of our procedures are measured by our [sustainability reporting system](#), and a part of those measures is published in our Annual Report. The efficacy of our actions and offer is measured through a number of [stakeholder engagement](#) tools.

³ Please, see the following web site: <http://www.telecomitalia.com/tit/en/sustainability/our-approach/our-model/sustainability-telecommunications.html>

Hot Topics (Introduction/2011 Telecom Italia Sustainability Report)⁴

Sustainability concerns all the company processes but certain matters are of particular importance and are consequently given special consideration in implementing the model of Corporate Responsibility defined by the company. These are the sustainability “Hot Topics” identified by Telecom Italia Group on the basis of:

- requests made by the sustainability rating agencies for admission to the relevant sustainability indexes for the industry, through questionnaires assessing the Group's performance;
- requests from investors during the dedicated road shows or one-to-one contacts;
- analysis of the media and reports published by the specialist agencies;
- benchmarking of the sustainability activities carried out by other companies, in Italy and abroad;
- opinions expressed by stakeholders consulted directly.

The Hot Topics reported in the following table, together with other aspects of the company's activities, are taken into consideration in determining the relevance of the reporting, in accordance with the AA1000 AccountAbility Principles Standard (APS).

HOT TOPICS TABLE

Issues	Stakeholders	Telecom Italia commitment
Relations with customers	Customers	Attending to customer requirements and improving customer satisfaction are among Telecom Italia's main objectives and are the subject of numerous projects and initiatives.
Digital Divide	Customers, The Community	The dissemination of communications technologies can create social and geographical discrimination. The risk of exclusion is especially high for certain population bands, such as the elderly, the sick and the disabled. Telecom Italia has undertaken numerous initiatives to ensure the wide availability of the new technologies.
Climate change	Customers, Suppliers, Institutions, The Environment, The Community	The Group is committed to reducing its own CO ₂ emissions and to providing services that contribute to reducing emissions in other sectors.
Relations with employees	Human Resources	Even at a difficult time for the global economy, the Group pays the maximum possible attention to the needs of employees in terms of training, development and the improvement of company welfare.
Supply chain	Suppliers, The Environment, The Community	With the globalisation of the markets and supply, the monitoring of the supply chain becomes a vital element in the sustainability of businesses. The Group is implementing a series of actions designed to protect the environment and working standards and to promote the principles of sustainable procurement.

⁴ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

Issues	Stakeholders	Telecom Italia commitment
Privacy and data security	Customers	Telecom Italia has implemented a series of measures to protect data security and the privacy of those who use the networks and services.
Child protection	Customers	The spread of the Internet is a great opportunity but it can also be a source of danger. Telecom Italia has implemented a series of measures to protect children from content that could harm their psychological and physical development, and to prevent and detect any abuse carried out through telecommunication networks.
Relations with shareholders/investors	Shareholders	The dialogue with the investors on financial and non-financial issues is of strategic importance for a major, quoted company. In order to improve communication among the stakeholders on environmental, social and governance issues Telecom Italia promoted a European workshop on the communication of non-financial performance.

Reporting (Introduction/2011 Telecom Italia Sustainability Report)⁵

“THE REPORTING IS CONSISTENT WITH THE TRIPLE BOTTOM LINE APPROACH”

Scope and criteria

In accordance with the principle of materiality, unless otherwise stated, only subsidiaries included in the consolidated accounts that have revenue greater than 300,000 euros and more than 40 employees, excluding discontinued companies and non-current assets held for sale, are taken into consideration in the sustainability reporting.

In accordance with the triple bottom line⁶ approach, the company's economic and financial data has to be analysed and represented together with the environmental and social results. Only an overall analysis of company performance including all three dimensions can provide stakeholders with comprehensive information and allow 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, the Group has included sustainability data in the Consolidated Financial Statements since 2003, pre-empting the implementation of European Directive 51/2003, which was transposed in Italy by Legislative Decree no. 32 of February 2, 2007.

The Sustainability Report is based on a multi-stakeholder approach involving the joint analysis of actions taken in respect of the main stakeholders with whom the Company interacts. It is drawn up on the basis of a system of around 200 Key Performance Indicators (KPIs) relating to all the areas in which the Company has a major impact and measuring its capacity to respond as well as the degree to which it has achieved the established objectives.

The KPIs are defined on the basis of:

- the analysis of the Global Reporting Initiative (GRI), an international organisation which has developed universally applicable guidelines for drawing up the sustainability report, in order to facilitate comparisons between companies;

⁵ Please, see the following web site, related to the 2011 Telecom Italia Group Sustainability Report (chapter: Introduction/Reporting: http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

⁶This 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.

- the demands of stakeholders;
- the questionnaires sent out by the leading rating agencies for the purpose of admission to the stock market sustainability indexes;
- the experience gained over the 15 years during which the Company has performed this activity.

The KPIs are managed on the CPM system, a dedicated application, in a similar way to that in which financial reports are drawn up.

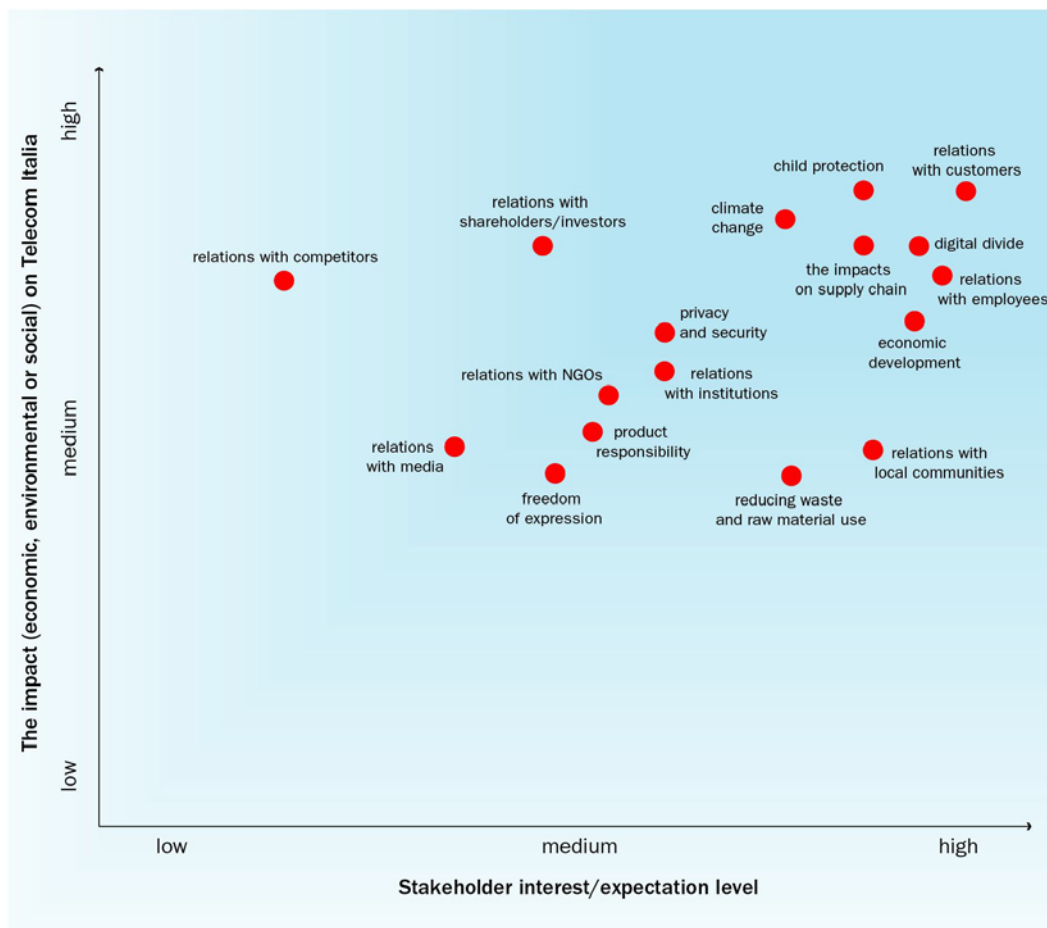
Accountability 1000 and Global Compact

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

- inclusivity: identification of the stakeholders and their expectations, and development of involvement strategies aimed at improving the Company's sustainability performance;
- materiality: identification of the important issues for the organisation and its stakeholders;
- responsiveness: a description of the initiatives carried out by the Company to meet the expectations of stakeholders.

The Telecom Italia Report's compliance with the AA1000 standard is verified by the auditing firm PricewaterhouseCoopers.

In accordance with the principle of materiality, the important themes have been identified according to the above criteria, positioning them in the "materiality matrix" shown below based on their impact on the expectations of stakeholders and the Group's activities.



2010 and 2011 Results (Appendix/2011 Telecom Italia Sustainability Report)⁷

The results achieved are shown below, compared to the objectives published in the previous Sustainability Report for 2011 and, for the Customers stakeholder only, for the year 2010⁸.

Telecom Italia – Customers⁹

Area of reference	Indicator	Unit of measurement	2010 Target	2010(*) Result	2010 Target status	2011 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	99.8	●	97
Customers - Mobile	Activation time for voice service (post-paid service) – Percentage of valid orders completed within the maximum period laid down in the contract	%	97	100	●	97
Customers - Mobile	Customer assistance services – Average response time of the operator to incoming calls	Seconds	40	20	●	35
Customers - Mobile	Disputed charges – Ratio between the number of disputed charges in invoices received within the survey period and the number of invoices issued in the same period (post-paid service)	%	1.6	0.3	●	1.4
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)	%	1.3	0.2	●	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)	%	92	99.9	●	94
Customers - Internet	Activation time for broadband Internet access services – Average time of supply (active telephone lines)	Days	10	5	●	9
Customers - Internet	Broadband Internet access service faults – Average repair time	Hours	32	17	●	30

⁷ Please, see the following web site, related to the 2011 Telecom Italia Group Sustainability Report (chapter: Introduction/Reporting: http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

⁸ The actual figures for 2011 will be published in July 2012 on the websites stated in the following note.

⁹ The full list of mobile service quality indicators, and the respective objectives for 2011, are available at tim.it; the full list of quality indicators for fixed network and IPTV Internet access services, and the respective objectives for 2011 are available at telecomitalia.it

Area of reference	Indicator	Unit of measurement	2010 Target	2010 (*) Result	2010 Target status	2011 Target
Customers - Internet	Customer assistance services – Average response time of the operator to incoming calls	Seconds	78	64	●	70
Customers - Internet	Disputed charges – Ratio between the number of disputed charges in invoices regarding all Internet access services (received during the survey period) and the total number of invoices issued in the same period	%	1.4	0.4	●	1.2
Customers - IPTV	Activation time of the IPTV service – percentage of valid orders completed within the date agreed with the customer	%	78	77.6	●	78
Customers - IPTV	Customer assistance response time – Average time of operator response to incoming calls	Seconds	80	58	●	70
Customers - IPTV	Disputed charges – Ratio between the number of disputed charges in invoices regarding the IPTV service (received during the survey period) and the total number of invoices containing charges regarding this service (issued during the same survey period)	%	1.4	0.5	●	1.2
Customers - IPTV	Availability of IPTV service – Average unavailability of the service	Hours/Year	40	8	●	36

(*)Status target:

● achieved

● not achieved

Telecom Italia – Other stakeholders

Area of reference	Indicator	Unit of measurement	2011 Target	2011 Result	2011 Target status
Human Resources - Training	Training in health, safety and environment issues ⁽¹⁾	Hours of training	75,000	76,460	●
Human Resources - Training	Training – Training hours per head ⁽²⁾	Training hours per head	28	23.6	●
Human Resources - Training	Training – Coverage (percentage of employees out of the entire workforce who have taken part in at least one training session)	%	81.5	82.20	●
Human Resources - Accidents	Verified accidents per 100 workers	Number	<1.97	1.35	●
The Environment - Energy	Eco-efficiency indicator ⁽³⁾	Bit/Joule	1,900	2,204	●
The Environment - Energy	Total electricity procured or produced	GWh	2,064	1,933	●
The Environment - Energy	Self-generation of electricity from renewable sources	KWh	300,000	231,000	●
The Environment - Energy	Self-generation of electricity from mixed sources	MWh	75,000	83,736	●
The Environment - Energy	Number of fuel cell plants in replacement of lead batteries	Number	45	52	●
The Environment - Energy	Number of fluorescent lighting units replaced with LED units	Number	70,000	70,500	●
The Environment - Energy	High energy efficiency Gateways with the Telecom Italia Green logo	Number	500,000	769,000	●
The Environment - Atmospheric emissions	Reduction of the quantity of ozone-harmful gas used in air-conditioning plants and cooling systems	Kg	8,000	7,048	●
The Environment - Atmospheric emissions	Reduction of CO ₂ emissions resulting from the replacement of Euro3 cars with Euro4 cars	Tons	510	42	●
The Environment - Paper	Used paper sent for recycling	Tons	20,000	21,070	●
The Environment - Atmospheric emissions	SAR qualification ⁽⁴⁾	%	100	100	●
Digital Inclusion	ADSL coverage ⁽⁵⁾	%	98.00	97.65	●
Digital Inclusion	IPTV coverage ⁽⁵⁾	%	67.30	64.99	●
Digital Inclusion	UMTS and HSDPA coverage ⁽⁶⁾	%	84.50	83.80	●

(1) Training delivered directly by the SPPA (Prevention, Protection and Environment Services) division of the Human Resources and Organization department.

- (2)The data includes classroom, online and on-the-job training.
(3)For further information on the eco-efficiency indicator see § The Environment/Energy.
(4)This is the percentage of mobile phones subject to the SAR (Specific Absorption Rate) qualification. The percentage is calculated on the most widespread and technologically innovative models of mobile phone handsets.
(5)The percentage refers to fixed telephone lines.
(6)The percentage refers to the resident population. Coverage values are subject to change based on ISTAT and urbanisations updates.

TIM Brasil

Area of reference	Indicator	Unit of measurement	2011 Target	2011 Result	2011 Target status
Human Resources	Volunteering activities - Cidadão sem Fronteiras (Citizens without Frontiers) programme – Percentage of employees benefiting from at least one day of paid leave to take part in volunteering activities	%	1	1	●
Human Resources	Training (total number of hours: in class + online + on the job) provided to employees, outsourced employees and interns	Hours of training	715,000	636,202	●
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)	%	20	34	●
The Environment	Ratio between recycled waste and the total waste generated in the offices	%	55	55	●
The Environment	Reduction of electricity consumption in the offices	KWh	300,000	(1)	●
The Environment	Collection of old mobile phones, batteries and other accessories to be sent for recycling	Tons	12	16	●
Suppliers	Number of suppliers assessed under sustainability criteria	Number	140	140	●

(1) Objective not pursued in 2011.

References and Governance (Introduction/2011 Telecom Italia Sustainability Report)¹⁰

The Telecom Italia Group operates with the conviction that business activities must be conducted in a way that considers the expectations of stakeholders, in keeping with the principles established by internationally recognised standards. In defining and implementing its sustainability strategy and

¹⁰ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

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;
- ISO 9000 and ISO 14000 quality and environmental management system certifications;
- the principles of the Conventions of the International Labour Organisation (ILO) on respecting the fundamental rights of workers;
- the Social AccountAbility 8000 standard (SA 8000), aimed at promoting respect for human rights and working conditions by companies and their supply chains;
- AA1000 AccountAbility Principles Standard (APS 2008) drawn up by AccountAbility, an international organisation which promotes collaboration between stakeholders, and lays down standards and guidelines on matters of sustainability. The APS 2008 establishes the principles that a company must respect in order to define itself as accountable, which are covered in the § Reporting;
- ISO 26000 guidelines for private and public organisations of all sizes.

Codes, Charters and Values (Introduction/2011 Telecom Italia Sustainability Report)¹¹

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

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

Respecting the Code is a requirement for statutory bodies, managers and employees of all the companies of the Group, as well as for collaborators and third parties in business relationships with the Group, within the boundaries of their respective competence, functions and responsibilities.

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 also available on the Group's commercial websites (telecomitalia.it, impresasemplice.it, tim.it).

The General Conditions of Subscription govern relations with customers who subscribe to the fixed voice telephony service and are additional to the Service Charter. They are published in the telephone directories and on the telecomitalia.it and impresasemplice.it websites.

Furthermore, in order to comply with the various resolutions of the Italian communications authority regarding quality, the relevant websites state the objectives set for the year for the individual services (fixed and mobile voice services, Internet access services, IP-IPTV pay-per-view television services, call centre services for customer support)....

The other commitments undertaken by the Group are contained in the following documents, which are available in the sustainability section of the Internet site:

- "Social responsibility in the Telecom Italia Group" on compliance with labour standards within the Group, with particular reference to child labour, forced labour, health and safety, freedom of association, discrimination, disciplinary procedures, working hours and pay;
- "Relations with suppliers in Telecom Italia Group's procurement process", which governs the negotiating ethic of the Group (transparency, the separation of roles, fairness and traceability) and the requirements that Telecom Italia demands of its suppliers in the area of working and environmental standards;

¹¹Please, see the following web site, related to the 2011 Telecom Italia Group Sustainability Report (chapter: Appendix/Objectives)

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

- "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;
- "Self-Regulation Code for Mobile Services", "Self-Regulation Code for TV and Children", "Code of Conduct for Premium Services", "Self-Regulation Code for Commercial Communication", a series of codes relating to the protection of children and consumers;
- "Self-Regulation Code on Sports Information" and Self-Regulation Code on the Reporting of Legal Disputes in Radio and Television Programmes";
- "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 System of Values adopted by Telecom Italia is the benchmark for the conduct of all those who work for the Group, creating a sense of belonging to a single organisation. The various corporate processes and systems for staff development, rewards, assessment and training are inspired by the Charter of Values, in order to steer individual behaviour in a consistent way throughout the Group.

Focus on the customer

To consider the customer as the main employer, and customer satisfaction as the core value. To be ready to listen to both internal and external customers, and to take steps to anticipate and respond rapidly to emerging requirements.

Taking responsibility

To participate in the achievement of tangible results and to accept delegation as an opportunity, without referring problems to management that are within the individual's sphere of competence.

Innovation

To ensure the development of innovative solutions and promote new ways to improve the existing processes and systems in order to reinforce the positioning of the company in the market.

Proactivity

Being proactive by anticipating and influencing events. To seize and develop any opportunities, even if initially unpromising, that the individual may encounter within their sphere of activity, and to advance proposals and initiatives that may be useful in achieving the goals of the company and the Group.

Time management

To consider time as an important resource that impacts on the costs of the services provided and on the loyalty of both internal and external customers. To meet needs and problems and handle multiple, sketchy inputs, working out timely and practical solutions.

Integration

To work together with team spirit, minimising disputes and maximising the effectiveness of the exchange of information and professional contributions, working towards a common goal on behalf the company and the Group.

Transparency

To ensure ethically-correct business conduct; to maintain internal and external relations that are correct and honest, favouring the circulation of information.

Professional excellence

To continuously improve one's own abilities, taking responsibility for one's own professional growth in order to contribute to the success of the company and the Group.

The Code of Ethics ([Telecom Italia web site/Sustainability/Codes and Policies/Code of Ethics](http://www.telecomitalia.com/tit/en/corporate/sustainability/our-approach/codes-policies.html))¹²

Telecom Italia Code of Ethics is the basis of our entire corporate governance system: it provides the foundations for our values and the body of principles serving to ensure an ethically-oriented conduct of business based on transparency, correctness and fairness. The Code of Ethics, adopted by all the Group companies, sets the rules and principles of business activity with reference to the major stakeholders with which Telecom Italia interacts daily: shareholders, the financial market, customers, suppliers, competitors, institutions, the community and employees.

In the same way as all the other corporate governance instruments, the Code of Ethics is constantly reviewed and compared with changes in the regulatory framework, reference standards, and operational and market practices, with account also taken of the feedback from the monitoring of departments' compliance by the person in charge of internal control.

The Code of Ethics of Telecom Italia is at the basis of the so-called "Organizational Model 231", i.e. a model of organization and management adopted pursuant to Legislative Decree No. 231/2001, aimed at preventing offences that can result in liability for the Company.

A team of people ("Compliance 231") has the task of coordinating employees' training on both the Model and the Code of Ethics. It also handles reports on breaches of the Model and the Code, and it acts in response to warnings arriving through internal processes.

article 1 – Premise

- Both internally and externally, the activity of the Telecom Italia Group is based on observance of the principles set out in this Code, the cornerstone of the Telecom Italia Group's organizational model and system of internal control, in the belief that ethical business conduct is also a condition for a firm's success.
- Accordingly, Telecom Italia has adhered – and encourages all the companies in the Group to adhere – to the United Nations Global Compact....
- As persons to whom this Code is directed, the governing bodies of all Group companies, their managements and all those who work for them, as well as collaborators and third parties in business relationships with the Group, are required to observe this Code within the scope of their respective powers, functions and responsibilities.

Article 2 – Objectives and Values

- The primary objective of the companies belonging to the Telecom Italia Group is to create value for their shareholders while complying with the principles established in this Code.
Business and financial strategies must be oriented to achieving this end, as must the consequent conduct of operations, based in turn on the efficient use of resources.
- Group companies
 - must be committed, as active and responsible members of the community, to observing and ensuring the observance of the laws in force in the countries in which they operate and the ethical principles commonly accepted according to international standards in the conduct of business: transparency, correctness and fairness;
 - must reject and stigmatize recourse to illegal and improper conduct (vis-à-vis the community, public authorities, customers, workers, investors, suppliers and competitors) in order to achieve their business

¹²Please, see the following web site: <http://www.telecomitalia.com/tit/en/corporate/sustainability/our-approach/codes-policies.html>

objectives, which they must pursue exclusively through the excellence of their products and services in terms of quality and cost-effectiveness, based on experience, customer care and innovation;

- must adopt organizational solutions serving to prevent violations of the law and the principles of transparency, correctness and fairness by their employees and collaborators and take steps to ensure they are applied and complied with in practice;
- must ensure, while safeguarding the competitive strengths of their businesses, that the market, investors and the public are fully informed about their actions;
- must make every effort to promote fair competition, which they believe to be in their own interest and in that of all the other firms operating in the market, their customers and their stakeholders;
- must pursue excellence and competition in the market and provide their customers with high quality products and services that meet their needs efficiently;
- must be aware of the strategic importance of the services they provide for the wellbeing and growth of the communities in which they operate;
- must protect their human resources and enhance their quality;
- must use material resources responsibly, with a view to achieving sustainable growth that respects the environment and the rights of future generations;
- must engage in acts of generosity towards third parties such as non-profit organizations and entities by undertaking concrete humanitarian, cultural, social and sporting initiatives that create value added for shareholders and stakeholders, including from the ethical and civil standpoints;
- must ensure the proper planning and timely achievement of corporate objectives consistently with the related strategic guidelines of the Telecom Italia Group, having the creation of value as the primary objective.

Article 4 – Relations with Stakeholders

4.1 Shareholders

Group companies are committed to ensuring equal treatment for all classes of shareholders and avoiding biased behaviour. The advantages that come from belonging to a group must be pursued in accordance with applicable laws and regulations and without prejudice to the interest of each company in the profitability of its activities and the creation of value for its shareholders.

4.2 Customers

The excellence of Group companies' products and services is founded on the attention paid to customers and the willingness to satisfy their requests. The ultimate aim must be to guarantee an immediate, capable and competent response to customers' needs, through conduct based on business correctness and transparent relationships and contractual commitments, as well as on courtesy and cooperation, in any case without using any statement harmful to the business image of competitors, in compliance with customers' central role and procedure-based disciplinary principles. In this context importance is also given to collaboration with consumers' associations, including by the conclusion of specific agreements.

4.2 bis Competitors

Group companies undertake to promote loyal competition, which is considered to serve the interests of the Group and the interests of all the participants in the market, customers and stakeholders in general.

4.2 ter Suppliers

Group companies are committed to ensuring that purchasing procedures are directed to obtaining products and services at the best conditions available on the market, while simultaneously meeting quality, security and environmental requirements.

4.2 quater Institutions

Group companies intend to maintain a cooperative and transparent relationship with Italian and international institutions in order to facilitate dialogue on issues of special interest.

4.2 quinquies The environment

Group companies pursue their own strategies with regard to the environment in compliance with the following principles: optimize the use of energy sources and natural resources; minimize negative environmental impacts and maximize positive ones; foster the spread of a culture based on a correct approach to environmental issues; ensure a commitment to continuously improving environmental performance; and adopt purchasing policies that take account of environmental issues.

4.3 The community

- Group companies intend to contribute to the economic well-being and growth of the communities in which they operate by providing efficient and technologically advanced services.
- Consistently with this objective and with their responsibilities towards the various stakeholders, Group companies must consider research and innovation as essential to their growth and success.
- Compatibly with their nature of commercial enterprises and the consequent need for their operations to be economically efficient, in their choices Group companies must consider the social importance of telecommunications services and endeavour to meet the needs of the entire community, including the weakest members.
- Aware of the importance of the services they provide and the consequent responsibility towards society, Group companies must maintain relations with local, national and international authorities based on full and active cooperation and transparency, in conformity with their respective roles and the economic objectives and the values set out in this Code.
- Group companies must be well-disposed towards, and where appropriate, provide support for social, cultural and educational initiatives aimed at developing persons abilities and improving living standards.
- Group companies must not make contributions of any kind to political parties or trade unions or to their representatives or candidates, without prejudice to applicable laws and regulations.
- Group companies believe in the possibility of sustainable growth at global level, in the interest of all today's and tomorrow's stakeholders. Their investment and operating choices must therefore always take into account the need to protect the environment and public health.
- Group companies must take environmental issues into account in arriving at their decisions and – going beyond what is required by applicable laws and regulations where this is operationally and economically feasible – must try to adopt eco-friendly technologies and methods of production, with the aim of reducing the impact of their activities on the environment.

4.4 Human resources

- Group companies must recognize the central role of human resources, in the belief that the principal factor in the success of every firm is the contribution made by those who work for it, in a context of fairness and mutual trust.
- Group companies must protect their employees' safety and health at the workplace and in the conduct of their business consider respect for workers' rights to be of fundamental importance. Personnel management within the Group must aim to ensure equal opportunity and to promote the development of each individual.

....

Article 8 – Monitoring and Revision of the Code

The Code must be reviewed annually and revised as necessary by Telecom Italia's Board of Directors in the light of the recommendations of the Committee for Internal Control and Corporate Governance and after hearing the opinion of the Board of Statutory Auditors, which may also submit proposals to the Board of Directors.

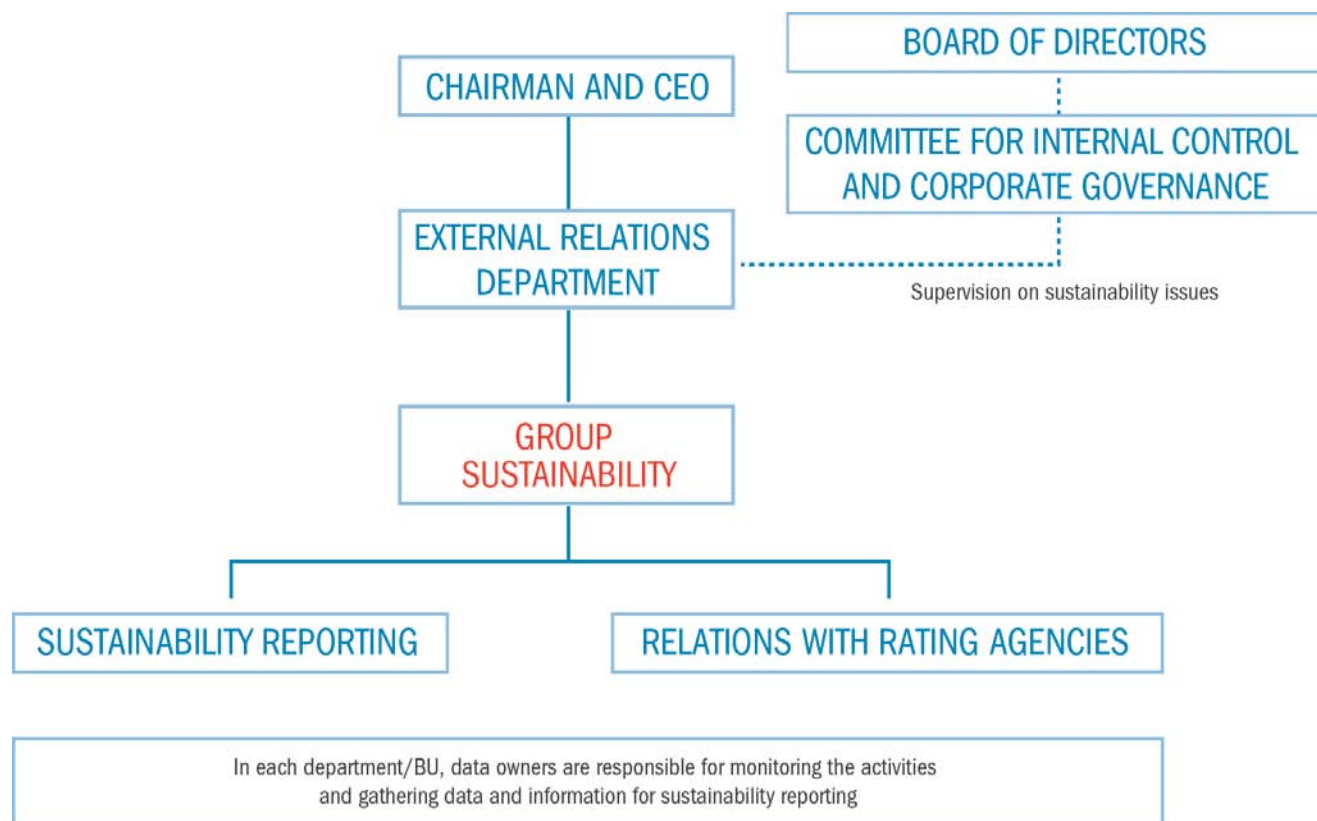
The Group Sustainability Department (Introduction/2011 Telecom Italia Sustainability Report)¹³

Mission and structure

Sustainability management in Telecom Italia is ensured by the Group Sustainability section which carries out the following activities:

- promoting projects and initiatives at Group level with environmental and social impact, collaborating with the company departments which have operational responsibility for them;
- contributing to the dissemination of a correct approach to sustainability within the company, under the perspective of continuous improvement;
- ensuring the reporting to the outside of the activities of sustainability carried out;
- managing relations with specialised rating agencies for the purpose of admission to stock market sustainability indexes;
- representing the Group in the relevant national and international forums.

Since 2009, this section has been operating as part of the External Relations management department in order to ensure more structured communication of the initiatives undertaken and the results achieved. The organisational structure is shown below.



The guidelines

The management of sustainability within the Telecom Italia Group is based on the following guidelines:

¹³ Please, see the following web site, related to the 2011 Telecom Italia Group Sustainability Report (chapter: The Group Sustainability Department): http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

- inclusion of a summary of the sustainability data within the Financial Statement, confirming the Group's determination to present its financial performance jointly with non-financial information;
- collaboration with the stakeholders through projects and initiatives at various levels;
- definition of quantitative objectives in line with the major sustainability issues;
- integration between sustainability and innovation: a specific section is dedicated to issues of business responsibility within the technological plan, the document in which the Company defines its strategy in terms of the evolution of the transmission network;
- confirmation of the international commitments on matters of sustainability, including adherence to the Global Compact;
- contribution to projects and initiatives on a national and international basis, including those implemented by industry organisations;
- adherence to the main international standards on matters of sustainability;
- continuous improvement of its own performance, including through benchmarking with peers;
- contribution to the spread of a correct approach to sustainability issues by means of communication initiatives organised within the Company and externally.

Communication of non-financial performance (Introduction/2011 Telecom Italia Sustainability Report)¹⁴

In the context of the Alliance between the European Commission and companies launched in March 2006 with the aim of turning Europe into a centre of excellence in CSR, a "Sustainability and non-financial performance assessment" laboratory has been set up, of which Telecom Italia has been a co-leader. Following a wide-ranging consultation process involving companies, investors, academics, representatives of the European Commission and stakeholders in Italy and abroad, the laboratory launched an advanced communication model for non-financial performance. On the basis of the opinions expressed, the model identified six priority areas (Human Capital, Customer Relations, Community, Innovation, Environment and Corporate Governance) in which companies and investors are both interested, and in respect of which, therefore, the high quality reporting of financial information by companies is valued by the financial markets and taken into consideration for the purpose of valuations. For further information, see the website launched by the laboratory investorvalue.org.

During 2011, the laboratory's work continued in the context of a collaborative venture project launched by CSR Europe and EABIS (European Academy for Business in Society), in which Telecom Italia plays a leading role together with other big companies and international organisations. The project has the dual purpose of:

- identifying a small number of concise sustainability performance indicators shared with the financial community (analysts, asset managers, banks and funds);
- sharing the best practice used by companies to measure and manage non-financial performance.

For further information, see the sustainability section of the telecomitalia.com website¹⁵ and the Enterprise 2020/Priority topics 2011 – 2013 section of the csreurope.org website.

2012 Objectives (Appendix/2011 Telecom Italia Sustainability Report)¹⁶

The objectives for 2012 are shown below.

¹⁴ Please, see the following web site, related to the 2011 Telecom Italia Group Sustainability Report (chapter: Introduction/Reporting: http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹⁵ Please, see the following web site: http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/approach/CSR_Europe_GA_2011_Nazzaro_final.pdf

¹⁶ Please, see the following web site, related to the 2011 Telecom Italia Group Sustainability Report (chapter: Appendix/Objectives) http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

Telecom Italia – Customers

Area of reference	Indicator ¹⁷	Unit of measurement	2012 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	Customer assistance services – Average response time of the operator to incoming calls	Seconds	35
Customers - Mobile	Disputed charges – Ratio between the number of disputed charges in invoices received within the survey period and the number of invoices issued in the same period (post-paid service)	%	1.3
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)	%	94
Customers - Internet	Activation time for broadband Internet access services – Average time of supply (active telephone lines)	Days	9
Customers - Internet	Broadband internet access service faults – Average repair time	Hours	27
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	%	1.2
Customers - IPTV	Activation time of the IPTV service – percentage of valid orders completed within the date agreed with the customer	%	78
Customers - IPTV	Customer assistance response time – Average time of operator response to incoming calls	Seconds	70
Customers - IPTV	Disputed charges – Ratio between the number of disputed charges in invoices regarding the IPTV service (received during the survey period) and the total number of invoices containing charges regarding this service (issued during the same survey period)	%	1.2
Customers - IPTV	Availability of IPTV service – Average unavailability of the service	Hours/Year	36

¹⁷ The full list of mobile service quality indicators, and the respective objectives for 2012, are available at tim.it; the full list of quality indicators for fixed network and IPTV Internet access services, and the respective objectives for 2012 are available at telecomitalia.it

Telecom Italia – Other stakeholders

Area of reference	Indicator	Unit of measurement	2011 Result	Target 2012
Human Resources - Training	Training in Health, Safety and Environment issues ⁽¹⁾	Hours of training	76,460	80,000
Human Resources - Training	Training – Training hours per head ⁽²⁾	Training hours per head	23.6	24
Human Resources - Training	Training – companies coverage (percentage of employees out of the entire workforce who have taken part in at least one training session)	%	82.20	82.50
Human Resources - Accidents	Accidents per 100 workers	Number	1.35	<1.41
The Environment - Energy	Eco-efficiency indicator ⁽³⁾	bit/Joule	2,204	2,450
The Environment - Energy	Self-generation of energy from mixed sources (cogeneration)	MWh	83,736	84,000
The Environment - Energy	Fuel cell plants installed in replacement of lead batteries	Number	52	45
The Environment - Energy	Fluorescent lighting units replaced with LED units ⁽⁴⁾	Number	70,500	150,000
The Environment - Atmospheric emissions	Reduction of the quantity of ozone-harmful gas (R22) used in air-conditioning systems	Kg	7,048	5,000
The Environment - Atmospheric emissions	SAR qualification ⁽⁵⁾	%	100	100
The Environment - Atmospheric emissions	SAR qualification of technologically innovative devices (memory sticks, USBs and tablets) marketed under the TIM brand	Number	-	10
The Environment - Paper	Used paper sent for recycling	Tons	21,070	21,050
Digital Inclusion	ADSL coverage ⁽⁶⁾	%	97.65	98.00
Digital Inclusion	UMTS and HSDPA coverage ⁽⁷⁾	%	83.80	86.00
Digital Inclusion	LTE coverage ⁽⁷⁾	%	-	9.00

(1) Training delivered directly by SPPA (Prevention, Protection and Environment Services).

(2) The data includes classroom, online and on-the-job training.

(3) For further information on the eco-efficiency indicator see § The Environment/Energy.

(4) Modern LED lighting systems provide significant benefits in terms of lower electricity consumption and reductions in the disposal of materials/use of resources.

(5) 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.

(6) The percentage refers to fixed telephone lines.

(7) The percentage refers to the resident population.

Telecom Italia – Multiannual objectives – The Environment

Area of reference	Indicator	Unit of measurement	2012 Target	2013 Target	2014 Target
The Environment - Energy	Total electricity procured or produced	GWh	1,875	1,814	1,750
The Environment - Atmospheric emissions	Reduction of CO ₂ emissions from the purchase and generation of electricity compared to 2011	Tons	20,000	42,000	66,000

TIM Brasil

Area of reference	Indicator	Unit of measurement	2011 Result	Target 2012
Human Resources	Training (total number of hours: in class + online + on the job) provided to its own employees, outsourced employees and interns	Hours of training	636,202	600,000
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)	%	34	30
The Environment	Collection of old mobile phones, batteries and other accessories to be sent for recycling	Tons	16	13
The Environment	Ratio between recycled waste and the total waste generated in the offices	%	55	58
The Environment	Energy - Increase in the consumption of energy to operate the transmission network resulting from the expected increase in the volume of traffic	%	-	3.5
Suppliers	Percentage of the main suppliers assessed under sustainability criteria	Number	140	180

Telecom Argentina

Area of reference	Indicator	Unit of measurement	2011 Result	Target 2012
Human Resources	Sustainability training: managers involved in at least one training event	Number	117	500
Human Resources	Employees taking part in the company's volunteering programme	Number	480	650
Human Resources	Employees with teleworking contracts	Number	600	810
Suppliers	Percentage assessed under sustainability criteria	Number	-	200
The Environment	Quantity of mobile phone batteries sent for recycling	Kg	590	2,000

Results and 2012 Commitments (Suppliers/2011 Telecom Italia Sustainability Report)¹⁸

Subject	2011 commitments	Status	2012 commitments
ISO 9001, ISO 14001 and ISO 50001 certifications	Maintaining TI Group's SC&RE ISO 9001 certifications and the ISO 14001 certification for infrastructure purchasing and service unit facility activities, extended to the same department's real estate activities.	Achieved	Maintaining the SC&RE department's ISO 9001 certifications and the ISO 14001 certification for infrastructure purchasing and the service unit facility, extended to the same department's real estate activities. Obtaining the ISO 50001 certification for the Energy Purchasing & Management department.
E-community project	Development and maintenance of active e-communities	Achieved	Maintenance of active e-communities
Green Procurement	Continue monitoring purchases made with green criteria and increase their volume.	The introduction of the new supply chain sustainability process has brought these activities out of the action plan.	Continue developing of the supply chain sustainability verification and improvement process, in order to progress from green procurement to the wider concept of sustainable procurement.
	Continue applying the "Product Lifecycle Evaluation Guidelines" - (LCA) to the product families already identified.		
Controls on suppliers	Continued application of the Corporate Social Responsibility check list to a representative sample of suppliers.	Achieved	Application of the self-assessment questionnaire for new suppliers.
	Extension of auditing activities to supplier production establishments overseas.	Achieved	Continuation of audit activities in the production plants of suppliers located abroad in the context of the JAC.

How we identify our stakeholders (Telecom Italia web site/Sustainability: Our Vision/Our Model/Being Sustainable)¹⁹

In Telecom Italia the stakeholder identification process is based on the following phases:

- 1) deep analysis of business processes
- 2) for each process all the interested parties are identified (people/associations/organizations involved in the activity analyzed)
- 3) grouping the parties in homogenous categories....

¹⁸Please, see the following web site, related to the 2011 Telecom Italia Group Sustainability Report (chapter: Appendix/Objectives) http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹⁹Please, see the following web site: <http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/it/OurApproach/How%20we%20identify%20our%20stakeholders.pdf>

4) identification of the so-called “sub-stakeholders” among the principal parties of stakeholders.

Organisations and Associations (Telecom Italia web site/Sustainability: Our Vision/Our Model/Organisations and Associations)²⁰

Telecom Italia has undersigned numerous environmental and social commitments with several national and international organisations in order to promote human rights, working standards and environmental safeguard.

Global Compact

The [Global Compact](#) is the world's main initiative promoting environmental protection, human rights and working standards practices against corruption.

[> Find more information about the Global Compact](#)

International Labour Organization

The [International Labour Organization](#) (ILO) is a specialized agency of the [United Nations](#) devoted to promoting opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.

European Telecommunications Network Operators' Association (ETNO).

[ETNO](#) is the sector's association whose goals include the development of a competitive and efficient European telecommunications market through coordination between operators and dialogue with Institutions.

CSR Europe

[CSR Europe](#) is the main business Social Responsibility centre in Europe. Its mission is to support partner companies by introducing Social Responsibility in the day-to-day running of business activities.

Sodalitas

The [Fondazione Sodalitas](#) association was established in 1995 in order to create a link between commercial and non-profit businesses. Its aim is to transfer the managerial culture to non-profit organisations and to promote business Social Responsibility.

Anima

The [Anima association](#) aims to promote Corporate Social Responsibility (CSR) among businesses, in order to link profit-making goals with community well-being.

Joint Research Centre

[JRC](#) activities, determined by the council of the European Union, are organised according to a long-term programme lasting from 2007 to 2013 and concerning several issues such as: food safety, biotechnologies, the environment and nuclear energy.

International Telecommunication Union

The [ITU](#) (International Telecommunication Union) is the United Nations' main agency for Telecommunications and Information, as well reference centre for governments and the private sector in the development of networks and services. Its purpose is to enable the development of telecommunications to guarantee that people throughout the world have the chance to be part of the global economy.

²⁰ Please, see the following web site: <http://www.telecomitalia.com/tit/en/sustainability/our-approach/organisations-associations.html>

London Benchmarking Group

The [London Benchmarking Group](#) is an association of over 100 major international companies, whose model is used by companies throughout the world to measure and report their investments in the community.

Global Reporting Initiative

The [GRI](#) is a body founded in 1997 by CERES , the Coalition for Environmentally Responsible Economy, with the goal of developing globally applicable guidelines when drafting a sustainability report.

GeSI

[GeSI](#) (the Global e_Sustainability Initiative) is a global partnership of ICT companies promoting sustainable development technologies.

EABIS

The [EABIS](#) (European Academy of Business in Society) body is formed by over 75 members including businesses, institutions and business schools, in Europe, South Africa and New Zealand. EABIS is the European reference network for interdisciplinary research on corporate responsibility.

World Business Council for Sustainable Development

The [WBCD](#) is a worldwide association of approximately 200 companies dealing exclusively with business and sustainable development. The Council enables companies to explore sustainable development, sharing experiences and knowledge, and to support it in various contexts in cooperation with governments, non-governmental and inter-governmental organisations.

Stakeholder Involvement (Introduction/2011 Telecom Italia Sustainability Report)²¹

Stakeholder involvement, which includes listening to their requests, is one of the pillars of Telecom Italia's sustainability model.

During 2010, the Sustainability Report was submitted to a multi-stakeholder panel to measure their satisfaction and the extent to which it fulfilled their expectations. The suggestions for improvement, which were also implemented in the previous Report, have resulted in an increased degree of conciseness and a different graphic design to improve its legibility and usability.

In order to make the Group Sustainability managers easier to contact and therefore facilitate dialogue with stakeholders on matters of greatest interest, all the necessary details have been added to the contacts area in the sustainability section of the telecomitalia.com website. During the course of 2011, the groupsustainability@telecomitalia.it mailbox received around 250 emails, all of which were considered for the purpose of any response required.

The following table shows the main initiatives in which stakeholders were involved in company processes, classified according to the guidelines recommended by AccountAbility...

²¹ Please, see the following web site, related to the 2011 Telecom Italia Group Sustainability Report (chapter: Introduction/Reporting: http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

		INITIATIVES			
		INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
Stakeholders	Customers	Notification to the customers of offers and conditions through various methods (Customers/Communication with customers at telecomitalia.com)	Customer satisfaction is surveyed systematically (Customers/Customer Satisfaction)	Collaboration with the consumer associations (Customers/Conciliation Procedures)	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 (Customers/Child protection at telecomitalia.com)
		Information on the rules for the safe use of the Internet and for combating abuses through the Internet (Customers/Child protection)		Use of web-based tools on social networks by call centre operators to talk to customers (Customers/Quality of service)	Partnership projects with institutions and other companies to test and create innovative assistance services (Customers/ Innovative services)
				Employee awareness-building activities continued on aspects of the Customer Promise in order to ensure its implementation within the Company (Customers/Quality of service)	
	Suppliers		Fifth survey of satisfaction with the Purchasing department, and more generally with Telecom Italia, conducted among the Group's main suppliers (Suppliers/Involvement initiatives)	E-community of the main suppliers through the "TelecHome" website accessible through the suppliers' portal (Suppliers/Involvement initiatives)	CSR audit activities conducted in the production plants of suppliers and sub-suppliers based on the Memorandum of Understanding signed with other operators (Suppliers/Sustainability checks)
			Self-assessment questionnaire sent to the most risky suppliers in terms of sustainability (Suppliers/Involvement initiatives)		

		INITIATIVES			
		INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
Stakeholders	The Environment	"Carbon Meter" available on AVoiComunicare (The Environment/Communicating sustainability)		Collaboration with other European Tlc operators on issues of environmental relevance within the framework of industry associations, including GeSI and ETNO (The Environment/Relevant stakeholders, and Climate change)	Co-siting agreements with the other Italian Tlc operators (The Environment/Energy)
		External and internal sustainability communication initiatives carried out (Environment/Communicating sustainability)		Contributions to the Working Groups promoted by the EU and ETNO in defining the Code of Conduct on broadband equipment and data centres (The Environment/Energy)	
	The Community	Correct information to stakeholders provided via the traditional media and the Group's website (Community/Media relations and communication projects)	Consultation with stakeholders as part of the analysis and definition of potential initiatives and projects for the protection of historic and artistic heritage by the Telecom Italia Foundation (The Community/Responses to stakeholders)	The "Safe Browsing" tour involved over 100,000 people in Italian cities on subjects related to safe Internet browsing (The Community/Responses to stakeholders)	Projects carried out in partnership with non-governmental and civil society organisations, particularly through the Telecom Italia Foundation (The Community/Responses to stakeholders)
				The AVoiComunicare integrated communication project fosters discussion about social matters (The Community/Media relations and communication projects, and telecomitalia.com)	

		INITIATIVES			
		INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
	Human Resources	Internal communication activities (Human Resources/Internal communication)	"Archimede" project (Human Resources/Listening projects and activities)	Mailboxes, Intranet, blogs, virtual communities, multimedia conventions to communicate with employees (Human Resources/Listening projects and activities)	Selection and training programmes carried out with research centres, universities, associations and foundations (Human Resources/Selection)
		Courses on health and safety matters (Human Resources/Protection of health and safety)	Initiatives carried out by the People Caring Centre to fulfil the requirements of employees (Human Resources/People Caring)	Numerous information and discussion sessions organised with trade unions on matters of interest (Human Resources/Industrial Relations)	The activities of the Industrial Relations School, a network of professionals from the world of business, institutions and trade unions continued (Human Resources/Training)
			Initiatives to improve the management of diversity in the company (Human Resources/People Caring)	Counselling service for dealing with personal difficulties or problems at work experience by employees (Human Resources/People Caring)	Volunteering initiatives with the involvement of employees and external partners (Human Resources/People Caring)
			Involvement of employees in the stress at work assessment programme (Human Resources/Protection of health and safety)		The "I care about myself" project continued with the main trade unions, which allows employees to sign up free of charge to some of the faculties of the Uninettuno International Telematic University (Human Resources/Training)
	Shareholders	The "TI Alw@ys ON" (telecomitaliaclub.it) shareholders' club provides important information to individual investors and the general public (Shareholders/Financial communication)		Three monthly conference calls, meetings at institutional offices of the Group (reverse road shows), participation in sector conferences, making a total of around 300 investors meetings (Shareholders/Financial communication)	Phase 2 of the sustainability performance assessment project moderated by CSR Europe and EABIS has been launched. Telecom Italia acts as co-leader with other multinational companies (Introduction/Communication of non-financial performance)
		Online financial communication (Shareholders/Financial comm..)			

Telecom Italia Group and the United Nations Global Compact (summary)

The following Telecom Italia Group companies/sub holdings signed up the Global Compact initiative:

- Telecom Italia SpA in 2002²²,
- Telecom Italia Media SpA in 2004²³,
- Telecom Argentina in 2004²⁴,
- TIM Participações S.A. (Brasil) in 2008²⁵.

Further, Telecom Italia SpA:

- signed up the Caring for Climate platform in 2007²⁶;
- was one of the members of the United Nations Global Compact Human Rights Working Group from 2008 to 2011 (Telecom Italia left the Working Group in June 2011 due to the changed criteria to be a member²⁷; nowadays, in this Working Group, there is just an Italian company);
- is one of the members of the United Nations Global Compact Network Italia Human Rights Working Group.

Telecom Italia SpA is also one of the members of the United Nations Global Compact Network Italia Steering Committee²⁸.

Telecom Italia Corporate Governance structure

Please, see what is reported within the **10th principle** of this Communication On Progress (in particular the following chapter: *2011 Telecom Italia Sustainability Report: Shareholders/Corporate Governance*).

²² Please, see the following web site: <http://www.unglobalcompact.org/participant/9111-Telecom-Italia>

²³ Please, see the following web site: <http://www.unglobalcompact.org/participant/9112-Telecom-Italia-Media-S-p-A->

²⁴ Please, see the following web site: <http://www.unglobalcompact.org/participant/9109-Telecom-Argentina-S-A->

²⁵ Please, see the following web site: <http://www.unglobalcompact.org/participant/9378-TIM-Participacoes-S-A->

²⁶ Please, see the following web site: http://www.unglobalcompact.org/Issues/Environment/Climate_Change/list_of_signatories.html

²⁷ Please, see the following web site:

http://www.unglobalcompact.org/docs/issues_doc/human_rights/Human_Rights_Working_Group/TOR_HRWG.pdf

²⁸ Please, see the following web site: <http://www.globalcompactnetwork.org/it/il-network-italiano-ita/lo-steering-committee.html>

2) United Nations Goals and Issues

Criterion 4: Actions taken in support of broader UN goals and issues.

The Code of Ethics (Telecom Italia web site/Sustainability: Our vision/Codes and Politics/Code of Ethics)²⁹

Article 2 – Objectives and Values

Group companies:

- ...
- must engage in acts of generosity towards third parties such as non-profit organizations and entities by undertaking concrete humanitarian, cultural, social and sporting initiatives that create value added for shareholders and stakeholders, including from the ethical and civil standpoints;;
- ...

°_°_°_°

References related to the United Nations goals and Issues:

- 2011 Telecom Italia Sustainability Report/The Community/:
 - Strategy;
 - The measurement of our contribution to the Community,
- Telecom Italia web site/Sustainability:
 - The criteria used to assign the contributions to the various levels of the LBG pyramid (Our Stakeholders/Our Support to the Community/ Relations with Communities/Criteria for measuring),
- 2011 Telecom Italia Sustainability Report/The Community/:
 - Responses to stakeholders,
- Telecom Italia web site/Sustainability:
 - Our care for people with special needs (Our stakeholders/Our support to the Community/Digital Inclusion/Projects for people with special needs),
 - Future Centre (Our stakeholders/Our support to the Community/Digital Inclusion/Other projects),
- 2011 Telecom Italia Sustainability Report/The Community/:
 - Media relations and communication projects,
 - Research and Development in Telecom Italia,
- Telecom Italia web site/Sustainability:
 - The stages of research projects (Our stakeholders/Our support to the Community/Research & Development),
- 2011 Telecom Italia Sustainability Report/The Environment::
 - Product responsibility.

Strategy (The Community/2011 Telecom Italia Sustainability Report)³⁰

The intention of the companies of the Group is to contribute to the economic wellbeing and growth of the community by supplying efficient and technologically advanced services.

²⁹Please, see the following web site: <http://www.telecomitalia.com/tit/en/corporate/sustainability/our-approach/codes-policies.html>

³⁰Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

Consistent with these objectives and the responsibilities assumed towards the various stakeholders, the Group companies see research and innovation as priorities for growth and success.

As private entities requiring cost-effective management, Group companies take the social impact of telecommunication services into account in their decision-making activities, responding to the needs of the community, including the weakest members of society.

The Group looks favourably on and, where appropriate, supports social, cultural and educational initiatives aimed at the advancement of the individual and the improvement of living conditions.

In the projects they implement with communities the Group companies interact with:

- civil society: all citizens and people with special needs (young people, the elderly, the disabled 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.

The following table summarises the ways in which the strategy for investment in the Community is implemented, a strategy which is determined in accordance with the AccountAbility 1000 standard.

Macro areas of intervention	Project identifications	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 and associated with the provision of ICT services³¹; • activities aimed at the general development of the Community (mainly the activities of the Telecom Italia Foundation). 	<p>Telecom Italia identifies the projects to be implemented on the basis of:</p> <ul style="list-style-type: none"> • consultation with the stakeholders and direct contact with the associations of civil society; • partnership projects with stakeholders and associations; • benchmarking against the other European Tlc operators; • participation in industrial associations (e.g. the London Benchmarking Group); • sharing knowledge of the industry's problems with the other departments of the Group; • external lobbying in response to social emergencies (e.g. the flood in Liguria). 	<p>The implementation of each project passes through four phases:</p> <ul style="list-style-type: none"> • Planning: this phase determines the objectives to be achieved, the beneficiaries of the project, the time scales of the individual activities, the overall duration of the initiative, the tools for monitoring the progress of the project and the budget. • Selection: <ul style="list-style-type: none"> - through public tenders, as in the case with many projects pursued by the Telecom Italia Foundation; - by direct decision of the Company, following the stakeholder, consultation process, consistent with the guidelines for voluntary contributions to the Community³². • Management: normally administered through partnerships or framework agreements. Sometimes cash disbursements are made, leaving the management of the activity to the beneficiary

³¹In 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 § Customers.

³²The guidelines for voluntary contributions to the Community are available on the following website:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/Comunita_GuidelinesING.pdf

		organisation/association. • Control: takes place in different ways according to the specific features of the individual projects.
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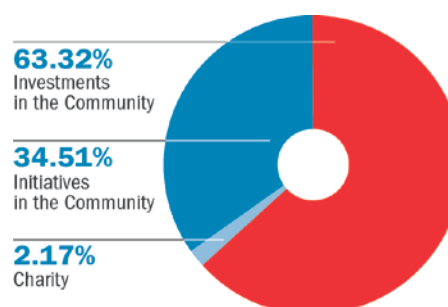
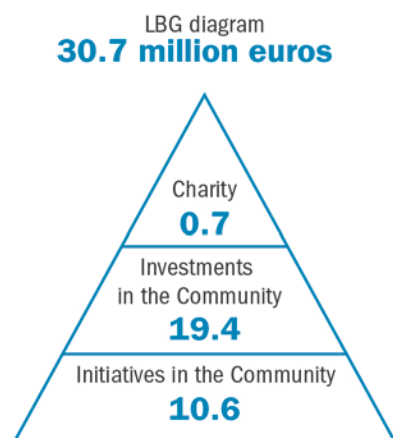
The measurement of our contribution to the Community (The Community/2011 Telecom Italia Sustainability Report)³³

Contributions made by the Telecom Italia Group to the Community, calculated according to the guidelines of the London Benchmarking Group (LBG), amounted to 30.7 million euros in 2011 (33.4 million euros in 2010).

The contribution has been calculated using management data partly based on estimates.

Over 100 major international companies subscribe to the LBG, which was founded in 1994 and is the global gold standard for the classification of voluntary contributions made by companies in favour of the Community.

In accordance with the LBG model, in order to measure and represent the Group's commitment to the community, the contributions disbursed have been subdivided into three categories (Charity, Investments in the community, Initiatives for the community), adopting the customary pyramid-shaped representation, which places initiatives of a charitable nature at the top and initiatives which in addition to being of benefit to the Community are in the commercial interest of the Company at the bottom. For further information regarding the LBG model and its investment classification criteria on the 3 levels, see the sustainability section of the telecomitalia.com website and the lbg-online.it website.



BREAKDOWN OF TELECOM ITALIA GROUP CONTRIBUTION TO THE COMMUNITY (%)

³³ Please, see the following web site:
http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

The criteria used to assign the contributions to the various levels of the LBG pyramid (Telecom Italia web site/Sustainability: Our Stakeholders/Our Support to the Community/ Relations with Communities/Criteria for measuring)³⁴.

	CRITERIA	TYPE OF CONTRIBUTION
CHARITY	Intermittent support to a wide range of good causes in response to the needs and appeals of community organisations, increasingly through partnerships between the company, its employees, customers and suppliers.	Donations to national/international organisations not based on a specific medium/long term programme. Sponsorship of causes or events, not part of a marketing strategy. Company matching of employee giving and fund-raising. Costs of supporting and promoting employee involvement. Costs of facilitating giving by customers and suppliers.
COMMUNITY INVESTMENTS	Long-term strategic involvement of the company to address a limited range of social causes.	Memberships and subscriptions. Grants and donations based on a specific medium/long term programme.
INITIATIVES IN THE COMMUNITY	Activities usually carried out by commercial departments to support directly the success of the company, also in partnership with humanitarian organisations.	Sponsorship of events, publications and activities promoting brand or corporate identity. Cause Related Marketing, promotional sales. Support to scientific and University research and to humanitarian organisations. Care for consumers with special needs. Civil Protection activities.

Responses to stakeholders (The Community/2011 Telecom Italia Sustainability Report)³⁵

Initiatives consistent with the core business

By way of example, here are some of the projects carried out in 2011 in response to the needs of the Community using the technologies that underlie the provision of services by Telecom Italia.

Fund raising

Fund raising is a particularly important tool, especially when it comes to dealing with emergencies. For over ten years, Telecom Italia has been a key player in the solidarity chain associated with humanitarian, scientific or environmental projects, which it supports by allowing people to make a donation of 1 or 2 euros by sending a text message and of up to 10 euros by calling a dedicated free number from a land line. The money raised was passed on in its entirety, without any deductions, either by the tax authorities, who, thanks to an awareness campaign mounted by TLC companies and non-profit organisations, have exempted such operations from the application of VAT, nor by the company for the disbursement of its costs.

102 fund raising projects were carried out in 2011, raising a total of over 22 million euros³⁶.

³⁴ Please, see the following web site: <http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/community/our-relations-with-communities/criteria-contributions.html>

³⁵ Please, see the following web site: http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

³⁶The amount collected is not directly attributable to the initiatives mentioned due to the time lag between invoicing and payment.

Digital literacy initiatives for the elderly

During 2011, two important projects dedicated to teaching people over the age of 50 the basics of IT and Internet browsing were completed: "Internet Saloon" and "Telemouse".

The first Internet Saloon was started in Milan in 2000 and a further six subsequently opened in Sondrio, Pavia, Catania, Ancona, Bari and Naples (the last three of these were set up in Telecom Italia offices). In eleven years of operation, more than 50,000 people have successfully attended courses.

Telemouse was first arranged in Rome in 2009 and over two years it provided IT courses for around 17,000 people over the age of 50, given by selected students who received educational training credits for their commitment.

At the end of 2001, all digital literacy campaigns for the elderly were combined into the Navigare Insieme project, based on a web platform (navigareinsieme.org) which provides a simple and immediate approach to computers and the Internet. The project is implemented with the help of Informatici Senza Frontiere, Scuola Holden, Auser and Confagricoltura Pensionati.

Safe Browsing

The project Navigare Sicuri (Safe Browsing) is based on a twice yearly course aimed at making children, young people and adults (parents and teachers) aware of how to use the Internet and digital technologies sensibly and responsibly. The initiative has its own dedicated site (navigaresicuri.org) and addresses the various target audiences using appropriate language and tools, including an illustrated handbook and publications featuring the Geronimo Stilton cartoon character for younger users, educational material and interactive activities for teenagers, information and a specialised support service for adults.

The project is assisted by the Fondazione Movimento Bambino, Save the Children and Atlantica, copyright holder of the Geronimo Stilton character.

In November 2010, the Navigare Sicuri tour started in schools and town squares around Italy. Over 100,000 people were involved in the 2010-2011 programme. The tour will continue throughout the 2011-2012 school year.

Using the five multimedia workstations installed on the Safe Browsing bus, and an interactive white board made available by Olivetti, a team of experts worked with children, teachers and parents throughout the journey, introducing them to the great ocean of the web with exciting activities aimed at highlighting the extraordinary potential of the Internet and avoiding its potential dangers. This year, the Safe Browsing project was also extended to social networks like Facebook, YouTube and Twitter, with specific pages informing people about all the tour's activities.

Educational activities were organised for each stop on the tour and for each age band, in both primary and secondary schools, and interactive activities were carried out in town square, where materials specifically targeted at young people and adults were distributed.

Children between the ages of 5 and 10 were helped to discover the web by Geronimo Stilton: playing with the characters from Topazia, they learned all about the useful precautions they can take to have fun safely, protecting their personal data, informing their parents about risky situations and talking to adults in order to experience and share the great adventure of the Net with peace of mind.

For youngsters between the ages of 10 and 15 there was content that assumed they had good knowledge of the web and above all a certain amount of independence from their parents. The subjects they were asked to discuss were various situations with which people their age are exposed: cyber-bullying, soliciting and identity theft. Nick, the mascot, guided the youngsters through a world of interactive games on making an informed use of the web. Three short films produced with the help of the Holden School of Turing also illustrated some of the risky situations that young people can get into when using the web. Each video has three suggested endings that invite young people to reflect and choose the one that best completes the story.

Finally an information and updating section was dedicated to parents and teachers on the relationship between children and the Internet³⁷.

³⁷ Please, see the following web site:

<http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/community/digital-inclusion.projects-young.html>

Future Lab

Since the Genoa Festival of Science in 2009 Telecom Italia has completed the installation of several Telecom Italia Future Lab centres. These are laboratories where new digital technology applications and their impact on daily life can be tested.

On November 24, 2011, the “Telecom Italia Future Lab – The Future is Now”, entirely dedicated to home automation, won the BEA – Best Event Awards 2011 in the Expo/Shows category as the best event of the year dedicated to innovation.

Smart Inclusion

Implemented with the support of the Ministry for Public Administration and Innovation, the technological and financial support of Telecom Italia, the scientific and design supervision of the institute for organic synthesis and photoreactivity of the CNR-ISOF (national research council) of Bologna, this project aims to reduce the discomfort of hospitalised children, allowing them to stay in contact with their school and family. A single technological platform integrates remote teaching, entertainment and clinical data management services, allowing hospitalised children to participate actively in school lessons, play recordings of the lessons they have missed, do exercises and use individual self-tuition courses. Moreover, the children can communicate with their loved ones through video calls and access various entertainment programmes (cartoons, films, documentaries and sport). The medical staff can in turn use the system to display all the clinical files of patients with the option of updating them.

Smart Inclusion is currently being used in some hospitals, in the cities of Bologna, Rome, Padua, Florence, Genoa and Turin.

Telecom Italia Foundation

Set up in 2008, it is the fruit of Telecom Italia's CSR strategy, promoting ideas and projects for improving people's quality of life. The Foundation operates in Italy and is active:

- in the social field, developing educational and support projects dedicated to the vulnerable and disadvantaged categories and bands of the population;
- in developing projects dedicated to education, training and scientific research;
- in protecting artistic and historical heritage, through innovative ways and means of enjoying and disseminating knowledge.

It is a corporate foundation dedicated primarily to disbursing funds, with a management fund tied to the profitability of the Telecom Italia Group, consisting of 0.5 per thousand of the consolidated EBITDA for the previous year. In 2011, it disbursed funds of 5,706 million euros.

Among its main projects, in 2009, the Telecom Italia Foundation launched an intensive programme of activities, together with the Italian Dyslexia Association, to combat this disorder in Italian schools. The project lasts three academic years and provides for an investment of 1.5 million euros. The programme, part of which was the subject of a Memorandum of Understanding between the Telecom Italia Foundation, the Ministry of Education, Universities and Research and the Italian Dyslexia Association, is split into four operation projects aimed at:

- recognising dyslexia early;
- training teachers;
- disseminating technologies in schools;
- disseminating technologies among families.

*How the TI Foundation selects projects*³⁸

For the purpose of identifying projects to be supported, the Telecom Italia Foundation primarily uses tenders published on the Telecom Italia Foundation website. Each tender is open for a specific period of time and states the amount of the contribution made available by the Foundation, the requirements of the recipients and the project that are eligible for the disbursement. Projects are presented exclusively in electronic form by means of an appropriate procedure made available online when the tender is activated.

The selection stage takes place according to an assessment procedure that complies with the parameters set by the tender and has already been made public. The procedure is validated by the Scientific Committee consisting of experts who are external to the Foundation. The short-list of projects resulting from the application of this procedure is subsequently submitted for assessment by the Scientific Committee and to the opinion of panel of external stakeholders identified for the specific areas of activity.

For further information about the Foundation's activities see the fondazionetelecomitalia.it website.

TIM Brasil

Consistent with the Telecom Italia Group's social investment strategy, the company promoted the removal of the socio-cultural barriers that prevent the full development of the country and of a telecommunication market with an enormous potential for growth.

Initiatives for the Community were therefore aimed at promoting the social inclusion of the most disadvantaged categories through social and technological education projects.

For further details about the contributions made to the Community by TIM Brasil, see the sustainability section of the tim.com.br website.

Initiatives for general community development

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.

Music in schools

Launched in 2003 as a collaboration between the “Brazil” BU’s companies and the Brazilian government, the project is designed to promote, through musical education, the social inclusion of young children and adolescents who live in situations of hardship in 13 Brazilian cities. During the music courses, notions of civic responsibility and peaceful co-existence are disseminated. In many cases, the musical knowledge acquired has smoothed the way for participants into the world of work. To date, over 20,000 students from 62 public schools have benefited from the project. In 2011, students belonging to the Porto Alegre and Belém orchestras recorded their first CD and performed in a public concert.

Tim ArtEducação

Resulting from a partnership between TIM Brasil and the Humanizarte NGO, this is a project aimed at young people and intended to stimulate learning at school, the development of self-esteem and social inclusion through dance, theatre, capoeira, storytelling and other forms of artistic expression.

In 2011 around 4,000 young people from 12 cities in the state of Minas Gerais attended these lessons.

The University of Viçosa carried out a study which showed that 93% of the art teachers who took part in the project noticed a significant improvement in the behaviour of the students in terms of discipline, self-esteem, interest and study. This result was confirmed by 96% of families and by the municipal authorities

³⁸ Please, see the following web site:

<http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/community/telecom-italia-foundation.selection-projects.html>

involved. Building on these initiatives, the municipal authorities of other towns also organised similar courses, thus expanding the initiative and increasing the number of participants.

Telecom Argentina

Telecom Argentina bases its Community relations strategy on social investment, this being an economic, technical and human contribution made by the Company to help improve the well-being of the community, with a specific focus on education and digital inclusion. The strategy is based on listening to local requirements, formalised in a meeting with 12 representatives of companies, associations, the public sector and industry experts.

The main areas of intervention identified by Telecom Argentina are:

Objectives	Areas of intervention	Examples of projects implemented
Education for the digital era	Education and technology	<ul style="list-style-type: none"> • Teachers for the future • Technology in schools
Technology for everyone	Technology and social inclusion	<ul style="list-style-type: none"> • Digital spaces • IT for rural communities
Volunteering	Solidarity and development	<ul style="list-style-type: none"> • Network of volunteers (Telecom Argentina employees) in nine provinces of Argentina

For further information on the contributions made by Telecom Argentina to the Community, see the "Responsabilidad Sociale" section of the telecom.com.ar website.

Our care for people with special needs (Telecom Italia web site/Sustainability: Our stakeholders/Our support to the Community/Digital Inclusion/Projects for people with special needs)³⁹

TIM Mobile Care is a multimedia video assistance service developed with the Italian National Organisation for the Protection of the deaf. It allows deaf people to receive information in Italian Sign Language on the use of mobile telephone services (e.g. configuring email, text and picture messaging, remaining credit, tariff profile etc.).

Future Centre (Telecom Italia web site/Sustainability: Our stakeholders/Our support to the Community/Digital Inclusion/Other projects)⁴⁰

Telecom Italia's Future Center is a Research Center located in Venice. It was founded in the late '80s as an economics research center ("Centro Studi Economici San Salvador") and it developed by adding research in technological development and its influence on the market. The Future Center aims at dissemination of digital culture and at analysing the impacts of telecommunications in people's life.

Media relations and communication projects (The Community/2011 Telecom Italia Sustainability Report)⁴¹

Within Telecom Italia, dialogue with the community takes place by a variety of means: the more traditional ones (press office, TV and corporate website), where communication is characteristically one-way, are

³⁹ Please, see the following web site: <http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/community/digital-inclusion/projects-disabled-ill.html>

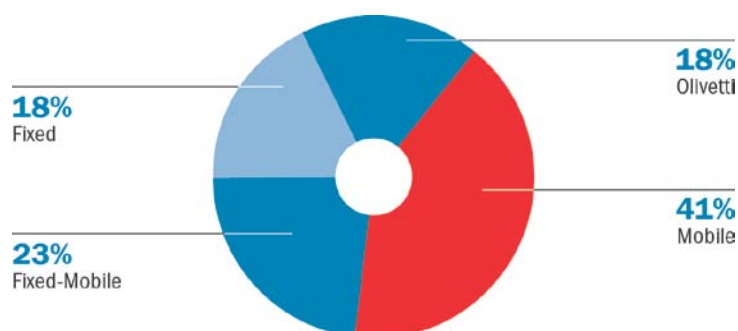
⁴⁰ Please, see the following web site: <http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/community/digital-inclusion/other-projects.html>

⁴¹ Please, see the following web site: http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

supplemented by new (social media) channels, which allow the company to build a dialogue with stakeholders on an equal footing, thereby taking their opinions and expectations into greater consideration. Digital communication is a sector in which Telecom Italia is committed to having a stable and recognised national presence. In this respect, the Group is becoming increasingly attractive, particularly in the social media dimension. The target audience consists of customers, suppliers, institutions, individuals and entities emerging from the new Internet (young talents, entrepreneurs, web early adopters, research centres, incubators and funding organisations, universities, hi-tech companies), opinion leaders (bloggers and journalists), public and private entities, capable of innovating and promoting sustainable development. For further information regarding all the communication activities, objectives and stakeholder involvement strategies and the main projects carried out in 2011 (Working Capital⁴², Italian Sessions⁴³, Social Media Camp⁴⁴, Navigare Sicuri, Navigare Insieme, AVoiComunicare⁴⁵, Telecom Italia sui Social Media), go to telecomitalia.com.

Research and Development (The Community/2011 Telecom Italia Sustainability Report)⁴⁶

Within Telecom Italia, research and development activities are carried out by the Information Technology, TILab and Innovation & Industry Relations departments, which oversee the development of new technologies and the engineering aspects of Telecom Italia's service offers through strategic partnerships with the main producers of telecommunications equipment and systems and with research centres of excellence at the most highly qualified national and international academic institutions. Activities to enhance and generate competitive advantage for the Group are of particular importance and are pursued through strategic management of the relationship between research, Intellectual Property Rights (IPR) and business, aimed at developing the company's assets in patents rights. 14 new applications for patents were filed during 2011, broken down as shown in the following diagram.



Relevant stakeholders and issues

The relevant stakeholders for research and development are:

- the company departments involved (e.g. Marketing and Purchasing);

⁴² Please, see the following web site: <http://www.workingcapital.telecomitalia.it/>

⁴³ Please, see the following web sites:
<http://www.telecomitalia.com/tit/en/sustainability/media-and-dialogue/media-projects/venice-sessions.html>
<http://venicesessions.it/>

⁴⁴ Please, see the following web site:
<http://www.telecomitalia.com/tit/en/sustainability/media-and-dialogue/media-projects/social-media-camp.html>

⁴⁵ Please, see the following web sites:
<http://www.telecomitalia.com/tit/en/sustainability/media-and-dialogue/media-projects/avoicomunicare.html>
<http://www.avoicomunicare.it/>

⁴⁶ Please, see the following web site:
http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

- the suppliers, for the joint development of solutions in accordance with the technical requirements of Telecom Italia;
- research centres and universities, for cooperation and joint projects. In 2011, 13 new collaborative projects were begun with Italian universities (in addition to the 9 already under way at the beginning of 2010), covering research into new technologies, encryption algorithms, new services and new communication standards;
- the standardisation organisations and forums (including NGMN, OpenIPTV Forum, OMA, 3GPP, ETSI, TM Forum, W3C, ITU-T) in which Telecom Italia is actively involved;
- the Ministries (Ministry for Economic Development and Ministry of Education, Universities and Research), the European Union and public authorities (e.g. CNR⁴⁷ and local authorities) for projects funded through participation in competitive tenders, and partnership initiatives;
- non-governmental associations, associations, alliances and industry forums (e.g. GSMA, m-health, etc.) which bring together all the entities involved in the value chain of the specific market;
- international research and development organisations (e.g. EURESCO and Joint Technology Initiative).

The themes on which projects are developed are identified on the basis of the three-year technological plan, the reference document for the Group, which provides guidelines for the evolution of the network, platform and services.

Published annually, following a wide-ranging process involving all the areas of the company involved, the Plan identifies the main external factors (regulations, standards, vendors, other market operators) that may influence the company's strategies and highlights the emerging and cross-cutting technologies in other sectors that may be of interest to the Group.

Projects and initiatives

The themes identified can be arranged in 3 macro-strands:

- network and service platform innovation
- services to reduce environmental impact
- services for the Community

Network and service platform innovation

- Careful electromagnetic compatibility analyses were carried out on the new generation wireless LTE (Long Term Evolution) networks currently being designed. The analyses focused in particular on the interference problems associated with the proximity of the spectrum in the 800 MHz band between LTE channels and digital TV channels (DVB-T) and the problems connected with the proximity between aerials for receiving the TV signal and the existing mobile telephony system transmitters (GSM, UMTS) for the purpose of complying with the legal emission limits for electromagnetic fields.
- In the context of activities aimed at developing new mobile access technologies, testing on "active aerials" is taking place for the purpose of improving the spectral efficiency and control and optimisation of the aerial radiation pattern. This activity is required in order to improve the energy efficiency of Radio Base Stations (RBS) by connecting these aerials using optical fibres, thus eliminating the losses due to coaxial cables.
- Research activities continued on mobile radio access as part of the European ARTIST4G project, working with a number of leading operators, manufacturing companies, universities, research centres and European SMEs, with the aim of improving the quality of the service for users connected to the same mobile network cell, without affecting performance for other users. The work is proceeding as planned and the project is expected to be completed by the first half of 2012.

⁴⁷ CNR is the National Research Centre.

- The new generation of high capacity hybrid radio links were added to the network. These allow both circuit and packet traffic to be carried and will be used, among other things, to connect the remote sites of the new LTE network.
- The first version of the M2M platform for Machine_to_Machine communications between networked devices came into operation, allowing Telecom Italia's top customers (big companies and organisations) to manage their stock of terminals and SIM cards, even using automatic ("not-human") applications between networked devices.
- Test campaigns were completed in the laboratory for solutions to be used on high speed trains. The Cubovision project was developed for Trenitalia (Cubo3n) for the purpose of delivering and updating multimedia content on the Frecciarossa fleet of trains (currently under development for the Frecciargento and FrecciaBianca fleet as well). The services and offer (browsing of the catalogue, purchase and use of content) are delivered via a Wi-Fi multi-device (PC, MAC, iPhone, iPad) web portal hosted entirely on the servers installed on board, thus optimising interaction with the Telecom Italia service centre platforms created with mobile radio access.
- For the "Cubovision mobile" project, two applications have been developed to offer content: one for the Android platform and one for the IOS (iPhone, iPad) platform. These applications include video content management in adaptive formats that guarantee the best possible user experience in all band conditions (Wi-Fi, HSDPA mobile radio, UMTS mobile radio, etc.) and protection of pay-per-view content.
- As part of the "POF-PLUS" (Plastic Optical Fibre for Pervasive Low-cost Ultra-high capacity Systems) project, a plastic fibre optic system was developed for Ethernet data transmission at 1 Gbit/s over a distance of 50 metres using an LED light source. This technology represents the state-of-the-art internationally and was even presented at the OFC 2011 conference. At the same time as its experimental activity, Telecom Italia contributed to drawing up an ETSI (European Telecommunications Standards Institute) technical specification which is the first international standard in this field.

Services to reduce environmental impact

- **Next Generation Data Center:** is a project aimed at developing hardware infrastructure according to virtualisation and cloudcomputing principles, based on replacing the physical servers in Telecom Italia data centres by making shared use of infrastructure between the various applications. The project, which aims to develop commercial offers for the ICT market (e.g. ospit@virtuale), allows logistical and energy optimisations to be achieved.
- **Next Generation Workplace:** is a personal computing evolution project that allows centrally managed content and applications to be accessed remotely and in multichannel mode, replacing traditional workstations, based on a desktop with highly "simplified" PCs that only contain the basic network information needed to communicate with the centralised infrastructure. In addition to contributing in a decisive way to reducing energy consumption, the project is aimed at improving the operational flexibility of employees, establishing the foundation for future development of work models (e.g. teleworking).
- **ITS & Infomobility Platform:** aims to enable new mobility services for Public Administration and private users by gradually introducing the idea of a vehicle constantly connected with the outside world (e.g. service centre, roadside infrastructure, occupants, other vehicles, etc.). The objective is to improve the efficiency and eco-sustainability of transport for the benefit of the community. The strategy and solutions are developed in close synergy with the industry standardisation activities in which Telecom Italia is closely involved.
- **Smart metering:** solutions that allow energy consumption to be monitored and optimised, such as Energy@Home.
- **Smart Town:** the solution provides a package of services for municipalities by using the public lighting network and is offered as part of the Digital Town (Smart Cities) initiatives involving Italy's main cities .
- **EARTH (Energy Aware Radio and NeTwork TecHnologies):** studies network architectures and the individual radio components of existing and future generation mobile systems in order to improve their energy efficiency by at least 50% compared to current standards with resulting benefits in terms of savings and a reduction in harmful emissions.

- **ECONET** (low Energy CONsumption NETworks): is intended to develop new technologies and integrated control mechanisms in order to enable energy saving in fixed network equipment by dynamically adapting network capacity and resources according to the actual traffic loads and requirements of users, guaranteeing quality of service at the same time. The aim is to allow the energy requirement of equipment to be reduced by 50% in the short to medium term and 80% in the long term.
- **Telepresence**: development of a prototype for the telepresence service for business, customers, the features of which guarantee a high standard of video quality (resolution up to full HD), visibility of the whole person, smoothness in the reproduction of movements and polyphonic audio with echo and background noise suppression. The prototype is distinguished by the use of low cost technologies such as HD consumer webcam, low cost 50" plasma TV, medium range PC and new sound cards.
- On the Access Gateways (AG) front, work continued on creating the new range of **Telecom Italia Green** products, which was inaugurated in April 2011 with the new Wi-Fi modem for the supply of broadband services. A further two broadband modems were added and the environmental declaration was finalised for the new version of the "Sirio Punto" telephone, which is expected to be launched in the first few months of 2012. Also completed was the environmental declaration for the Cubovision 2 multimedia box (which is expected to be launched by the beginning of 2012), optimising various environmental aspects in close cooperation with the supplier (energy consumption, choice of materials, disassembly procedures, packaging) (see Environment/Product Responsibility).

"A NEW MODEL OF WI-FI MODEM HAS BEEN MARKETED, BELONGING TO THE NEW LINE OF PRODUCTS WITH LOW ENVIRONMENTAL IMPACT IN TERMS OF MATERIALS USED, MANUFACTURING TECHNIQUES, AND ENERGY EFFICIENCY"

- As of December 2008, Huawei and Telecom Italia have set up a **Network Innovation Center** (NIC) for synergistic collaborations on various issues. In particular, a specific "Energy Saving" project has been launched with the following aims:
 - to test innovative and high energy efficiency air conditioning solutions for telecommunication equipment (e.g. the new Free Cooling Cabinet fitted with a self-cleaning filter, aimed at dramatically reducing maintenance work);
 - to analyse the quality of the power supply and the performance of equipment in relation to voltage losses and interruptions, with the aim of improving the sizing of backup systems;
 - to assess the most promising technologies/solutions for increasing energy efficiency in the Telecom Italia network (both fixed and mobile);
 - to analyse the various consumption testing methods contained in international standard and assess whether convergence can be achieved on a common method;
 - to participate and make joint contributions in the context of the ETSI, such as a document establishing rules for the application of the Life Cycle Assessment method for the telecommunication equipment sector.

Services for the Community

- **Solutions for reducing the geographical divide**: these are intended to facilitate access to broadband in areas with Digital Divide problems and new urban areas.
- **Laboratorio Accreditato di Prova (LAP) [accredited test laboratory]**: operates within TILab and carries out testing activities on ICT services and systems for the Company's internal departments and for external companies and organisations. The LAP is accredited as a provider of various services to the Ministry of Economic Development, SIT (Italian calibration service) and Accredia (the new national accreditation body) based on European Regulation EC 765/2008. During 2011, a new technical operating sector was set up, consisting of the laboratory for mobile telephony added value services (VAS) and three new accredited services for performing tests.
- **Smart Inclusion**: this project allows young long term hospital patients to stay in contact with their school and family via a touch screen terminal fitted with a camera, while also allowing doctors to optimise the management of care procedures. The technical solution has been created by Telecom Italia by using

innovative technologies such as plastic fibre optics and power lines, as well as specific software developments mainly based on opensource platforms.

- **e-learning and evolved teaching:** a series of initiatives have been launched in the field of schooling with the aim of fulfilling the demand for evolved systems based on collaboration, communication and the use of innovative devices such as IMBs - Interactive Multimedia Boards.
- **Nuvola Italiana Home Doctor:** remote healthcare based on monitoring the physiological parameters of the patient directly from home or in appropriately equipped premises. The measurements are carried out by combining technologies developed by Telecom Italia with standard commercially available medical electronic apparatus.

The stages of research projects (Telecom Italia web site/Sustainability: Our stakeholders/Our support to the Community/Research & Development)⁴⁸

Research and development projects are carried out in 4 stages:

1. **Planning:** definition, planning and quantifying of the activities to be carried out,
2. **Implementation:** performance of the activities aimed at achieving the precise results expected,
3. **Monitoring:** measuring the state of progress of the project and checking that the allocated resources are being used correctly,
4. **Closure:** this stage completes the activity in a formal and documented way, either when the expected results have been achieved or when the activity has been interrupted due to requirements of various kinds.

The process is managed using a dedicated information system. These methods guarantee that:

- the results conform to the requirements/objectives set in the initial phase and, where applicable, agreed with the Customer;
- the results are issued according to the established timetable;
- the results are achieved making optimum use of the allocated resources;
- the results are developed and recorded in such a way as to allow them to be conveyed to the department/body that will engineer them;
- when appropriate, the innovation produced is protected (IPR);
- the potential synergies with activities carried out on other projects are identified;
- development/maintenance of know-how is ensured in order to provide the company with a set of integrated specialised skills as a shared asset.

During the **Planning** stage, the activities are defined, planned and quantified by breaking down the project using the Work Breakdown Structure, which allows:

- the objectives and deliverables/milestones that need to be achieved to be identified;
- the requirements, in terms of resources needed to carry out the activities, to be determined;
- any restrictions and/or risks and the potential impacts on the environment and sustainability to be identified;

The projects are defined by project managers together with the department managers, applying a top-down approach in accordance with the high level macro-themes/macro-objectives set for the year and identified on the basis of the Technological Plan. The projects portfolio is approved by management in the Tilab committee.

The **Implementation** stage is when the activities needed to achieve the precise results expected are carried out with maximum effectiveness, efficiency and respect for the timetable. During this stage, technical and management reports on the projects are also produced. During the implementation stage, the need may arise to reformulate activities which, if they are not particularly important and do not involve significant changes to resources and objectives, are handled directly by the project manager, who will amend the plan

⁴⁸ Please, see also the following web site:

<http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/community/research-development-macro-areas-intervention.html>

of activities, recording this in the information system. If the changes are significant and may have an impact on other activities, they are handled within the Tilab committee.

The **Monitoring** stage is when the progress in achieving the project results is measured and when the correct allocation of resources is verified. These activities are managed by the project managers, department managers and the Tilab department acting as the project office.

The **Closure** stage of an activity records the completion of an activity in a formal and documented way when the expected results of the activity have been achieved by the pre-established date or following the interruption of the activity because of varying requirements that have arisen during the project or a change of priorities.

2011 Telecom Italia Sustainability Report The Environment/Product Responsibility

Please, see what is reported within the *9th principle* of this Communication On Progress .

3) Human Rights Implementation

- Criterion 5:** Robust *commitments, strategies or policies* in the area of human rights.
- Criterion 6:** Effective *management systems* to integrate the human rights principles.
- Criterion 7:** Effective *monitoring and evaluation mechanisms* of human rights integration.
- Criterion 8:** Key *outcomes* of human rights integration.

UN Global Compact 1st Principle: Business should support and respect the protection of internationally proclaimed human rights.

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Social Responsibility in Telecom Italia (Telecom Italia web site/Sustainability/Our vision/Environmental and Social Policies/Social Policy)⁴⁹

The commitment of Telecom Italia Group to respect and uphold human rights and labour standards is stated in its Code of Ethics⁵⁰ and in the Group Organisational Model⁵¹, in accordance with the ten principles of the UN Global Compact concerning human rights, labour standards, environmental protection and fight against corruption. Telecom Italia SpA and its subsidiaries endorse and promote these principles, as well as all relevant UN's and ILO's conventions, in particular, the Universal Declaration on Human Rights, and they act with the aim of mainstreaming those principles within the Company and its suppliers. As for suppliers, a specific policy has been published, available on the Company's WEB site⁵².

Responsibility for policies regarding human rights and labour standards rests with the director of Human Resources, directly reporting to the CEO.

Telecom Italia commitments towards the safeguard of the environment and the promotion of human rights and labor standards are detailed in the set of (following) policies we publish⁵³

[Gender equity charter](#) (.pdf file in Italian)

[Relations with suppliers in Telecom Italia Group's purchasing processes](#)

[The environmental policy of "Technology and Operations" department \(network and R&D\)](#) (.pdf file)

[The environmental policy of Facility Management department](#) (.pdf file, in Italian)

[The environmental policy of Tim Brasil](#) (.pdf file)

⁴⁹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/policyRS-eng.pdf

⁵⁰ Please, see the beginning of the section: "Strategy, Governance and Engagement" of this Communication On Progress.

⁵¹ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/it/OurApproach/organizational%20model%20231%202011.pdf>

⁵² Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/Suppliers_EN_22.12.09.pdf

⁵³ Please, see the following web site:

<http://www.telecomitalia.com/tit/en/sustainability/our-approach/codes-policies/environmental-social-policies.html>

[Green Procurement Policy](#)

[Guidelines for voluntary contribution to the Community](#)

[Corporate Responsibility in Brand Strategy and Corporate Identity Activities](#) (.pdf file)

Telecom Italia Charters on services as well as our Codes of Conduct and Regulation set our commitments towards our Customers⁵⁴

[Charter of fixed telephony services](#)

[Self-regulation code on mobile telephony services](#)

[Self-regulation code on TV and minors](#)

[Code of conduct for protecting OLO's data](#)

[Self-regulation code on advertising](#)

[Code of conduct for premium services \(Ver. 2.0\) \(in Italian\)](#)

[European framework for safer mobile use by younger teenagers and children](#)

[Self-regulation code for information on sports](#)

[Self-regulation code in relation to the representation of judicial proceedings in radio and television programmes](#)

[General subscription conditions](#)

[Guidelines on responsible marketing \(in Italian\)](#)

Health and Safety (Telecom Italia web site/Sustainability: Our Vision/Codes and Policies/Environmental and social Policies/Social Policies)⁵⁵

The Group's companies assure full compliance with law provisions concerning health and safety in the workplace, aimed at preventing possible accidents and injury to health arising out, of or associated with working activities.

The Group's companies, in compliance with laws in force, shall appoint special representatives responsible for health and safety and for the implementation of any measure needed to ensure them.

Upon employment all personnel receives an appropriate health and safety training.

The Group's companies ensure the observance of requirements concerning cleanliness and safety provided by laws in force.

Health & Safety Management System (Telecom Italia web site/Sustainability: Our Stakeholders/Our People/Health and Safety/ Health and Safety Management System)⁵⁶

Telecom Italia's Health and Safety Management System guarantees the company's full compliance to ruling laws and agreements reached with the Unions on the subject. It moreover handles many projects which, over and above ruling norms, ensure the highest safety for workers. A team of people, the department called "Prevention, Protection and Environment Service" guarantees, in all geographical regions, the correct deployment of the management system and it develops specific policies and programs. In particular:

- it ensures the monitoring of all areas defined by legislative Decree 81/08 concerning Health & Safety,
- it prepares the document on the evaluation of risks relative to Health and Safety at work,
- it keeps track of the statistics related to accidents,
- it provides for support concerning interpretation of technical rules and laws concerning health and safety as well as the environment,
- it provides support concerning first aid, fire prevention and emergency management,
- it manages relations with the competent health officers and other health partners,

⁵⁴ Please, see the following web site: <http://www.telecomitalia.com/tit/en/sustainability/our-approach/codes-policies/customers-policies.html>

⁵⁵ Please, see the following web site:
http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/policyRS-eng.pdf

⁵⁶ Please, see also the following web site:
<http://www.telecomitalia.com/tit/en/sustainability/stakeholders/human-resources/health-safety-section.html>

- it ensures coordination among units managing Health and Safety locally over the whole territory.

Open Access has implemented a Social Responsibility Management System which is undergoing SA8000 certification (Telecom Italia web site/Sustainability: Our Vision/Indexes, Ratings and Certifications/Open Access Ethical Certification))⁵⁷

Open Access is the department of Telecom Italia, which oversees the segment of the access network, the so-called "last mile".

Given the large number of human resources, consisting largely of technical staff, and the interactions with other external stakeholders, including customers and suppliers, Open Access has implemented a Social Responsibility Management System with the aim of improving its social performance.

The message by Stefano Paggi, head of Open Access

"Telecom Italia is the largest Italian company operating in the telecommunications sector and, as such, plays an important role in the growth and development of Italy. For years the Group has chosen to pursue a socially responsible model of development, in the belief that adherence to the principles of sustainability and responsibility facilitates the creation of lasting value for all stakeholders.

Inside the Telecom Italia Group, Open Access is a reality made up of people who work with competence and passion to satisfy customers while maintaining a collaborative working relationship with its suppliers of products and services while interacting with the environment in a harmonious and respectful manner. The main asset of Open Access is undoubtedly represented by its employees and the legacy of relations with the surrounding context built over time and maintained and developed day by day. The intent to achieve compliance with the SA8000 certification is a direct consequence desires to give formal evidence of attention of Open Access and the Telecom Italia Group to its social performance, strengthening the commitment to constantly improve it."

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References related to the 1st principle:

- 2011 Telecom Italia Sustainability Report:
 - Strategy (Human Resources),
 - Health and Safety (Human Resources),
 - Safeguarding privacy and personal data protection (Customers),
- Telecom Italia web site/Sustainability:
 - 2011 activities in Brazil and Argentina (Our stakeholders/Focus on Customers/Customer Privacy and e-security/Customer Privacy/Safeguarding privacy and personal data protection),
 - Research and innovation in e-security (in Italian) (Our stakeholders/Focus on Customers/Customers privacy and e-security),
 - Reporting complaints and breaches (Our vision/Codes and policies),
- 2011 Telecom Italia Sustainability Report/Customers:
 - Certifications,
- Telecom Italia web site/Sustainability:
 - Certifications in the Company (Our stakeholders/Focus on Customers/Ensuring Customer Satisfaction/Customer Satisfaction).

Telecom Italia is carrying out the Human Rights due diligence, according to the UN Guiding Principles On Business And Human Rights (as developed by Prof. John Ruggie).

⁵⁷ Please, see the following web site:

<http://www.telecomitalia.com/tit/en/sustainability/our-approach/indexes-ratings/certificazione-open-access.html>

Strategy (Human Resources/2011 Telecom Italia Sustainability Report)⁵⁸

The Group companies recognise the centrality of Human Resources, knowing that the principal factor in the success of any business is the professional contribution of the people who work in it, within a framework of openness and mutual trust.

The Group companies ensure health and safety in the workplace and believe that respect for workers' rights in the conduct of economic activity is a fundamental principle.

The management of the workforce aims to guarantee equal opportunities and to promote the professional growth of each individual.

Health and Safety (Human Resources/2011 Telecom Italia Sustainability Report)⁵⁹

During 2011, a number of specific initiatives were launched or continued regarding health and safety at work, one of the most important of which was an assessment of work-related stress. This initiative was implemented by means of a procedure that involved an assessment based on indicators associated with the context and content of work (e.g. sick leave, holidays not taken, disciplinary procedures, accident rates, decision-making autonomy, interpersonal relationships, home/work interface, work environments, work loads and pace of work) surveyed by means of appropriate check lists. The assessment, which involved all workers, regardless of the department in which they work, was carried out by subdividing the workers into 12 uniform groups, identified by reference to various criteria, including the types of tasks performed, the ways in which they are performed and the area organisational context in which they work.

The context and content check lists were applied during specific work sessions attended by workers' representatives, the Human Resources department and the Prevention and Protection Service. The results of the assessment, which did not identify widespread situations of work-related stress but an estimate of average risk in three uniform groups, were shared with the workers' health and safety representatives and the other interested parties, with whom an agreement was also reached on the procedures to be used to identify improvement actions.

For a description of the other health and safety initiatives carried out in Italy, Brazil and Argentina, see the sustainability section of the telecomitalia.com website.

Accidents

The Group continues to pay constant attention to the issue of safety in the workplace, mainly by verifying implementation of risk control measures and providing training aimed at disseminating a logic of respect and protection for oneself and others. Similar attention is paid to providing training for the operation and maintenance of Tlc systems that involve overhead work (poles, ladders and pylons) in order to ensure that people acquire sufficient knowledge on how to behave correctly during work-related activities. Further education/training efforts have also been directed at providing safe driving courses (operating since 2007). In 2011, these involved over 600 people who use company vehicles on a continuous basis.

The accident at work data for Telecom Italia S.p.A. are shown below⁶⁰.

⁵⁸ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

⁵⁹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

⁶⁰ Please, see also the following web site:

<http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/human-resources/health-safety-section.accidents.html>

2008-2011 data for accidents relating to Telecom Italia S.p.A.				
	2011	2010	2009	2008
Number of accidents (excluding commuting)	657	873	1,079	932
Severity index(*)	0.29	0.20	0.42	0.45
Frequency rate(*)	8.99	10.91	11.28	9.77
Average duration in hours	114.14	136.44	127.73	127.31
Unproductivity index(*)	1.25	1.80	1.44	1.24
Accidents per 100 workers	1.35	1.70	1.97	1.63

(*) 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

The accident rates for 2011 show a general decrease in the statistical data, except for the severity index, which increased as a result of a fatal accident at work caused by a car accident (no fatal accident in 2010).

Safeguarding privacy and personal data protection (Customers/2011 Telecom Italia Sustainability Report)⁶¹

“PRIVACY ISSUES HAVE BEEN THE SUBJECT OF A WIDE TRAINING PROGRAMME”

In order to ensure personal data protection (Legislative Decree 193/03, known as the "Privacy Code") in the performance of its business activities, Telecom Italia has equipped itself with an organisation model that assigns central departments the responsibility for supervising correct application of the regulations in this sector at Group level. In this context, when it establishes or acquires new companies, the Parent Company provides the necessary support to identify and carry out the formalities required to comply with the relevant legal and regulatory provisions.

Legal provisions and the instructions of the Italian Data Protection Authority are transposed by constantly updating the Group's regulations and policies. The "System of rules for the application of privacy regulations in the Telecom Italia Group" is particularly significant in this respect. It establishes the provisions and operating instructions needed to carry out the relevant formalities.

In order to ensure the dissemination and correct application of these rules, intensive training activities were also carried out in 2011, in a series of 42 meetings involving around 1,400 managers and representatives of central and peripheral departments. The purpose of this programme was to disseminate a privacy culture and provide the organisations involved with the operational tools needed to reconcile the pursuit of business objectives with respect for laws and regulations. This programme mainly involved a number of Customer Operations, Consumer, Business and Top departments of the Company, including some outsourcers and commercial partners in the “push” consumer and business sales channels, focusing also on their Sales departments. Additional specialised activities related to the processing of telephone and electronic data transmission traffic and the procedures for verifying personal data security measures.

During the course of 2011, Group policies regulating the technical requirements regarding the security of IT systems that handle personal data were also reviewed amongst others.

With regard to the handling of customers' personal data, Telecom Italia performed the technical and procedural adjustments required to implement telephone marketing campaigns in accordance with the new

⁶¹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

legal requirements (Law 166/2009 and Presidential Decree 178/2010), which allow all users listed in the directory of subscribers to be contacted by telephone without the need for prior consent, for the purpose of sending advertising material, direct sales, market research or business communications, subject to the right of users to object to telemarketing by registering on the Public Register of Objections, which has been in operation since February 1, 2011.

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 procedures and methodologies prepared with the contribution of the Group's auditing firm.

Finally, pursuant to rule 26 of appendix B (technical rules regarding minimum security measures) of the Privacy Code, Telecom Italia declares that it has drawn up a Security Programme Document [Documento Programmatico sulla Sicurezza (DPS)] for 2011. This document describes the technical and organisational criteria adopted for the protection of shared, sensitive and judicial personal data handled with computerised tools, as well as the training plan for data handling staff.

2011 activities in Brazil and Argentina (Telecom Italia web site/Sustainability: Our stakeholders/Focus on Customers/Customer Privacy and e-security/Customer Privacy/Safeguarding privacy and personal data protection/)⁶²

Argentina

The Company rigorously complies with the requirements of Law No. 25,326 (Personal Data Protection Law) and its complementary standards, ensuring fulfilment of the requirements, including registration with the National Personal Data Directorate of all databases used by the Company: suppliers, employees, customers, etc.

Articles 19 and 20 of the Law on Telecommunications establish the inviolability of telecommunication secrecy and the storage of data by operators, stipulating that these duties may only be waived if an order is issued by the relevant and specifically appointed judge.

Brazil

In accordance with the Federal Constitution, article 3 of the general law on telecommunications establishes that customers are entitled to the confidentiality of their personal data. The regulations regarding the personal mobile service, in articles 89 and 90 of Resolution 477 of the National Telecommunication Agency (ANATEL), establish the responsibility of companies in this respect and the need for any waiver of confidentiality to take place only if requested by a relevant authority. Tim Brasil has established internal procedures to ensure proper management of these matters within the company.

Research and innovation in e-security (in Italian) (Telecom Italia web site/Sustainability: Our stakeholders/Focus on Customers/Customers privacy and e-security)⁶³

Le attività di ricerca e innovazione nel settore della sicurezza delle informazioni si sono concentrate principalmente su:

- il consolidamento e il delivery delle tecnologie sviluppate internamente per la protezione delle infrastrutture critiche con particolare riferimento alla protezione dei servizi DNS (*Domain Name System*);
- lo studio e lo sviluppo di sistemi innovativi per il monitoraggio dei trend di attacco e diffusione del malware⁶⁴ e delle botnet⁶⁵ sia sulle reti fisse che mobili;

⁶² Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/Data%20protection%20and%20Oprivacy%20in%20Brazil%20and%20Argentina.pdf>

⁶³ Please, see the following web site:

<http://www.telecomitalia.com/content/tiportal/it/sustainability/stakeholders/customers/customer-privacy-e-security.research-development-e-security.html>

- lo sviluppo di tecnologie e l'integrazione in strumenti per l'analisi del livello di rischio delle applications degli smartphone/pad;
- lo studio degli attacchi realizzabili sulle infrastrutture per le comunicazioni radiomobili (GSM, GPRS ecc.);
- la prosecuzione dello sviluppo di applicazioni per la gestione integrata degli aspetti di *governance*, *risk* e *compliance* sui domini di security, attraverso l'uso di ambienti RAD (*Rapid Application Development*);
- la standardizzazione degli aspetti di sicurezza proseguendo le attività relative alla sicurezza delle *Next Generation Network* con la guida del *Working Group 7 Security* in ambito ETSI/TISPAN (*European Telecommunications Standards Institute/Telecommunications and Internet converged Services and Protocols for Advanced Networking*

Reporting complaints and breaches (Telecom Italia web site/Sustainability: Our vision/Codes and policies)⁶⁶

The governing bodies of all Group companies, their managements and all those who work for them, as well as collaborators and third parties in business relationships with the Group, are required to observe Telecom Italia's Code of Ethics within the scope of their respective powers, functions and responsibilities.

I. Complaints

Telecom Italia enables its stakeholders to report various kinds of problems, including those connected with the Code of Ethics, through three procedures:

Reports to the manager responsible for Internal Control

The manager responsible for internal control has a role in ensuring respect for the principles and values expressed in the Code of Conduct and Ethics, by handling reports from employees, collaborators, consultants, employers and third parties in business relationships with the Group on violations of laws or regulations, of the Code itself, and of internal procedures, as well as irregularities or negligence (including accounting), and promoting the most appropriate resulting initiatives, including the proposal to impose sanctions.

> More on the reports to the responsible for internal control in the *Report on Corporate Governance*, page 19⁶⁷.

Reports to the Board of Statutory Auditors/Audit Committee⁶⁸

In implementation of the obligations which fall on the Board of Auditors in its capacity as Audit Committee to the Company, the Board of Auditors has adopted since 2005 a specific procedure for the receipt, retention and treatment of 'whistle blowing' reports it receives. These 'whistle blowing' reports may consist of:

- 'statements of violation' from shareholders concerning what is considered to be improper behaviour,
- 'complaints' or notifications, from anyone, shareholders or otherwise, concerning alleged anomalies, irregularities, misconduct or, more generally, any problem or issue which is thought to merit investigation by the control body,
- 'complaints', from anyone, concerning 'accounting, internal accounting controls or auditing matters',
- 'concerns', which may be submitted anonymously, from employees of the Company or the Group, concerning 'questionable accounting or auditing matters'.

⁶⁴ Un qualsiasi software creato con il solo scopo di causare danni più o meno gravi ad un computer o un sistema informatico su cui viene eseguito. Il termine deriva dalla contrazione delle parole inglesi *malicious* e *software*.

⁶⁵ Rete di computer collegati a internet che fanno parte di un insieme di computer controllato da un'unica entità, il botmaster.

⁶⁶ Please, see the following web sites: <http://www.telecomitalia.com/tit/en/sustainability/our-approach/codes-policies/reports-penalties.html> ;

⁶⁷ Please, see the following web site: http://2011annualreport.telecomitalia.com/attachments/report_CGR_eng_2011.pdf

⁶⁸ Please, see the following web sites:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Governance/en/codes_principles_procedures/Complaints_procedure_15_07.05.pdf

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Governance/en/codes_principles_procedures/Procedura_gestione_segna_lazioni_ENG.pdf

In the period from 25 February 2011 to 29 March 2012, two complaints under Article 2408 of the Civil Code were made to the Board of Auditors.

> Further information is available in the Telecom Italia's [2011 Annual Report](#) (page 438).

Furthermore, between 25 February 2011 and 29 March 2012 the Board of Auditors received 23 "reports" (or groups of reports, treated as units in the case of several communications from a single individual, even if at separate times), which complained, for the most part, of technical service issues and failures of a commercial, accounting and administrative nature. The Control Body investigated these complaints appropriately, with the support also of the Group Compliance Officer, but no irregularities to be reported to the Shareholders' Meeting have emerged to date (ref. Report to the Board of Statutory Auditors, Telecom Italia's [2011 Annual Report](#), pages 438-439).

Procedure for complaints to the Supervisory Board for behavior involving the risk of offences pursuant to Law N. 231

- Employees and external collaborators shall report to the Supervisory Board any violation or suspected violation of the Organisational Model. The reporting shall be made exclusively in non-anonymous form. The Companies and Supervisory Board shall protect employees and external collaborators from any prejudicial effect that might derive from reporting. The Supervisory Board shall ensure that the identity of the reporting persons remains confidential, save for the requirements of the law.
- The persons in charge of departments shall report to the Supervisory Board any behaviour related to the risk of offences under Law 231, regarding operational processes coming within their jurisdiction, which they have discovered directly or through information from their collaborators.
- The persons in charge of the departments that officially receive information, also from judiciary police departments, regarding violations and/or offences with risks of corporate impact, shall report these to the Supervisory Board.

In order to ensure the concrete implementation of the rules set forth in the Organisational Model, specific e-mail addresses have been provided and made available on corporate intranet for sending reports to the Supervisory Board having jurisdiction.

II. Measures taken

In 2011, with regard to Telecom Italia SpA staff, a total of 13 disciplinary measures were taken for conducts which violated the Code of Ethics.

The following cases were involved:

- activities in conflict/competition with the company
- private use of corporate materials, facilities or services;
- falsification or alteration of documents or equipment for undue advantages;
- improper acceptance or demand for financial compensation from the customer.

As for relations with suppliers, in 2011, 121 applications for registration in the Telecom Italia' Supplier Register have been rejected due to the lack of compliance with items contained in Law 231.

Certifications (Customers/2011 Telecom Italia Sustainability Report)⁶⁹

For areas of the company that have a significant impact on the Community, through the products and services offered, the Group has obtained certifications that ensure the adoption of procedures and conduct in line with the expectations of the relevant stakeholders.

Specifically:

- care for the customer and the quality of the products and services offered is considered in the UNI EN ISO 9001:2008 standard;

⁶⁹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

- concern for environmental protection in the UNI EN ISO 14001:2004 standard;
- health and safety at work in the BS OHSAS 18001:2007 standard;
- the protection of human capital by companies and their suppliers in the SA 8000 standard;
- data security in the ISO 27001:2005 standard ;
- Information Technology services with the ISO/IEC 20000-1:2005 standard;
- the quality of call centre services in the EN 15838:2010 standard;
- software and IT solution production processes in the CMMI-DEV (Capability Maturity Model Integration - Development) certifications;
- service management and delivery processes through the CMMI-SVC (Capability Maturity Model Integration for Services) certification.

Certifications in the Company (Telecom Italia web site/Sustainability: Our stakeholders/Focus on Customers/Ensuring Customer Satisfaction/Customer Satisfaction)⁷⁰

The certificates obtained by the various departments/companies of the Group for particularly important company procedures and activities are listed in the following table.

Company	Regulation	Structure
Telecom Italia S.p.A.	ISO 9001	Departments: Business* Top Clients* Public Sector* Consumer/Sales (Territorial Areas) Technology (including Open Access) Supply Chain and Real Estate Operational units involved in the mobile invoicing process for business customers Environmental Protection and Prevention Services Subsidiary companies: TI Sparkle, Path.Net, Telsy, Shared Service Center, Telecontact Center, IT Telecom, HR Services, Matrix
	ISO 14001	Departments: Technology (including Open Access) Supply Chain and Real Estate Subsidiary company: TI Sparkle
	SA 8000	Department: Technology (including Open Access)
	ISO/IEC 27001	Departments: - Technology - Information Technology/IT Governance Top Client/Service Engineering – IT Service Management Subsidiary company: Path.Net
	OHSAS 18001	Subsidiary company: TI Sparkle
	EN 15838	Departments: Consumer/Customer Operations (187 services for “Privilege” customers and 119 services for “Premium” customers)

⁷⁰ Please, see the following web site:
<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/Certifications%20in%20the%20company.pdf>

Company	Regulation	Structure
Telecom Italia S.p.A.	CMMI-SVC	Department: Quality & Program Management/Quality Improvement Projects
	CMMI-DEV	Subsidiary company: Shared Service Centre
	ISO/IEC 20000-1	Subsidiary company: Shared Service Centre
Olivetti S.p.A.	ISO 9001	Design, industrialisation, production, marketing and technical support processes for gaming and lottery terminals, specialised peripherals ⁷¹ for banking and post office applications, points of sale, including cash registers and other vertical and industrial applications, ticketing and parking. ICT products, ink jet technology products, heads for ink jet printing technology, integrated components and semiconductors. Hire of office products. Implementation of compliance checks and periodic checking of the fiscal registers produced.
	ISO 14001	Production of impact heads, design and production of heads for ink jet printing technology c/o the plant in Arnad (Aosta).
Tim Brasil Group	ISO 9001	Companies: Tim Celular S.A. (management of the network in the states of Rio, São Paulo, Minas Gerais, Bahia, Sergipe, Espírito Santo). Companies: TIM Celular and TIM Nordeste (management of GSM contract billing).
	ISO 14001	Companies: Tim Celular S.A. (management of monitoring and information on the implementation and quality of the networks in the states of Rio and Sao Paolo).
Telecom Argentina	ISO 9001	Departments: Top Clients, Information security, Invoicing, Subsidiary companies: Nucleo (Customer care).
	ISO/IEC 27001	Department: Information security

* Processes of commercial planning, design, delivery of products/services offered and respective Customer Operation activities.

⁷¹ Meaning printers, faxes and anything else that is connected to a computer.

UN Global Compact 2nd Principle: Business should ensure that they are not complicit in the human rights abuses.

Social Responsibility in Telecom Italia (Telecom Italia web site/Sustainability: Our vision/Environmental and Social Policies/Social Policy)⁷²

The commitment of Telecom Italia Group to respect and uphold human rights and labour standards is stated in its Code of Ethics⁷³ and in the Group Organisational Model⁷⁴, in accordance with the ten principles of the UN Global Compact concerning human rights, labour standards, environmental protection and fight against corruption. Telecom Italia SpA and its subsidiaries endorse and promote these principles, as well as all relevant UN's and ILO's conventions, in particular, the Universal Declaration on Human Rights, and they act with the aim of mainstreaming those principles within the Company and its suppliers. As for suppliers, a specific policy has been published, available on the Company's WEB site⁷⁵.

Responsibility for policies regarding human rights and labour standards rests with the director of Human Resources, directly reporting to the CEO.



References related to the 2nd principle:

- 2011 Telecom Italia Sustainability Report:
 - Strategy (Suppliers),
 - General matters (Suppliers),
 - Strategy (Customers),
 - Quality of the service (Customers),
- Telecom Italia web site/Sustainability:
 - Use of social networking in customer care - CAMPUS and TUO (Our Stakeholders/Focus on Customers/Ensuring Customer Satisfaction/Customer Satisfaction),
- 2011 Telecom Italia Sustainability Report/Customers:
 - Customer satisfaction,
- Telecom Italia web site/Sustainability:
 - Customer Satisfaction Indexes in Brazil and Argentina (Our Stakeholders/Focus on Customers/Ensuring Customer Satisfaction/Customer Satisfaction),
 - Qualification of products and services (Our Stakeholders/Focus on Customers/Ensuring Customer Satisfaction/Customer Satisfaction),
 - Forms of communication used to inform customers (Our Stakeholders/Focus on Customers/Ensuring Customer Satisfaction/Communication towards customers),
 - Caring and offers for hearing impaired customers (Our Stakeholders/Focus on Customers/Ensuring Customer Satisfaction/Communication towards customers),
 - TIM OnLine Statement Service (Our Stakeholders/Focus on Customers/Ensuring Customer Satisfaction/Communication towards customers),
 - What Digital Divide means (Our Stakeholders/Focus on Customers/Digital Divide/Digital Divide),

⁷² Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/policyRS-eng.pdf

⁷³ Please, see the beginning of the section: "Strategy, Governance and Engagement" of this Communication On Progress.

⁷⁴ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/it/OurApproach/organizational%20model%20231%202011.pdf>

⁷⁵ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/Suppliers_EN_22.12.09.pdf

- 2011 Telecom Italia Sustainability Report/Customers:
 - Digital Divide,
 - Conciliation procedures,
- Telecom Italia web site/Telecom Italia/Assistenza:
 - The Consumer associations,
- Telecom Italia web site/Sustainability:
 - Our relations with Institutions (Our Stakeholders/Institutions),
 - Activities with Institutions (Our Stakeholders/Institutions/Our relations with Institutions),
 - Our relations with Competitors (Our Stakeholders/Competitors),
 - Our activities with Competitors (Our Stakeholders/Competitors/Our relations with Competitors),
 - Competitive positioning (Our Stakeholders/Competitors/Our relations with Competitors),
 - Services to OLOs (Other Licensed Operators) (Our Stakeholders/Competitors/Our relations with Competitors),
 - The Italian Communications Authority (AGCOM) (Our Stakeholders/Competitors/Our relations with Competitors),
 - The Italian Competition and Market Authority (AGCM) (Our Stakeholders/Competitors/Our relations with Competitors),
 - Undertakings regarding the access network (Our Stakeholders/Competitors/Our relations with Competitors),
- 2011 Telecom Italia Sustainability Report/Shareholders:
 - Strategy,
 - Stakeholders and their expectations,
 - Financial communication.

Strategy (Suppliers /2011 Telecom Italia Sustainability Report)⁷⁶

Within the Telecom Italia Group, the procurement process is aimed at the acquisition of products and services under the best possible market conditions, at the same time guaranteeing the prerequisites of quality, safety and respect for the environment. The procurement process is based on a competitive comparison of the technical/economic offerings of suppliers who are selected on the basis of well-founded company procedures at Group level and bearing the hallmark of ethical dealings.

The Group is committed to guaranteeing the quality of the procurement process and its continual improvement, in the light, too, of sustainable procurement, by obtaining the respective certification of quality.

General matters (Suppliers /2011 Telecom Italia Sustainability Report)⁷⁷

The selection, assessment and control of Telecom Italia Group's suppliers, for high risk procurement sectors, involves a pre-contractual qualification stage in which the economic/financial and technical/organisational characteristics are assessed. Verification of these characteristics leads to inclusion in the register of suppliers. The Group requires every supplier to make a commitment, on behalf of the company in question and any authorised sub-contractors, collaborators and employees, to observe the principles of ethics and conduct contained in the Group's Code of Ethics.

Registered companies which have received purchase orders normally undergo checks during the supply period, including incoming quality control (a requirement for the acceptance and use of the purchased goods) and monitoring of the vendor rating (systematic assessment of the supply).

⁷⁶ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

⁷⁷ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

The Supply Chain & Real Estate (SC&RE) department is split into purchasing divisions that 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.

More information related to the stakeholder Supplier is reported in the chapter "Value Chain Implementation" of this Communication On Progress.

Strategy (Customers/2011 Telecom Italia Sustainability Report)⁷⁸

The companies of the Telecom Italia Group base the excellence of their products and services on their care of customers and their willingness to meet their requirements. The objective sought is to ensure an immediate, effective response to customers' needs, modelling conduct on business propriety, transparency in dealings and contractual commitments, courtesy and collaboration and the underlying viewpoint that the customer has a central role, in full compliance with the principles established by company procedures. In such a context, collaboration with Consumer Associations, through the stipulation of agreements in specific areas, is highly prized.

Quality of the service (Customers/2011 Telecom Italia Sustainability Report)⁷⁹

Customer focus and the achievement of high standards of customer satisfaction continue to be a priority for Telecom Italia which, having listened to its major stakeholders (customers, employees, institutions), has drawn up a customer promise based on:

- an all-round provision of high quality and reliability;
- services which improve the quality of life of customers and contribute to the development of the country;
- offers and communications in clear, simple and direct language to win and maintain the trust of customers;
- a company which is close to its customers, values human relationships and is easy to talk to when problems connected to the service need to be resolved;
- people who listen to and understand the needs of the customer, with whom they build a partnership.

The undertakings contained in the "customer promise" are guiding many initiatives, including the "Expressing Quality" programme for awareness-building among employees. Launched in 2009, with the involvement of managers, including area/local unit and customer contact team managers, the programme was completed in 2011 with a series of further initiatives⁸⁰:

- design of an e-learning training package, addressed to all members of staff, illustrating the main customer contact occasions and outlining the forms of behaviour that need to be adopted in order to comply with the principles of the Customer Promise;
- classroom training sessions and communication using corporate media: monthly newsletters to managers on CSI (Customer Satisfaction Index) performance, the results of customer perception surveys and improvement initiatives, the blog dedicated to the "Expressing Quality" programme participants, containing daily news on the subject;
- development of the Quality website, a themed web area created to stimulate debate and increase knowledge of key issues (including the Customer Promise, events, projects, documents, indicators), by

⁷⁸ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

⁷⁹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

⁸⁰ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/How%20Customer%20Promise%20is%20diffused.pdf>

setting up a new documentation archive to make it easier to search for the results of perception surveys and a “community” that allows listening campaigns on specific quality-related issues to be launched.

Top Management oversees the quality aspects of customer listening activities via the Quality Governance Steering Committee (SCQG), which meets monthly and is chaired by the CEO, with the aim of:

- directing and supervising the initiatives and activities aimed at improving the quality of the processes end-to-end;
- monitoring the quality results achieved and analysing them also in relation to the quality requirements demanded by the supervisory authorities, the most important/recurring complaints by customers and, more generally, the feedback coming from all stakeholders;
- supervising the quality certification process during the launch of new products/services offered to customers, in particular those of greatest impact in terms of image and competitive positioning on the market.

Thanks to the specific analyses carried out in the SCQG, many initiatives have been launched based on a detailed analysis of Customer Satisfaction surveys, comparing the periodic performance of customer satisfaction for each individual element of analysis and the TI customer satisfaction levels with those of the best competitors. Since 2011, the SCQG has had a new monitoring dashboard with indicators showing the quality provided and perceived for specific company processes, making it easier and quicker to read and analyse the data⁸¹.

Use of social networking in customer care

At the end of 2010, Telecom Italia was the first company in Italy to launch a social caring service providing direct customer support via social networks (Facebook and Twitter) allowing direct interaction with customers and a high speed of response.

A specialised team answers customer queries and reports both via the Group's official pages and accounts and through 9 Twitter accounts. This service is on Facebook: the customer accesses the Facebook page to request support and is subsequently contacted by various means depending on the problem to be solved, while the Twitter service is based on direct contact with an assistant.

One year since the initiative was launched, Telecom Italia is the leader in social caring services in Italy, with a growing monthly average of over 1,000 reports dealt with every month and a 96% rate of cases resolved. Telecom Italia also uses web tools based on the social networking concept to develop and support the people working in customer care. These provide effective assistance, both for disseminating and sharing knowledge among staff and for making the most of informal knowledge resulting from discussions held in forums in order to build on know-how and integrate it into operational processes

Use of social networking in customer care – CAMPUS and TUO (Telecom Italia web site/Sustainability: Our Stakeholders/Focus on Customers/Ensuring Customer Satisfaction/Customer Satisfaction)⁸²

CAMPUS is an educational social network for people who answer 119 calls.

The project is characterised by the extent of customisation that the system allows each participant.

Each operator has a personal profile containing corporate and personal information and a "reputation", which is built by means of a ranking system that tracks the quality of their involvement in all the activities enabled by the platform.

A new section dedicated to periodically mapping skills also allows the strengths and weakness of operators to be identified, while providing them with a personalised virtual training section to update their skills and constantly check what they have learnt.

⁸¹ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/Quality%20control.pdf>

⁸² Please, see the following web sit:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/Use%20of%20social%20netwo rking%20in%20customer%20care.pdf>

A group of “experts” directly promoted by the network guarantees ready answers to the various issues that can arise in handling customers’ requests.

The following results were achieved between June 2009 and mid-December 2011:

- over 170,000 tests were taken and 45 new courses (In House + Outsourcers) were launched in the Campus virtual classrooms. The flow of users generated a traffic of around two million pages visited just in the classrooms;
- single users who have accessed the system at least once during the period: 9,100.
- pages visited: 32,735,000.
- number of contacts between users of the social network: 16,000.
- new posts on the blogs: 780.
- new forum subjects: over 6,500;
- new comments in the forums: 44,000.
- reads in the forum; 949,000.
- support data sheets completed: over 20,000;
- skills and attitude mapping data sheets completed: around 5,400.

TUO (meaning “your,” an acronym of the Italian words for Find, Use and Organise) is a web-based digital platform supporting operators in the 187 and 191 call centres, the consumer administrative contact centres, the Toll-Free numbers for business mobile and, since 2010, the Directory Assistance (1254) service as well, for selecting the necessary information and better assisting the customer. In developing this platform, customer care telephone operators in the various call centres were consulted. In particular, the format of the guides has been further improved in order to provide prompt responses to customers for all the various types of calls. The contents can be consulted more easily thanks to the use of the latest generation of data search algorithms. TUO is not only useful for reference purposes, it is also a social web solution. In fact the system also allows operators to enter their own suggestions and any that are made by the customer. In addition to containing technical information, the platform allows operators to converse, directly or through forums subdivided by subject, with colleagues who share knowledge and solutions in order to create a collaborative social network.

Thanks to suggestions from operators during 2010, three new versions of the portal have been implemented. Adding together all the visits to all the operative environments, more than 48 million pages had been visited by the end of the year.

Customer satisfaction (Customers/2011 Telecom Italia Sustainability Report)⁸³

Customer listening at Telecom Italia

“IN 2011 THE LISTENING SYSTEM WAS EXTENDED”

Telecom Italia has developed a plan for listening to customers that allows the quality of the service offered and the customer experience to be assessed in the various interactions between the customer and the company, from a recent contact (e.g. to activate a connection, ask for information or report a fault) to an overall perception over time. The results are used in an ongoing offer improvement process with the aim of providing services that are ever more responsive to customer needs.

The listening system was extended in 2011 and structured into 6 areas:

- operational processes and events assessed on a “reactive” basis, i.e. immediately after a specific event (e.g. delivery, assurance, sale, sales support);
- touch point which are the customer contact channels (e.g. points of sale, customer care, web, billing);

⁸³ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

- key products and services, e.g. fixed and mobile broadband, smartphones;
- lifecycle, monitored during the stages that characterise the customer's relationship with his/her operator;
- intangible issues that have a cross-cutting impact on customer satisfaction (e.g. innovation);
- overall perception measured on a "reflective" basis, i.e. not connected with a specific event. The indicator used is the Customer Satisfaction Index (CSI) which, by adopting international statistical survey standards (ACSI model), measures the perception of quality according to the main satisfaction drivers in the different types of customer (fixed consumer, mobile consumer, fixed business, mobile business, top clients, public sector) and the similar services provided by the leading competitors. During 2011, a new CSI measurement model was introduced that takes further dimensions into account (e.g. socio-cultural variables, local context, etc.). In December 2011, Telecom Italia obtained from IMQ-CSQ a Certificate of Conformity of its Customer Satisfaction Index (CSI) measurement process with the requirements of the UNI 11098-2003 standard (Guidelines for determining customer satisfaction and for measuring the respective process indicators).

The CSI values of Telecom Italia by type of customer are shown below. The data relating to 2010 have therefore been recalculated in order to make them comparable to 2011.

Customer type(*)

	2011	2010
CONSUMER	74.24	73.86
BUSINESS	62.98	62.10
TOP CLIENTS	68.40	67.19
PUBLIC SECTOR	71.91	71.34
TOTALS	70.86	70.38

(*) Average satisfaction is measured on a scale of 0-100, where 0 means "not at all satisfied" and 100 means "completely satisfied".

The information in the following table refers to the average annual progressive value of total customer satisfaction with Telecom Italia's customer care service.

Type of customer care customer

	Overall satisfaction(*)	
	2011	2010
187 consumer fixed telephony	8.32	7.39
119 consumer mobile telephony	8.56	8.33
191 business fixed telephony	7.06	6.72
191 business mobile telephony	7.13	6.47

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

Customer satisfaction within the managerial incentives scheme

The targets set for all the employees included in Telecom Italia's short term management incentives scheme include targets linked to customer satisfaction, in line with the business plan for the period. The targets are measured using customer satisfaction indexes monitored by means of periodic "reflective" surveys: the overall CSI for the company and the specific customer satisfaction indicators per customer segment.

Additional targets are set for particularly critical processes and activities (commercial and technical front-end) based on quality parameters measured by "reactive" surveys.

Customer satisfaction within collective incentives schemes

Telecom Italia's collective incentives schemes also include a target linked to customer satisfaction. In particular, the performance-related pay award for employees not covered by an individual incentive scheme, incorporates both a total customer satisfaction target across the whole company and specific targets for the organisational structures responsible for different customer categories.

Customer Satisfaction Indexes in Brazil and Argentina (Telecom Italia web site/Sustainability: Our Stakeholders/Focus on Customers/Ensuring Customer Satisfaction)⁸⁴

BRAZIL

Two customer satisfaction indexes were measured in Brazil:

- the first is the "reflective" satisfaction index, determined nationally twice a year, based on interviews, and measuring general customer perception of the company (sales departments, call centres, network quality). The result of the latest measurement conducted, in November 2011, was 8.10/10;
- the second is a "reactive" satisfaction index determined on a monthly basis, by means of interviews with a group of consumer and business customers, concerning their contacts with call centres. In 2011, the average index was 7.80/10.

ARGENTINA

Telecom Argentina has developed a Satisfaction Measurement Index applied throughout the Group to the Fixed, Mobile and Wholesale services. It is based on satisfaction surveys, carried out throughout the year among its own customers and those of competing companies, and considers biennial strategic indicators (including turnover growth and number of lines).

These are "reflective" surveys that do not therefore relate to any specific event.

The average degree of satisfaction measured for each dimension is also compared to the best score achieved by competitors.

The index has been included among the targets for all the Group's Managers and Directors.

During the year, the surveys involved over 14,900 fixed and 48,000 mobile customers.

Qualification of products and services (Telecom Italia web site/Sustainability: Our Stakeholders/Focus on Customers/Ensuring Customer Satisfaction/Customer Satisfaction)⁸⁵

In order to guarantee better Customer Quality of offers for the consumer and business market, checks are carried out on the operation and usability of new services/products/portals that are deemed to be "strategic" and to have a high innovation content in their processes and/or technologies.

The qualification results are transformed into service/product improvement actions and determine the subsequent marketing stage.

The main products and services assessed in 2011 were the following:

- TIM cloud, TIM Friendbook, NGN, Broadband on board (Trenitalia project) and High Definition Voice;
- Board Project (WiFi coverage on Freccia Rossa BroadBand on) - Assessment of the WiFi cover on Freccia Rossa trains on High Speed sections;
- High Definition (HD) Voice Project - Development of a new technology that provides better voice quality on mobile phones than is possible using current audio codecs.

⁸⁴ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/CSI%20in%20Brazil%20and%20Argentina.pdf>

⁸⁵ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/Qualification%20of%20products%20and%20services.pdf>

The “Premium Profiles for Mobile Broadband services” offers and TIM portal were also checked.

Forms of communication used to inform customers (Telecom Italia web site/Sustainability: Our Stakeholders/Focus on Customers/Ensuring Customer Satisfaction/Communication towards customers)⁸⁶

The general communication about tariff changes, new offers, new products and services to the customers is broken down according to the methods shown below.

According to the Code of the Electronic Communications (article 70, paragraph 4), any change in the conditions of the provisions of Telecom Italia must be notified to the customers 30 days before the date the commercial initiative comes into effect.

This notification or “news” is published in the appropriate section devoted to useful information for customers on the www.187.it, www.impresasemplice.it and www.tim.it websites. In the event of tariff changes or initiatives in response to specific regulations (for example, new services for disabling calls to certain numbers), information is published in a specific boxed area in the main national daily newspapers and, if time permits, a message is included in the “Telecom News” section of Telecom Italia bills, attached to mobile phone statements or sent via SMS for customers using the prepaid service.

For completeness, as a rule, price plans, products and services have one or more pages dedicated to them on the website, which include the following:

- description of the service/product/offer;
- prices;
- operational features;
- contract terms.

The Company may decide to use a broader and more structured communication method using various channels (e.g. TV, press, radio, Internet) in view of the commercial importance of the service/product

Caring and offers for hearing impaired customers (Telecom Italia web site/Sustainability: Our Stakeholders/Focus on Customers/Ensuring Customer Satisfaction/Communication towards customers)⁸⁷

In 2012, Telecom Italia will extend the two offers (compulsory and agreed with AGCOM) dedicated to customers with hearing impairment:

- “50 SMS to all.” This offer allows 50 SMS messages to be sent per day free of charge to all mobile and fixed numbers for 30 days from the activation date. Beyond this limit, the cost is as stated in the customer's price plan or in any other supplementary offer;
- “MMS, Mail, Instant Messaging.” For 30 days from the activation date, subject to an activation/renewal charge, this offer provides a daily package of free MMS messages to TIM numbers (plus 100 reduced rate MMS messages to the mobiles of other operators), 30 MB of free mail traffic, regardless of the APN (Access Point Name), plus 3,000 free Instant Messages.

TIM OnLine Statement Service (Telecom Italia web site/Sustainability: Our Stakeholders/Focus on Customers/Ensuring Customer Satisfaction/Communication towards customers)⁸⁸

This service has been available since the end of 2009 and provides for the complete virtualisation of consumer subscriber mobile service bills, which are uploaded to the 119.it website.

The service is activated by default for new subscribers and on request for customers with existing contracts (as required by the General Subscription Conditions).

⁸⁶ Please, see the following web site:

<http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/customers/ensuring-customer-satisfaction.communication-towards-customers.html>

⁸⁷ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/Caring%20offers%20for%20hearing%20impaired%20customers.pdf>

⁸⁸ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/TIM%20on%20line%20statement%20service.pdf>

Every two months, customers who have activated this service receive an SMS message and an email informing them that their new bill is available and can be viewed in their private web area. The bill can easily be checked and filed electronically and also allows customers to check their payment status.

Customers can settle their bill online via the website if necessary.

As of September 2011, the service was providing 70,000 bi-monthly online statements. The plan is to increase these to 90,000 by the end of 2011 (14-15% of consumer subscribers), thus bringing us into line with the market standard and contributing to reducing the environmental impact of our services.

The activation/deactivation procedure is completed by phone, email and website, and is therefore entirely paperless.

In order to simplify dissemination of the service, focal points have been established in each area, with billing experts working as facilitators resolving all issues, both training-related and arising from process/system anomalies.

What Digital Divide means (Telecom Italia web site/Sustainability: Our Stakeholders/Focus on Customers/Digital Divide/Digital Divide)⁸⁹

The digital divide is the gap between those who have effective access to information technologies (especially personal computers and the Internet) and who is excluded, either partially or totally. The grounds for exclusion include several variables: economic conditions, educational level, differences in age or sex, belonging to different ethnic groups (socio-cultural digital divide), presence and quality of infrastructure technology (geographic digital divide).

Digital Divide (Customers/2011 Telecom Italia Sustainability Report)⁹⁰

The spread of information and communication technology creates considerable opportunities for progress for the public. Telecom Italia is aware of the need to manage this development in the best way, taking on the responsibility for coordinating the actions of all the players in the broadband ecosystem, in order to avoid exposing the Community to the risk of a technological divide due to geographic and socio-cultural reasons.

Geographical Digital Divide

In order to deal with the technological divide generated in the so-called marginal areas of Italy, which would otherwise be excluded from the ordinary plans of telecommunication operators, because of the low return on investments, over the years Telecom Italia has implemented an exceptional investment programme aimed at providing ADSL coverage of up to 640 k/bit in some of these areas. Telecom Italia has also established cooperation agreements with several Regions and Provinces in order to reconcile its corporate objectives (financial, business and institutional) with those of local authorities, both by activating public tender procedures approved by the EU to finance work using public incentives and by signing memorandums of understanding with local institutions for the purpose of simplifying the installation of networks and encouraging their use by citizens and local authorities.

As of December 2011, the gross coverage of Telecom Italia's ADSL services, meaning the percentage of lines connected to exchanges where the ADSL service has been activated with a speed of up to 7 Mbit/s, reached 97.1% of the telephone population.

For the purpose of local investments, there are two main forms of cooperation with the Regions: the first is "contributive" (the so-called "claw-back" method), based on direct financial incentives (in accordance with the regulatory framework in matters of State Aid), the second is "collaborative," based on supporting potential demand.

⁸⁹ Please, see the following web site:

<http://www.telecomitalia.com/tit/en/sustainability/stakeholders/customers/digital-divide.html>

⁹⁰ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

Specifically:

- the claw-back model is used by the EU to speed up the dissemination of broadband in market failure areas. The model provides for the allocation of contributions to compensate for the lack of a return on investments, disbursed on the basis of a public tender. This model has been used in the past by the regions of Sardinia and Tuscany and is currently being implemented in Lombardy;
- the collaborative model includes some of the main agreements signed by Telecom Italia during 2011, including the Memorandum of Understanding with the Autonomous Province of Trento;
- the collaboration agreements launched in 2011 also include those signed with the Province of Lucca, which has allowed broadband coverage to be provided in a number of industrial districts, and with the Province of Bolzano, according to which all the municipalities of Alto Adige will have access to broadband services using fibre optic technology by 2013.

Socio-cultural Digital Divide

In a world in which technology facilitates contact among people, Telecom Italia is making a contribution to breaking down the socio-cultural barriers that restrict the opportunity to take part in the information society, allowing people to enjoy its benefits.

...

Conciliation procedures (Customers/2011 Telecom Italia Sustainability Report)⁹¹

“THE ONE STOP SHOP AIMED TO SOLVE DISPUTES HAS PROVED TO BE AN EFFECTIVE TOOL, WELL APPRECIATED BY CUSTOMERS”

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. In 1995 it was substantially recognised by the European Union 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 as well. Twenty consumer associations have signed up to the conciliation agreement to date.

In 2009, Telecom Italia, in compliance with the voluntary undertakings given and approved by the Italian Communications Authority (AGCOM) in December 2008, also started managing conciliation requests submitted by customers at the offices of Co.Re.Com and the Chambers of Commerce, thus providing a "one stop shop" for contacts 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.

As for joint conciliations, the management of conciliations at the offices of Co.Re.Com and the Chambers of Commerce is based on an approach that considers the needs of the customer and, regardless of the procedure selected, allows the customer's relationship with the company to be improved.

The "one stop shop" model has thus far allowed the undertakings given to AGCOM to be fulfilled and the qualitative and numeric targets to be achieved. In 2011, the number of conciliation requests submitted to Co.Re.Com and Chamber of Commerce offices fell by 14.3%. (from 21,681 to 18,585)⁹². Of these applications, 87.8% were discussed in that same year and 12.2% were cancelled (there are no received applications awaiting discussion). The percentage of conciliation requests discussed at Co.Re.Com and

⁹¹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

⁹² Consistent with the fall in the number of joint conciliation requests received in the same period (-13.6%, from 7,095 to 6,246).

Chamber of Commerce offices and settled during the period (compared to the total number of applications discussed during the same period) was 87.5% (12.5% were not settled).

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.
- The internal structure of the Customer Operations area was also consequently modified in order to improve its operational and support capabilities.

The Consumer associations (Telecom Italia web site/Telecom Italia/Assistenza)⁹³:

The consumer associations, joining the conciliation project, are:

Consumer associations	Address	Tel. and fax numbers
ACU	Via Padre Luigi Monti, 20/C - 20162 Milano	Tel. +39026615411 Fax 026425293
ADICONSUM	Via Francesco Gentile, 135 - 00173 ROMA	Tel. +39064417021 Fax 0644170230
ADOC	Via Tor Fiorenza, 35 - 00199 ROMA	Tel. +390686398975 Fax 0686329611
ADUSBEP	Via Farini, 62 - 00185 ROMA	Tel. +39064818632 Fax 064818633
ALTROCONSUMO	Via Valassina, 22 - 20159 MILANO	Tel. +3902668901 Fax 0266890288
ARCO	Via Venezia, 59 - 65121 PESCARA	Tel. +3908528212 Fax 08535142
ASDICO	Via Cinque Febbraio, 17 - 47895 Domagnano (RSM)	Tel.+390549962041
ASSOUTENTI	Vicolo Orbitelli, 10 - 00186 ROMA	Tel. +39066833617 Fax 066867434
CENTRO TUTELA CONSUMATORI E UTENTI	Via Dodiciville, 2 - 39100 BOLZANO	Tel. +390471975597 Fax 047979914
CITTADINANZATTIVA	Via Flaminia, 53 - 00196 ROMA	Tel. +3906367181 Fax 0636718333
CODACONS	Viale Mazzini, 73 - 00195 ROMA	Tel. +39063725809 Fax 063701709
CODICI	Viale Marconi, 94 - 00146 ROMA	Tel. +390655301808 Fax 0655307081
CONFCONSUMATORI	Via Mazzini, 43 - 43100 PARMA	Tel. +390521230134 Fax 0521285217

⁹³ Please, see the following web site: <http://www.telecomitalia.it/assistenza/info-consumatori/accordo-associazioni-dei-consumatori>

Consumer associations	Address	Tel. and fax numbers
FEDERCONSUMATORI	Via Palestro, 11 - 00185 ROMA	Tel. +390642020755 Fax 0647424809
LA CASA DEL CONSUMATORE	Via Francesco Sforza, 19 - 20122 MILANO	Tel. +390276316809 Fax 0276392450
LEGA CONSUMATORI	Via delle Orchidee, 4a - 20147 MILANO	Tel. +390248303659 Fax 0248302611
MOVIMENTO CONSUMATORI	Via Piemonte, 39/A - 00187 Roma	Tel. +39064880053 Fax 064820227
MOVIMENTO DIFESA DEL CITTADINO	Via Piemonte, 39/A - 00187 ROMA	Tel. +39064881891 Fax 064820227
SPORTELLI CONSUMATORI	Via Cinque Febbraio, 17 - 47895 Domagnano (RSM)	Tel. +390549962060 Fax 0549962075
UNIONE NAZIONALE CONSUMATORI	Via Duilio, 13 - 00192 ROMA	Tel. +39063269531 Fax 063234616

Our relations with Institutions (Telecom Italia web site/Sustainability: Our Stakeholders/Institutions)⁹⁴

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

The key stakeholders of the Telecom Italia Group are:

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

Activities with Institutions (Telecom Italia web site/Sustainability: Our Stakeholders/Institutions/Our relations with Institutions)⁹⁵

Telecom Italia constantly keeps abreast of law-making activity by institutions. It does this by monitoring the legislative process of measures that may have an impact on the company and the flow of policy-making (records of parliamentary proceedings, activities of the Council of Ministers and the European institutions) as well as analysing European legislative initiatives and information resulting from informal contacts. The purpose of these activities is:

⁹⁴ Please, see the following web site: <http://www.telecomitalia.com/tit/en/sustainability/stakeholders/institutions.html>

⁹⁵ Please, see the following web site: http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/Institutions/Activities%20with%20Institutions_2011.pdf

- to understand the expectations of central national and European institutions and the evolving trends in parliamentary, governmental and European regulatory initiatives;
- to identify the potential impacts on the Group's strategy and business activities;
- to adopt any strategies needed to protect the company's position;
- to create an institutional context that is favourable to promoting the company's interests, respecting the rules on transparency and on formal and substantive fairness.

The results of analyses and involvement activities are transformed into operational ideas for continuous improvement activities.

• Central national institutions

The reporting activities are principally conducted with the parliamentary members of the Chamber and Senate Committees concerned with issues that could impact on the company such as, for example, those of an economic-financial nature or concerning privacy, telecommunications, Internet and TV. Involvement in parliamentary hearings is also a way of examining specific issues in detail and creating opportunities for discussion about matters being debated in parliament.

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

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

Over the course of the year, Telecom Italia followed the legislative process of the draft European Communities Act 2010, which contains a delegating provision on the principles and guidelines for the implementation of directives 2009/136/EC and 2009/140/EC regarding electronic communications. These directives alter the regulatory framework of electronic communications, implemented in Italy by the Electronic Communications Code and, specifically as regards the protection of personal data, by the Data Protection Code. The new regulatory framework was to be transposed into national legislation by May 25, 2011 but, since the draft European Communities Act 2010 had not yet been approved, the legislative process has not yet been completed.

The Italian state budget for 2011-2014 (Legislative Decree No. 98 of July 6, 2011, converted by Law No. 111/2011), the conversion process of which was monitored, also includes important provisions regarding electronic communications. With this legislation, which relates to broadband technology in particular, the Italian Ministry of Economic Development is establishing a strategic plan, with the contribution of companies and organisations that own the networks and fixed or mobile electronic communication systems, aimed at achieving the objectives of the European digital agenda regarding access to the Internet for all citizens. Based on the principle of horizontal subsidiarity and public/private partnership, the legislation identifies the actions needed to build the broadband and ultra broadband telecommunication infrastructure, particularly by enhancing, modernising and coordinating existing infrastructure. The same legislation also contains an important provision regarding rationalisation of the radio-electric spectrum (amending the Stability Law of 2011), which aims to ensure that the procedures for allocation by tender of the rights of use to the frequencies allocated to mobile broadband electronic communication services takes place within the established time scale.

The so-called "manovra bis" (supplementary budget contained in Legislative Decree No. 138 of August 13, 2011, converted by Law No. 148/2011) contains a measure that will have a strong impact on the electronic communications sector, raising the ordinary VAT charged on products and services by one percentage point (20% to 21%).

During the year, Telecom Italia attended a number of parliamentary hearings including one relating to the development of broadband technology and the neutrality of the Internet and another on the issue of mobile termination rates.

TI Media also maintains a dialogue with institutions on issues of interest to the company. In particular, during the last quarter of 2011, interaction with the Ministry of Economic Development's Communication Department continued with regard to the digitisation process involving Liguria, Tuscany, Umbria and Marche, according to the ministerial calendar of September 10 and subsequent amendments.

The Communication Department also set up a specific task force, which includes TI Media, for completion of the digitisation process, fixed for June 30, 2012, with Abruzzo and Molise, Basilicata, Apulia, Calabria and Sicily switching to digital transmissions.

- **Local national institutions**

At local level Telecom Italia maintains a 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, in order to deal with the problems encountered, promote the Group's image and state its position. 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.

The main subjects of dialogue with local authorities during 2011 included:

- local coverage and reducing the digital divide;
- the drawing-up of protocols with local authorities in order to promote the use of non-invasive techniques (mini-trenches) during excavation work;
- a number of proposals for regional laws and municipal regulations regarding the installation of mobile phone systems and electromagnetic fields, in order to illustrate the company's requirements in this respect (which included the presentation of amendments) and achieve a fair balance between all the interests involved;
- the removal of public telephone equipment (telephone booths) which involved public consultation as part of a procedure agreed with AGCOM;
- the signing of various memoranda of understanding with representative associations (e.g. ANCI) on the subject of smart cities.

Our relations with Competitors (Telecom Italia web site/Sustainability: Our Stakeholders/Competitors)⁹⁶

The Group's companies are committed to promoting fair competition, which is considered to be in the interests of the Group and of all market operators, customers and stakeholders in general. They promote and participate in initiatives and projects with competitors, as well as in technical round tables and activities organised by trade associations.

On these issues, the Group interacts with the following stakeholders:

- OLOs (Other Licensed Operators), big and small alternative tlc operators of fixed and mobile networks;
- the Italian Communications Authority (AGCOM);
- the Italian Competition and Market Authority (AGCM);
- associations, federations and trade associations:
 - **in Italy:** Confindustria, CD Confindustria Digitale, CSIT (Confindustria Innovative and Technological Services), Asstel, Assoelettrica, Assinform, Ugo Bordoni Foundation, Audio and ICT District, FRT (Radio and Television Federation) HD Forum (High Definition Forum), DGTVi (the national association for terrestrial digital broadcasting), Auditel, CNID (Italian National Digital Committee)
 - **in the world:** ETNO (European Telecommunications Network Operators' Association), EIF (European Internet Foundation), EABC (European-American Business Council), ITU (International Telecommunication Union), EITO (European Information Technology Observatory), BIAC (Business and

⁹⁶ Please, see the following web site: <http://www.telecomitalia.com/tit/en/sustainability/stakeholders/competitors.html>

Industry Advisory Committee), BEREC (Body of European Regulators for Electronic Communications), GeSI (Global and Sustainability Initiative).

Our activities with Competitors (Telecom Italia web site/Sustainability: Our Stakeholders/Competitors/Our relations with Competitors)⁹⁷

Telecom Italia manages relations with associations, coordinating representation activities in respect of Confindustria and other 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 Confindustria Innovative and Technological Services, Asstel and Assoelettrica. In 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 system by recourse to innovation and new technologies.

Together with the other operators, Telecom Italia takes part in the Ugo Bordonis 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.

Telecom Italia and Telecom Italia Media are founding members of the HD Forum, which pursues the objective of promoting and disseminating high definition technology in Italy. Membership of the Forum allows the company to keep abreast of the activities of competitors (particularly Sky, Mediaset and Fastweb) in the field of high definition and the promotion of initiatives addressing regulation and standardisation issues.

TI Media, as a member of the Presidency Committee, is part of the Radio and Television Federation, which brings together 150 local TV and radio broadcasters and is a member of DGTVi, together with Rai, Mediaset and D-Free. A representative of TI Media sits on the Board of Directors of DGTVi.

Telecom Italia Media has a 3.33% shareholding in Auditel and has a representative on the Board of Directors and another on the Technical Committee. Auditel is the only body recognised in Italy for audience figures, even among advertising agencies, who determine the value of advertising slots on individual television channels based on the "data" recorded by Auditel.

TI Media participates in the work of the CNID (Italian National Digital Committee) which brings together all the representatives of the digital market value chain and is chaired by the Minister for Economic Development, alongside two deputy chairmen (an AGCOM Commissioner and the Chairman of DGTVi). The Committee operates through four separate groups in as many areas: Network Technology and Development; Monitoring and Data; Communications and Customer Assistance; Specific Problems in the Public Broadcasting Service.

In 2002, TI Media and MTV subscribed to the self-regulation code for TV and minors, as part of which a committee for the protection of children on TV was established with responsibility for verifying fulfilment of the undertakings given under the Code. TI Media has been elected as the broadcasters' representative and

⁹⁷ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/competitors/Our%20activities%20with%20competitors_2011.pdf

is therefore a privileged observer in respect of institutions for the purpose of maintaining a constructive dialogue with the sector.

As of August 2009, Tivù, a company in which TI Media has a 3.5% stake, began to provide commercial services for unscrambled programme broadcasting by satellite with the aim of promoting a single platform for terrestrial digital and satellite services (Tivùsat). With regard to the free satellite platform, we can report that 1,300,000 cards had been activated as of the end of December 2011.

With regard to the self-regulation code on the reporting of legal disputes in radio and television broadcasts, a committee was set up in December 2009 to identify any potential infringements of the code and to take the appropriate corrective action. The objective of the Code is to reconcile the right to information about legal proceedings with respect for the inalienable rights of the individual, by observing principles of objectivity, completeness and impartiality.

Competitive positioning (Telecom Italia web site/Sustainability: Our Stakeholders/Competitors/Our relations with Competitors)⁹⁸

A qualitative and quantitative survey is carried out annually to analyse the strength of the Telecom Italia and TIM brands, both in absolute terms and in comparison with competitors. For Telecom Italia only, a survey is also carried out with a specific focus on businesses (small and medium sized companies) to assess brand value and competitive position.

Every three months, moreover, a quantitative survey is carried out on a representative sample of the Italian population to gauge the image of telecommunications and mobile telephony service providers.

Quantitative surveys are periodically carried out on a representative sample of the adult Italian population to measure the effectiveness of the advertising for mobile telephony and telecommunication services. These measure how well the individual operators are known, unprompted and prompted knowledge of advertising, recollection of advertising content and enjoyment of the advertising.

A survey is carried out on a quarterly basis among small and medium sized companies for the telecommunication and ICT operators market in order to verify brand reputation, recollection of advertising and image profile of Telecom Italia and its competitors. The same research is extended on a half-yearly basis to other big companies as well.

Since 2009, Telecom Italia's reputation has been monitored on the web using an automatic research and semi-automatic classification method which analyses the volume of conversations regarding the Company on the most significant Italian websites and uses this information to rate the Company based on source, format and valence. The objective is to track perception of the Telecom Italia and TIM brands in terms of their image. This process also involves the calculation of an index of reputation risk, based on an algorithm which weighs up the importance of the site/channel hosting the message (potential audience) against the valence (positive or negative) and relevance of the type of conversation to the Company.

As of this year, the monitoring includes a specific section relating to Facebook and YouTube.

Services to OLOs (Other Licensed Operators) (Telecom Italia web site/Sustainability: Our Stakeholders/Competitors/Our relations with Competitors)⁹⁹

The Telecom Italia National Wholesale Service (NWS) department is the point of contact for other licensed operators (OLOs) and ISPs (Internet Service Providers) regarding the provision of network infrastructure and services for subsequent marketing by the said OLOs of electronic communication services to their own end customers. NWS is responsible for pre- and after-sales design, identifying requirements and drawing up offers and contracts, sales, support and billing for products/services supplied. Organisational and administrative separation between the retail departments of Telecom Italia and NWS, which is verified

⁹⁸ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/competitors/Our%20competitive%20positioning_2011.pdf

⁹⁹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/competitors/Services%20to%20OLOs_2011.pdf

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 offer (RO) for the various regulated wholesale services. The process of approval of each RO 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 the protection of competition. 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, telecommunication equipment hosting, outsourcing and all the added value services that allow operator networks to be "virtualised".

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

For the purpose of improving its company processes, Telecom Italia has presented a series of "undertakings" designed to improve performance in the delivery of services supplied to operators which, following Procedure 351/08/CONS, were approved by AGCOM and came into force on January 1st, 2009.

The Italian Communications Authority (AGCOM) (Telecom Italia web site/Sustainability: Our Stakeholders/Competitors/Our relations with Competitors)¹⁰⁰

Telecom Italia interacts with AGCOM in order to support the regulatory process on matters deemed to be relevant to increasing the 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, where possible, 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. For further information about legal provisions that regulate public consultations, market analyses, fact-finding surveys and dispute resolution among operators see the dedicated section of the sustainability website.

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

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

The Italian Competition and Market Authority (AGCM) (Telecom Italia web site/Sustainability: Our Stakeholders/Competitors/Our relations with Competitors)¹⁰¹

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

¹⁰⁰ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/competitors/Our%20activities%20with%20AGCOM_2011.pdf

¹⁰¹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/competitors/Our%20activity%20with%20AGCM_2011.pdf

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

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

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

Within the Company there are preventive controls on processes with potentially significant impacts in Antitrust terms such as, for example, the drawing-up of marketing plans, the development of contracts, conditions for the provision of telecommunication services, the development of the company's information systems. The controls are aimed at ensuring that the operational management of the processes take into consideration these potential impacts. In order to raise awareness and disseminate a correct approach in this respect, a management training programme launched in 2010 on the application of competition rules was completed in 2011.

Undertakings regarding the access network (Telecom Italia web site/Sustainability: Our Stakeholders/Competitors/Our relations with Competitors)¹⁰²

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

- greater satisfaction of wholesale and retail customers, promoting innovation in internal processes, the qualitative development and improvement of the fixed access network and respective services, the reduction of disputes;
- development of fair competition among competitors, which is considered to be in the interests of the Group, the market, the customers and stakeholders in general, promoting equality of technical and economic treatment among the marketing departments of Telecom Italia and the other operators;
- maintenance of competitive conditions in the transition to new generation networks, in order to ensure the creation of an open network able to offer the Community high quality services;
- transparency in the evolution of Telecom's 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.

Strategy (Shareholders/2011 Telecom Italia Sustainability Report)¹⁰³

The Group companies are fully aware of the importance of supplying accurate information about their activities to the market, investors and the Community in general.

¹⁰² Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/competitors/Undertakings%20regarding%20the%20access%20network_2011.pdf

¹⁰³ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

Subject to the need for confidentiality in the running of the business, communication with the market and investors is carried out in a way that ensures transparency, fairness, clarity and equality of access to information, with a commitment to guaranteeing equality of treatment of all categories of shareholders. 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.

Stakeholders and their expectations (Shareholders/2011 Telecom Italia Sustainability Report)¹⁰⁴

The Investor Relations department manages relations with the main stakeholders: institutional and retail investors, bondholders, socially responsible investors, financial analysts and credit analysts.

Their shared expectations relate to:

- strengthening the Group's position in the markets in which it operates;
- confirming the objectives reported to the market through the strategic plan;
- the certainty of receiving a quick and effective response from the Company to requests for information.

The expectations of individual stakeholders are also given special consideration:

Stakeholders	Need
Institutional and retail investors	<ul style="list-style-type: none"> • Good financial and operational performance by the company • Positive total shareholder return (stock market performance of the shares and dividends distributed) • Good reputation of the Group's brand • Involvement in the Group's activities and initiatives
Socially responsible investors	<ul style="list-style-type: none"> • Attention paid to the social and environmental impacts of the company's business and to the Group's governance • Positive total shareholder return • Good reputation of the Group's brand
Bondholders and credit analysts	<ul style="list-style-type: none"> • Stability of the yield from the investment • Certainty of repayment of the debt at maturity • Maintaining of creditworthiness
Financial analysts	<ul style="list-style-type: none"> • Direct contact, even with the Group's management, on matters relevant to the business

Financial communication (Shareholders/2011 Telecom Italia Sustainability Report)¹⁰⁵

In 2011, the Company organised quarterly conference calls, road shows abroad and meetings in the Group's corporate centres (reverse road shows) as well as attending industry conferences. During these events, the Company met over 350 investors. In addition to these there are the direct contacts and telephone conversations that the Investor Relations team has on a daily basis.

The responses given by the Group to the financial market are based on criteria of relevance, information sensitivity, consistency and topicality in respect of the Group's structure and the actions undertaken to achieve the targets of the strategic plan.

¹⁰⁴ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹⁰⁵ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

Financial communication also takes into consideration the needs of investors linked to Socially Responsible Investing (SRI), which favours companies that pay attention to ethical, social and environmental factors as well as financial aspects. Communication with this particular category of investors, which is jointly administered with the Group Sustainability department, is developed through individual contacts and participation in dedicated events.

As regards relations with individual (retail) shareholders - there are currently 500,000 holders of ordinary shares - Telecom Italia's strategy aims to increase communication channels in order to respond quickly and effectively to queries regarding the performance of shares and the Group as a whole. The messages and ideas that emerge from dialogue with retail investors are collected and reported to top management.

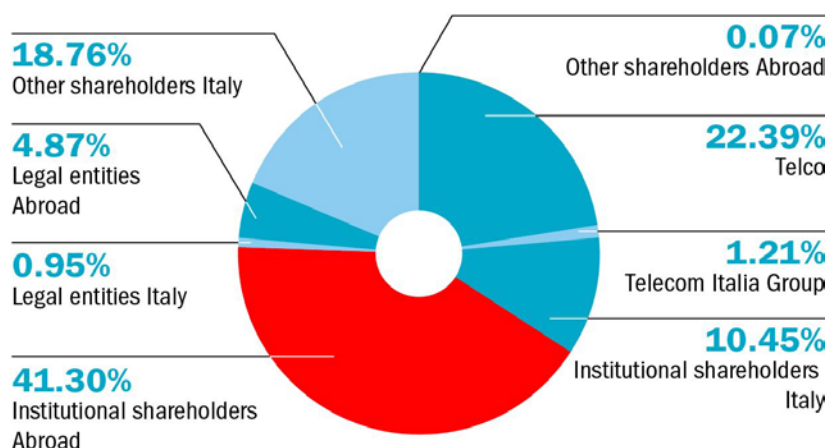
The "TI Alw@ys ON" (telecomitaliaclub.it) Shareholders' Club was launched in 2006 as a virtual meeting place between the Company and its individual investors. However, the Club is also open to people who do not own shares in the Group and registration provides access to the same free services that are reserved for shareholders, that is:

- SMS alert: which provides a daily report of the closing price and percentage variations of Telecom Italia's ordinary and savings shares compared to the previous day, as well as the daily percentage variations in the FTSE/Mib index.
- Weekly stock exchange report: sent on Monday morning and summarising performance during the week ending the previous Friday.
- Quarterly Newsletter: contains a comment on the most recent economic and financial results and a focus on events and trends that have influenced the performance of results.

In addition to these services, Telecom Italia offers shareholders the "Guide to the individual shareholder," an in-depth document about the Group, available on request and on the website, as well as constant updates through the press releases (institutional, concerning products, financial).

With regard to on line financial communication, the telecomitalia.com website is constantly updated and innovated. This year, Telecom Italia achieved first place overall in the Italian and European "KWD Webranking 2011" rankings produced by KWD, the digital division of Hallvarsson & Halvarsson, a Swedish company that assesses and rewards listed companies that are most attentive to on line corporate and financial communication.

The shareholding structure as of December 31, 2011 is shown below⁽¹⁰⁶⁾.



¹⁰⁶ Source: Register of shareholders as of December 31, 2011, supplemented by communications received and by other available information.

4) Labour Principles Implementation

Criterion 9: Robust commitments, strategies or policies in the area of labour.

Criterion 10: Effective management systems to integrate the labour principles.

Criterion 11: Effective monitoring and evaluation mechanisms of labour principles integration.

Criterion 12: Key outcomes of integration of the labour principles.

UN Global Compact 3rd Principle: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Social Responsibility in Telecom Italia (Telecom Italia web site/Sustainability: Our vision/Environmental and Social Policies/Social Policy)¹⁰⁷

The commitment of Telecom Italia Group to respect and uphold human rights and labour standards is stated in its Code of Ethics¹⁰⁸ and in the Group Organisational Model¹⁰⁹, in accordance with the ten principles of the UN Global Compact concerning human rights, labour standards, environmental protection and fight against corruption. Telecom Italia SpA and its subsidiaries endorse and promote these principles, as well as all relevant UN's and ILO's conventions, in particular, the Universal Declaration on Human Rights, and they act with the aim of mainstreaming those principles within the Company and its suppliers. As for suppliers, a specific policy has been published, available on the Company's WEB site¹¹⁰.

Responsibility for policies regarding human rights and labour standards rests with the director of Human Resources, directly reporting to the CEO.

FREEDOM OF ASSOCIATION AND RIGHT TO COLLECTIVE BARGAINING

All personnel – whatever their professional title and status – are entitled to form and join trade unions for the protection of individual and collective interests. The Group's companies acknowledge the role of union representatives, who are not subject to any discrimination, and ensure paid licences for union activities as well as the means to let them communicate with personnel in the workplace.

WORKING HOURS

The organization of working hours complies with the laws in force and with the agreements negotiated with the workers' Organizations on the subject, including week breaks and overtime.

¹⁰⁷ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/policyRS-eng.pdf

¹⁰⁸ Please, see the beginning of the section: "Strategy, Governance and Engagement" of this Communication On Progress.

¹⁰⁹ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/it/OurApproach/organizational%20model%20231%202011.pdf>

¹¹⁰ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/Suppliers_EN_22.12.09.pdf

REMUNERATION

As far as basic salary and other payment provisions are concerned, wages paid by the Group's companies to personnel meet collective bargaining requirements.

Any cut of salaries due to disciplinary actions is made in compliance with collective bargaining provisions.

The pay envelope delivered to personnel shall clearly detail all items computed within remuneration.

The Group's companies do not adopt any kind of contract which may offend the law or which may bypass prohibitions or obligations set by law.

Responsibility for policies regarding human rights and labour standards rests with the director of Human Resources, directly reporting to the CEO.

Relations with the Trade Unions in Telecom Italia SpA and Italian Subsidiaries¹¹¹

In Telecom Italia we have a tradition of open and transparent relations with Trade Unions and the workers' representatives. We in fact believe that only a transparent and honest engagement can lead to the best equilibrium among all the stakeholders' expectations.



References related to the 3rd principle

- 2011 Telecom Italia Sustainability Report/Human Resources:
 - Industrial Relations;
- Telecom Italia web site/Sustainability:
 - Relations with Trade Unions in TIM Brasil (Our Stakeholders/Our people/Relations with Trade Unions/Activities in Brasil).

Industrial relations (Human Resources/2011 Telecom Italia Sustainability Report)¹¹²

In Telecom Italia

“COMPANY COMMITMENT WAS AGREED WITH THE UNIONS IN ORDER TO ALLOW 60 COLLEAGUES TO OBTAIN AN EXPERT DIPLOMA IN ELECTRONICS AND TELECOMMUNICATIONS”

During 2011, many information and discussion meetings were held with the trade unions to illustrate the reorganisation activities involving the various company departments (Customer, Technology, Staff) and to examine any effects on personnel.

Trade union representatives were involved in the business ethics certification process for the Open Access department (SA 8000 Certification). Obtained in May 2011, the certification relates to the company's ethical performance and is a tool used to inform customers that the company's products are made under proper working conditions and with respect for human rights in the performance of production activities.

With regard to the solidarity contract applied to around 29,200 employees of Telecom Italia S.p.A. for the two-year period between November 8, 2010 and November 7, 2012, in accordance with the agreement of

¹¹¹ Please, see the following web site:

<http://www.telecomitalia.com/tit/en/sustainability/stakeholders/human-resources/industrial-relations-section.html>

¹¹² Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

October 25, 2010, the Company and the trade unions held specific verification meetings aimed at discussing the many initiatives taken by Telecom Italia S.p.A. to promote the retraining of surplus personnel. Training is a crucial element for the success of staff redevelopment processes and for this purpose specific projects have been discussed with the trade unions.

Also in the context of training carried out in 2011, Telecom Italia dedicated an initiative specifically to women in the company, allowing them to invest in their future thanks to personal growth. The project, which was agreed with the trade unions through an agreement signed on September 7, 2011, gave 60 female colleagues from Rome, Milan and Turin the opportunity to obtain an expert diploma in electronics and telecommunication, entirely paid by the company. Participation is voluntary and, in addition to covering the cost of the courses and study, the company took appropriate measures to ensure a sustainable work-life balance.

One of the most significant initiatives launched by Telecom Italia, as a sustainable company that contributes to the economic and social development of the country, is the Senior Apprenticeship Project. Agreed with the trade unions (SLC-CGIL, FISTel-CISL, UILCom-UIL) under an agreement signed on March 4, 2011, the initiative aims to promote closer relations between the academic world and the world of work in southern Italy.

In order to strengthen its commitment and extend the geographical coverage of these initiatives, through an agreement signed on July 27, 2011, Telecom Italia S.p.A. agreed further projects with the trade unions for the implementation of innovative and concrete initiatives.

On May 19, 2011, Telecom Italia S.p.A. and the national secretariats of SLC-CGIL, FISTel-CISL and UILCom-UIL signed an agreement regarding facilitated tax exemption according to the legal rules introduced on this subject. The agreement allows personnel who earn no more than a specific threshold to benefit from tax exemptions established for the 2011 tax year.

In accordance with existing legislative provisions regarding company transfers, Telecom Italia S.p.A. involved the trade union representatives in both procedures carried out during the year, which ended with positive joint assessments:

- the first, which took place in May, related to the transfer, by means of the partial demerger of Matrix S.p.A., of its branch of activity called "Market & Technology Captive" to Telecom Italia S.p.A.
The company and trade unions signed a specific agreement to harmonize work contract conditions for all workers who joined Telecom Italia S.p.A. after October 1, 2011;
- the second, which was completed in September, relates to all employees of the company Telecom Italia Audit & Compliance Services S.C. a r.l. which, following the merger by incorporation, will be transferred without interruption to Telecom Italia S.p.A. no earlier than January 1, 2012.

In accordance with the agreements reached with the union representatives in the context of the framework agreement of August 4, 2010 for the management of surplus staff at Telecom Italia S.p.A., on July 27, 2011 an additional 2-year extension of the "defensive" solidarity contract was agreed between the Company and the trade unions. This will be applied until August 31, 2013 to employees working in the Directory Assistance sector of the Company (12.54, directory data assurance, call centres, international services centre, local support). The workers affected will be partially reimbursed by INPS for the money lost as a result of the reduction in working hours.

In April, the industry's main trade unions (SLC-CGIL, FISTel-CISL and UILCom-UIL) discussed an agreement regarding the initiatives launched respectively by Pathnet S.p.A. and Telecom Italia Sparkle S.p.A. to provide employees with an opportunity to register, for the 2010-2011 academic year, for one of the degree courses run by the faculties of law, economics, engineering, communication science, psychology and arts of the Uninettuno International Telematic University.

In Telecom Italia Media

During the year, discussions with the union of journalists, which are still under way, focused primarily on a more detailed examination of the specific regulatory aspects of the national labour agreement for journalists and the second level agreements.

On December 21, 2011, an agreement was signed with the trade union representations of Telecom Italia Media, SLC-CGIL, UILCom-UIL and FISTel-CISL, both national and local, which provides for the renewal of the union agreement for raising the overall limit set by the law as the maximum length of temporary employment contracts according to article 5, paragraph 4-bis, of legislative decree no. 368 of September 6, 2001, as amended by law 133/2008. This limit was raised from 36 to 63 months in total. The agreement also governs certain aspects of fixed term and permanent employment contracts and various issues relating to employment discipline.

As regards relations with unions other than those representing journalists, on May 20, 2011 the companies Telecom Italia Media S.p.A. and Telecom Italia Media Broadcasting S.r.l. jointly signed an agreement with the national and local trade union representatives and the company's unitary union representations relating to the methods for electing and running unitary union representations and workers' safety representatives. On the same day, an agreement was also signed between the company Telecom Italia Media Broadcasting S.r.l. and the national and local trade union representatives which, considering the strongly improved results achieved by the company, values the contribution made by workers to supporting the overall growth of the company, which has been significant over the past year.

Finally, the renewed national collective labour agreement for the employees of private radio and television companies was signed on February 16, 2011.

In Argentina

“IN 2011, THE APPLICATION CONTINUED OF THE TELEWORKING AGREEMENT FOR 600 EMPLOYEES OF 11 PROVINCES OF ARGENTINA”

Since 2010, trade unions in the telecommunication industry have come together in a federation of telecommunication unions called the MUS (Mesa de Unidad Sindical de las Telecomunicaciones), which is the main forum for dialogue about the various issues being negotiated. Joint negotiations were conducted in 2011 and salary increases were agreed that will apply until 2012.

During 2011, the application of teleworking continued as part of the pilot programme for the implementation and promotion of teleworking in the private companies PROPET (Programa Piloto de Seguimiento y Promoción del Teletrabajo en Empresas Privadas) of the National Ministry of Employment MTEYSS (Ministerio de Trabajo, Empleo y Seguridad Social), as an additional tool for achieving a better work-life balance. The programme was applied during 2011 to 66 employees in several areas of the company in 11 different provinces.

Relations with Trade Unions in TIM Brasil (Telecom Italia web site/Sustainability: Our Stakeholders/Our people/Relations with Trade Unions/Activities in Brasil)¹¹³

In Brazil, Union affiliation is automatic upon hiring. Unions are recognized by Law and registered in the National Labor Ministry as sole representatives of employees in specific geographic areas. The which represents a group of employees is not chosen directly by them but established by Law.

All employees can attend Union meetings and elect their representatives. Also, in many companies there are internal representatives called “delegado sindical” who are focal points to Unions and workers on any issue regarding work conditions, organization and legislation.

Specific areas are provided in all facilities where Unions can meet with workers and publish their newsletters.

According to Brazilian Labour Law, every employee must pay an annual tax to the as a contribution to its permanent defence of workers interests. This fee is equivalent to 1 day of the monthly salary.

TIM Brazil has 100% of its employees represented by Unions across the country. Currently, there are 26 Unions (one for each State of Brazil; the States of Goiás and Tocantins are under the same Union) and 2

¹¹³ Please, see the following web site: <http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/human-resources/Industrial-relations.industrial-relations-brazil.html>

Federations in (FITTEL and FENATTEL). FITTEL represents unions in 11 States and FENATTEL represents Unions in 16 States.

Company and Unions meet on a regular basis to discuss issues regarding the employees. Annually, direct negotiations are held between Company and these 2 Federations to discuss the following collective bargaining agreements:

- agreement of wage adjustment and benefits,
- Profit Sharing Plan,
- working hour compensation.

All collective bargaining agreements and other agreements settled with Unions are enforceable to all companies of TIM group in and applicable to all employees, including executives.

At the beginning of 2011, the national collective labour agreement (valid until November 2011) was signed with 26 trade unions. The terms of the final proposal were accepted by 21 trade unions (representing around 97% of employees) and the final adjustment phase is nearing completion for the missing 3%.

In September, the company launched a new phase of negotiations with the trade unions which was completed successfully with 19 trade unions representing 90% of employees signing a new labour agreement (valid until November 2012). The final proposal include profit distribution agreements for the two-year period 2011-2012. Negotiations continued with the trade unions with which an agreement was not reached¹¹⁴.

¹¹⁴ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

UN Global Compact 4th Principle: Business should uphold the elimination of all forms of forced and compulsory labour.

Social Responsibility in Telecom Italia (Telecom Italia web site/Sustainability: Our vision/Environmental and Social Policies/Social Policy)¹¹⁵

The commitment of Telecom Italia Group to respect and uphold human rights and labour standards is stated in its Code of Ethics¹¹⁶ and in the Group Organisational Model¹¹⁷, in accordance with the ten principles of the UN Global Compact concerning human rights, labour standards, environmental protection and fight against corruption. Telecom Italia SpA and its subsidiaries endorse and promote these principles, as well as all relevant UN's and ILO's conventions, in particular, the Universal Declaration on Human Rights, and they act with the aim of mainstreaming those principles within the Company and its suppliers. As for suppliers, a specific policy has been published, available on the Company's WEB site¹¹⁸.

Responsibility for policies regarding human rights and labour standards rests with the director of Human Resources, directly reporting to the CEO.

FORCED LABOUR

The Group's companies forbid all work or service which is not voluntary, obtained under the menace of any penalty or demanded as a means of repayment of a debt; moreover, no personnel is requested to pay a fee upon commencing employment with the company.

The request of documents aimed at ascertaining the employee's identity complies with law provisions.

DISCIPLINARY PRACTICES

If disciplinary actions are to be enforced on personnel, the Group's companies shall not engage in nor allow for the use of corporal punishment, mental or physical coercion and verbal abuse.

Responsibility for policies regarding human rights and labour standards rests with the director of Human Resources, directly reporting to the CEO.

Code of Ethics of the Telecom Italia Group (Telecom Italia web site/Sustainability/Codes and Policies/Code of Ethics)¹¹⁹

article 2 – Objectives and Values

Group companies:

- ...
- must protect their human resources and enhance their quality;
- ...

¹¹⁵ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/policyRS-eng.pdf

¹¹⁶ Please, see the beginning of the section: "Strategy, Governance and Engagement" of this Communication On Progress.

¹¹⁷ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/it/OurApproach/organizational%20model%20231%202011.pdf>

¹¹⁸ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/Suppliers_EN_22.12.09.pdf

¹¹⁹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Governance/en/codes_principles_procedures/Code_of_Ethics.pdf

Caring about people who work for Telecom Italia (Telecom Italia web site: Sustainability/Our Stakeholders//Our People/People Caring)¹²⁰

The amount of care people put into their work is crucial for the survival of business. Thus, for a firm, sustainable economics are a function of the level of caring and respect it has towards its employees. For this reason, Telecom Italia runs many projects aiming at the wellbeing of its people in their working environment and, as much as possible, in their private life.

A team of Telecom Italia's people is entirely devoted to both listening to employees' needs and to developing actions in order to meet such needs. Thus, through enquiries and online surveys, and after a number of meetings and focus groups, four subjects were chosen as the main focus of people caring projects (click on each in order to show details):

Information related to the stakeholder Supplier is reported in the "Value Chain Implementation" of this Communication On Progress.



References related to the 4th principle

- 2011 Telecom Italia Sustainability Report/Human Resources:
 - People caring,
- Telecom Italia web site/Sustainability:
 - Our Stakeholders/Our people/People caring/Teleworking projects/Teleworking,
 - Our Stakeholders/Our People/People Caring/Supplementary Health Assistance/Supplementary Health Assistance and Recreational Associations,
- 2011 Telecom Italia Sustainability Report/Human Resources:
 - Listening activities and projects,
 - Internal communication.

People caring (Human Resources/2011 Telecom Italia Sustainability Report)¹²¹

Over the years, the Telecom Italia Group has developed several programmes and initiatives to support its employees, to improve the quality of their working lives and also to support those outside the Company.

People Caring is the structure created by Telecom Italia to respond to the expectations of employees regarding certain important issues, identified through active listening carried out both on line (Intranet, community, email) and through meetings and focus groups.

The main themes identified are:

- balance between working life and free time and support for the requirements of employees' families;
- support for volunteering initiatives by employees;
- promoting the forms of diversity that exist in the workplace through specific activities and projects.

Counselling service

In order to help colleagues deal with psychological difficulties and problems at work and in their personal lives, a counselling service run by professional psychologists has been operating since 2010 in the People Caring Centre. Four regions have been involved in this first experimental stage: Friuli Venezia Giulia, Liguria, Lazio and Sicily. 144 people contacted the Centre and 54 counselling sessions were held to the full satisfaction of colleagues. From 2012, the service will also be extended to employees in other Italian regions.

¹²⁰ Please, see the following web site: <http://www.telecomitalia.com/tit/en/sustainability/stakeholders/human-resources/people-caring-section.html>

¹²¹ Please, see the following web site: http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

Balance between employees' working life and free time and support for the needs of employees' families

“NUMEROUS INITIATIVES FOR EMPLOYEES AND THEIR FAMILIES HAVE BEEN CARRIED OUT”

Initiatives in Telecom Italia

- Parking for expectant mothers: female employees are provided with a reserved parking space until the beginning of their maternity leave at all company offices with car parks.
- Nurseries: in addition to the nine nurseries currently available at the company's offices in Rome (3), Turin, Milan, Ancona, Naples, Catanzaro and Palermo, four agreements have been signed with an equal number of external nurseries in Rome (2), Naples and Padua (368 children were registered in 2011-2012).
- Loans for mums and dads: 263 loans were granted to new parents with children under the age of three.
- Time saving:
 - handling of official formalities: 32 offices are available for this purpose at company offices in Turin, Milan, Venice, Padua, Bologna, Florence, Rome, Naples, Bari and Palermo;
 - wellness Area: available in a number of company offices in Padua and Rome;
 - laundry/shoe repairs: operational in five offices in Milan and Rome;
 - newsagents: available in three offices in Rome;
 - discount agreements: 38 online offers of products and services have been launched as a result of Telecom Italia's partnership agreements, mostly within Italy (cars and motorbikes, culture and shows, electronic goods, sports, financial institutions, health and wellbeing, trips and holidays, miscellaneous).
- Company loans: 64 loans granted for house purchase/building purposes, 98 for home renovation work, 436 for various other purposes.
- Mobility manager: in order to assist colleagues commuting between home and work, an "Intranet Mobility" area has been created in some of the major cities (Rome, Milan, Turin) to answer questions from colleagues and provide an opportunity to share cars (car pooling). 15 company offices have been provided with a shuttle service, making 315 journeys a day, and 32 offices have been equipped with bicycle racks.
- Breaks:
 - traditional 15-day summer camps for children between the ages of 6 and 12 with 4,555 participants in 12 centres;
 - 14-day themed stays for older children between the ages of 11 and 17, dedicated to learning English and sports (football, tennis, sailing, horse-riding, volleyball, basket ball, canoeing etc.) as well as archaeology and music and theatre, with 1,971 participants in 14 centres;
 - 14-day study holidays in the UK for teenagers between the ages of 15 and 17 at four colleges with 441 participants.
- Scholarships abroad: scholarships were provided for teenagers between the ages of 15 and 17 for 100 4-week stays abroad to learn English and Spanish (Ireland, Finland, Spain) and 20 stays lasting one academic year (Europe, United States, Canada, Argentina, Japan, Brazil, China and India).
- Refund of university fees: 205 refunds were paid of first year university fees.
- Christmas Day: children up to the age of 10 visited their parents' offices on December 15; in 73 offices, small gifts were distributed in addition to a snack.
- 180 children of employees were given the opportunity to accompany TIM Serie A football players onto the field, wearing team strips.

Initiatives in Brazil

- Benefits for all employees (favourable terms for opening bank accounts, discount agreements, health insurance).
- “Happy day”: employees are entitled to take a day off on their birthday and, if on maternity leave, to full pay for the relevant day of maternity leave.

- "TIM open day": this is an annual initiative aimed at introducing the children of employees to the environments where their parents work.
- "A future without boundaries": this programme helps the children of employees to choose their career through seminars and meetings with a number of employees in order to understand how the work is done.

Initiatives in Argentina

Development continued of the "Equilibrio en Acción" programme, which promotes a better work/life balance. The initiatives to be included in the programme were agreed with a team of 95 "ambassadors" from various business and geographical areas of the country.

The initiatives included in the programme were grouped into 7 categories:

Categories	Initiatives
Working hours and working patterns	<ul style="list-style-type: none"> • Teleworking, with reserved quotas in case of maternity and paternity • 15-day paternity leave for births/adoptions • Equalisation of holiday and leave arrangements between workers covered by the collective labour agreement for the industry and those excluded from it • One day's leave for mother's day with flexibility about when it can be taken • Half a day's leave for employees on their birthday
Internal communication and information policies	<ul style="list-style-type: none"> • Blog for "ambassadors" • Inclusion of articles about work/life balance in the internal bi-monthly magazine
Personal development	<ul style="list-style-type: none"> • Boosting of the volunteering programme • Launch of a free telephone service to support employees
Economic benefits	<ul style="list-style-type: none"> • Support for employees with disabled children • Discount agreements with travel agencies and universities for undergraduate and postgraduate courses
Family services	<ul style="list-style-type: none"> • Refund of nursery fees • Holiday stays
Measurement and control systems	<ul style="list-style-type: none"> • Monitoring of the effectiveness of action taken in the context of corporate climate surveys
Other initiatives	<ul style="list-style-type: none"> • Promotion of the artistic activities and hobbies of employees • No meetings on Fridays after 2.00 pm

Support for volunteering initiatives by employees

Initiatives in Telecom Italia

- Volunteering at Dynamo Camp: this is the first facility created to allow children and young people suffering from serious or chronic diseases to spend time playing and having fun in contact with nature and in complete safety. During 2011, 20 colleagues spent two sessions volunteering at the facility.
- Telecom donors group: during the year, the Group organised 66 days at the offices in Bari, Milan, Naples, Palermo, Rome, Turin and the regional donation day in Apulia.
- Charity initiatives: 144 banquets were organised at various company offices for charity initiatives.
- The "Estate liberi" initiative, a corporate volunteering and civil responsibility camp, was organised with the Libera Association on July 2 -10, 2011 with the involvement of 11 Telecom Italia employees, each one accompanied by a child over 12 or a parent. The company provided the 11 volunteers with five days paid leave in order to take part in the initiative.

Initiatives in Brazil (Telecom Italia website/Sustainability/Our Stakeholders/Our people/People Caring/Helping employees doing voluntary social service)¹²²

- With the “Cidadão Sem Fronteiras” project, which attracted 38% more volunteers in 2011 compared to 2010 (a total of 132 volunteers, including 71 in São Paulo), TIM Brasil offers one free day a year for employees to carry out volunteering work for organisations of their choice or to take part in social actions promoted within the company.
- As part of the “Cidadão Sem Fronteiras” project, in September a number of employees worked as volunteers in the Tajaras - Morro dos Cabritos community, contributing to the spread and use of technological devices among teenagers in the community. At the end of the project, the young people did some filming with a view to producing a documentary about the community.
- Niteroi – 26 employees visited the “Fortaleza de Santa Cruz” in Jurujuba, and the “Clube Naval “ in Charitas.
- Dona Marta Community – 33 employees took part in the distribution of toys to over 130 children during the Christmas period.
- National Food Collection Day – 5 TIM HQ and Intelig employees and 6 TIM South employees took part in the food collection day in Rio de Janeiro.
- Sao Bernardo do Campo – 34 TIM Brasil employees helped with cultural activities for children living in the “Cantinho MeiMei”.
- “Centro Social Menino de Jesus” – in São Paulo, 33 employees provided help to prepare and distribute food in social care centres.
- TIM Northeast contributed with 10 volunteers participating in the “Cidadão Sem Fronteiras” initiative.
- Jaboatão dos Guararapes – 10 volunteers from the Giacomo and Lucia Perrone Foundation performed cultural and recreational activities for disadvantaged children.

Initiatives in Argentina

- Training for volunteers: several training sessions were organised in various provinces of the country in order to encourage employees to get involved. The response was very positive in terms of both participation and appreciation.
- Focus Group: internal meetings between employees and managers and external ones with NGOs took place to present the volunteering programmes. The company's intranet includes a website dedicated to the network of volunteers, which provides information on the various NGOs and their activities and projects.
- “Convocatoria de Iniciativas Solidarias”: a solidarity initiative that involved the presentation of 15 projects by employees, 12 of which were selected and rewarded with a cash prize that will allow them to be implemented. An Evaluation Committee was appointed with internal representatives supported by an external consultant and a well-known expert from the social sector.
- Donations: 4 campaigns were organised in 2011 to promote solidarity among employees for socially relevant causes.

Boosting diversity at work through specific activities and projects

“DIVERSITY AT WORK IS A VALUE TO THE COMPANY AND AN OPPORTUNITY FOR EMPLOYEE DEVELOPMENT”

In Telecom Italia

Numerous information and awareness-building activities were carried out in this respect, including:

¹²² Please, see also the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/human-resources-eng/Voluntary%20service%20initiatives%202011%20final.pdf>

- activities continued in the Diversity Committee, which consists of 35 colleagues representing diversities of gender, religious, age, sexual orientation, disability and ethnicity. The committee meets periodically to discuss the impacts of diversity on the Company and to draw up proposals and projects to explore the issue in greater depth.
- several projects were carried out during 2011 relating to gender and age diversity:
 - “Nuovamente in pista” (Back on track): a model was devised to manage the return of employees after long absences for whatever reason (maternity, study, illness) in order to strengthen the positive organisational climate and improve the motivation of human resources. The experimental stage began in July with structured interviews taking place with employees and their managers 3 and 12 months after the return to work. The pilot phase will end in July 2012 with a final report prepared by the Elis Consortium per la formazione professionale superiore.
 - “Direzione Donna”: this initiative aims to increase the representation of female talent in Telecom Italia and to support their involvement in the company's activities by taking concrete action, as well as to enhance the presence of women in technical environments reserved exclusively for men. Direzione Donna intends to enhance female leadership, individual skills and specific attributes, implement policies to reconcile work and private life (work life balance) and change the image of women in communication.
 - “Working Age”: is the Sodalitas workshop in which Telecom Italia took part with other companies in order to deal with the management and motivation of employees of different ages. The workshop also examined intergenerational dialogue, enhancing the best practice that already exists in the Companies. The results and proposals of the workshop were presented in November, during an event promoted by Sodalitas.

In Argentina

- Diversity Committee: this consists of over 30 representatives of the various operational areas of the company, with different levels of responsibility. Its aim is to promote inclusion in the workplace and to establish the concept of diversity as a corporate value. During 2011, the Committee published annual guidelines and assessed the progress achieved by the three-year development programme adopted the previous year and based on 3 pillars: gender, generations and disability. A brochure was created that illustrates the programme's objectives, the reasons that make diversity so important for the Company, the action plan and the partnerships with external organisations.
- “Equilibrio en Accion”: a survey was conducted as part of this programme with the help of an external consultant who reported to the Diversity Committee on understanding historical changes and their impact on generations in terms of the relationship between work, fun, learning and family.
- E-learning sessions: four training sessions were launched for 140 managers regarding diversity issues and a module entitled “Difficult conversations about Diversity issues” was run for 120 middle managers.
- 2011 Calendar and NeoTV: the design of the 2011 calendar was based on ideas surrounding the concept of diversity and was distributed to all employees. NeoTV (internal TV stations) was used to broadcast campaigns to promote the key messages about diversity and inclusion.

Teleworking (Telecom Italia web site/Sustainability: Our Stakeholders/Our people/People caring/Teleworking projects)¹²³

Important part-time teleworking trials are continuing to take place in Telecom Italia involving around 30 colleagues in the Turin Testing Labs area, with certain areas of their work being turned into remote activities. The principle benefits were:

- a growth in efficiency in most of the activities and, in some cases, an increase in effectiveness as well (for example, trials in the home);
- positive assessment of the effectiveness of a series SW tools for cooperative working, distributed meetings, remote control of equipment (including robots);

¹²³ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/Teleworking.pdf>

- redistribution of time between work and personal needs;
- the recuperation of working hours in certain situations (transport strikes, adverse weather conditions etc.);
- saving of space through new logistical solutions for workstation sharing between teleworkers, devised by those taking part in the trials;
- development of positive management experiences.

This experiment has allowed Telecom Italia to make the most of the experiences gained working for major clients, both in Italy and abroad, in order to promote a sustainable development model, particularly through the use of teleworking.

Telecom Italia has, in addition, launched the “Next generation work place” programme, aimed at replacing, within the three-year period 2009-2011, several thousand workstations with very “slim” PCs, containing only basic network information that allows communication with a central infrastructure hosted by the data centres, leading to savings in consumption and transmission capacity.

Supplementary Health Assistance and Recreational Associations (Telecom Italia web site/Sustainability: Our Stakeholders/Our People/People Caring/Supplementary Health Assistance)¹²⁴

CRALT organizes initiatives for its members, employees and pensioners, and their family members living, such as tourism, sports, cultural and recreational events. In 2011 the average contribution paid to members was 13, 5% of the cost of the initiatives. The fees to participate in the initiatives can be paid by installments, through deductions from salary. Moreover, CRALT allows members and their respective nuclear families, through the stipulation of appropriate agreements, to acquire goods and services of particular importance and usefulness at especially favorable prices/fees, taking advantage of payment by installments. At December 31st, 2011, there were 46.627 members, of whom 40.484 were employees and 6.143 were pensioners

ASSILT (supplementary healthcare association for the employees of Telecom Italia Group companies), funded by the Telecom Italia Group companies, by employee members and retired members, is a non-profit-making organization providing to its members and beneficiaries coverage of health expenses over and above those provided by the Italian national health service. Together with the National Healthcare Service, it carries out research, knowledge-gathering initiatives and health prevention activities for both groups and individuals, and it promotes health education initiatives to protect the health and physical well-being of its members.

In 2011, the Association refunded more than 520,000 requests, for a total of about 58 million euro. As of 31 December 2011, the Association had 177,000 members, including 56,000 employees, 38,000 pensioners and 83,000 family members.

ASSIDA provides executive staff with refunds for the cost of supplementary health services to those provided by the Italian national health service. As of 31 December 2011, the Association had 4,800 members in service or retired, in addition to family members, making a total of 10,800 assisted members.

Listening activities and projects (Human Resources/2011 Telecom Italia Sustainability Report)¹²⁵

The instruments available to employees within the company to have their voice heard, both in a formal and informal way, are numerous.

¹²⁴ Please, see the following web site:

<http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/human-resources/people-caring-section.health-assistance.html>

¹²⁵ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

In Telecom Italia, TIM Brasil and Telecom Argentina, employees can make a series of approaches of an informal nature to various dedicated email addresses, obtaining prompt responses on the services required and the issues raised.

In an organisation as complex as Telecom Italia, unilateral communication is no longer sufficient to encourage involvement and develop thought. For this reason, there is a gradual “conversion” of the traditional communication channels to more innovative ways of favouring two-way communication inspired by web 2.0 logic, promoting the exchange of ideas, dialogue and discussion between members of the corporate community.

The intranet and the portal are increasingly important components in this respect. These tools allow everyone to be reached, supplying information and organising more formal and informal "listening" opportunities, such as climate analysis, blogs and open virtual communities. In this way, discussion and debate are encouraged on internal issues linked to the business and more general current topics, including environmental and social issues, making structured channels available for the purpose of collecting contributions and proposals. These include the Archimede Open Access project, which rewards the most innovative and feasible ideas every year in order to optimise the processes and services supplied, gathering proposals from the people directly involved in operational processes. Now in its fourth year, the project has also been extended to staff in the company's shops, from which over 600 ideas have been received on three areas of action: innovation, improving commercial effectiveness and operational efficiency, improving the offer.

Internal communication (Human Resources/2011 Telecom Italia Sustainability Report)¹²⁶

“USE OF MULTIMEDIA CONVENTIONS TO FAVOUR DIALOGUE IN THE COMPANY, REDUCING TRAVELS AND RESPECTIVE CO₂ EMISSIONS”

In Telecom Italia

The main activities carried out related to:

- offline publishing initiatives, with the production of the planned editions of the employee magazine and multimedia products on compliance and regulation matters;
- online publishing initiatives on the Intranet and on the company's web TV.

Telecom Italia people were involved in internal events in person or remotely.

For events attended by large numbers of people, multimedia conventions are now the established method, allowing a small number of people to gather in a physical space (auditorium, large meeting rooms) and interact with a vast virtual audience of colleagues connected from their workstations by video streaming.

The main events held by this method include the 2 editions of “Parli@me”, in which the executives of Telecom Italia have talked to employees connected by video streaming on organisational and strategic matters. All the questions received were answered directly during the course of the event or subsequently.

In 2011 Telecom Italia has launched a sustainability training plan. Based on an e-learning platform accessible via the Internet and on virtual classes providing a more in-depth analysis of specific topics, the training plan will initially be available to Italian employees and will subsequently be extended to Brazil and Argentina¹²⁷.

In Brazil

In order to encourage internal integration and promote corporate identity and corporate values, Olympic games were launched for the second year running. These are an internal championship that includes 6 disciplines and involved over 2,000 employees split into 230 teams.

¹²⁶ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹²⁷ Please, see also the following web site:

<http://www.telecomitalia.com/tit/en/sustainability/stakeholders/human-resources/internal-communication.html>

Internal communication activities also took place, dedicated to health, safety, the environment and volunteering activities.

[In Argentina](#)

NEO TV, a channel of multimedia content, broadcasts in streaming mode in all the company's offices on subjects including health, presentation of work teams and developments in the company's business. Tecotwitt, a tool similar to Twitter, has been developed to allow all employees to take part in discussions on issues of interest.

Global Compact 5th Principle: Business should uphold the effective abolition of child labour.

Social Responsibility in Telecom Italia (Telecom Italia web site/Sustainability: Our vision/Environmental and Social Policies/Social Policy)¹²⁸

The commitment of Telecom Italia Group to respect and uphold human rights and labour standards is stated in its Code of Ethics¹²⁹ and in the Group Organisational Model¹³⁰, in accordance with the ten principles of the UN Global Compact concerning human rights, labour standards, environmental protection and fight against corruption. Telecom Italia SpA and its subsidiaries endorse and promote these principles, as well as all relevant UN's and ILO's conventions, in particular, the Universal Declaration on Human Rights, and they act with the aim of mainstreaming those principles within the Company and its suppliers. As for suppliers, a specific policy has been published, available on the Company's WEB site¹³¹.

Responsibility for policies regarding human rights and labour standards rests with the director of Human Resources, directly reporting to the CEO.

CHILD LABOUR¹³²

The Group's companies do not employ nor provide any kind of support to the employment of people under the age of 18.

Occasionally, exceptions might occur when some of the Group's companies dealing with content provisioning hire people over 16 for marketing purposes. In such cases, which are kept under strict supervision, the parents' written consent is required and the letter as well as the spirit of international norms (Conventions and Recommendations) and national laws on Child Labour are fully complied with. Further exceptions might occur in some foreign subsidiaries where ruling national labour laws (e.g. Brazil) ask to let young people over 14 be acquainted with the working environment through apprenticeship, which is a combination of on-the-job training and classes, the latter are provided by third parties.

Responsibility for policies regarding human rights and labour standards rests with the director of Human Resources, directly reporting to the CEO.

Please, see also the following policies:

- [Self-regulation code on TV and minors](#)
- [European framework for safer mobile use by younger teenagers and children](#)



References related to the 5th principle

- 2011 Telecom Italia Sustainability Report:/Customers:
 - Child protection,
- Telecom Italia web site/Sustainability:

¹²⁸ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/policyRS-eng.pdf

¹²⁹ Please, see the beginning of the section: "Strategy, Governance and Engagement" of this Communication On Progress.

¹³⁰ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/it/OurApproach/organizational%20model%20231%202011.pdf>

¹³¹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/Suppliers_EN_22.12.09.pdf

¹³² Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/Policies_ENG/policyRS-eng.pdf

- Adult content management in Brazil and Argentina (Our Stakeholders/Focus on Customers/Child protection/Child protection).

Child protection (Customers/2011Telecom Italia Sustainability Report)¹³³

“MAXIMIZING THE POSITIVE ASPECTS OF THE WEB AND MINIMIZING RISKS ARE ONE OF THE GROUP'S PRIORITIES”

The Group's companies have undertaken numerous initiatives in order to protect children from content that may harm their psychological and physical development (e.g. content that is violent, racist, offensive to religious sentiment, pornography etc.).

The Telecom Italia Group adopts precise guidelines 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 acquired within Telecom Italia's portals. These guidelines are regularly updated to take account of new codes, standards and platforms.

In Italy, in accordance with current regulations and codes of conduct signed by the Group, filtering systems and procedures are implemented aimed at preventing children from accessing adult content on all the Group's service platforms (IPTV, web TV, generalist portals, WAP services, television broadcasters).

For services delivered by IP connection, the "Alice Total Security" software is available, which includes antivirus and anti-spyware services; parental control, firewall, advanced download protection, anti-phishing, SPAM protection, wireless PC protection.

For the purpose of combating crime and abuse, from an organisational point of view, Telecom Italia has identified, within its Security (Risk Prevention/Protection of Information) department, the role of “Key contact for the Postal Police”. This professional manages relations, and the flow of information, with the Postal Police (CNCPO - National Centre for the Fight against Child Pornography on line, CNAIPIC – National Centre against Digital Crime for the Protection of Critical Infrastructure etc.) and the competent authorities, and has the task of coordinating, within the Telecom Italia Group, the process of abuse management in accordance with the relevant legislative framework. Furthermore, the Telecom Italia Group has adopted an organisational model in accordance with Legislative Decree 231/2001, which defines the tools required to oversee and anticipate offences, particularly the dissemination of child pornography, as well as to ensure the organisational/disciplinary management of computer crimes. For this purpose, Telecom Italia has fielded resources, technologies, processes and instruments 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.). These initiatives have involved a number of important public and private stakeholders selected above all on the basis of their activities and commitment to safeguarding the rights of children (including, for example, the Postal and Communication Police, Save the Children, Adiconsum, GSMA, ITU etc.).

The Group has also implemented appropriate filtering and abuse prevention systems for services delivered in Brazil and Argentina. 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 and a parental control code to be activated.

The initiatives taken by Telecom Italia in this respect are the following (Telecom Italia website/Sustainability/Our Stakeholders/Focus on Customers/Child protection)¹³⁴:

¹³³ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹³⁴ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/child%20protection%20activities.pdf>

- the “abuse” section of the company Intranet, set up to protect children and prevent computer crime, informing company staff and making them aware of the activities conducted and the tools that exist for preventing computer crime and protecting children who use the Internet services offered;
- the “Child Protection” section of the telecomitalia.it and alice.it portals, dedicated to protecting children, with the aim of informing end users and other stakeholders and making them aware of the correct behaviour to adopt when browsing the Internet, as well as of the values and objectives that Telecom Italia pursues to combat computer crime and protect minors. Multimedia content has been posted on the Alice portal to attract and actively involve minors who visit the site;
- the Telecom Italia “Navigare Sicuri” [Safe Browsing]¹³⁵ portal is a national project dedicated to promoting and disseminating a culture of informed and responsible use of the Internet and digital media among children, teenagers and their teachers. The initiative, which is implemented in close cooperation with the Ministry of Education, Universities and Research and relies on the established expertise of the Fondazione Movimento Bambino and Save the Children, aims to help the youngest members of society make the most of the extraordinary potential of new technologies as a resource for gaining knowledge and socialising, finding information and growing, while avoiding its pitfalls as much as possible. For further information about the project, see the “Community” page of the website;
- the reporting form for clients/Internet users, available on the Group’s corporate and commercial portals, which can be used by Telecom Italia’s end customers, or by external users, to provide notification of any offences involving child pornography they may come across while browsing the Internet. There is a guide to compilation, and notification can also be made anonymously;
- the booklet “Born with the Network,” distributed through company shops, 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 the Internet can harbour;
 - providing tools with which to convey to children the correct rules of behaviour and guide them in selecting content;
- web filtering: in line with the Implementing Decree of Law 28/2006 (Gentiloni Decree), which defines the technical prerequisites of filtering tools that providers of Internet network connections must use to prevent access to sites identified by the Postal Police through the CNCPO, Telecom Italia has also introduced a filtering system on external websites with child pornography content;
- Alice Total Security is a complete package of security services based on ZoneAlarm® technology that protects you when browsing the Internet from viruses, hackers, spyware that may attempt to install themselves on your computer. Furthermore, thanks to Parental Control, you can be sure that your children are browsing safely only on sites suited to them and with antispam you are protected from unwanted messages.
- Total Security includes the following services:
 - antivirus and antispware 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;
 - advance download protection to analyse the files you download before they can infect your PC and send a report if they come from a dangerous source;
 - anti-phishing and site status to block unsafe websites which deceive people into revealing their personal data;
- protection from unwanted emails (SPAM) to automatically stop any such emails entering your email client (e.g. email protocols: POP 3/IMAP incoming only, SMTP outgoing only);
- wireless PC protection to protect your PC against risks associated with connecting to unprotected networks.
- Magic Desktop is an operating system software that works in parallel with the standard one. Children learn to use the computer in an simple and fun way and parents can select the sites children have access to and set up email management so that they can only exchange emails with people known to them;

¹³⁵ Please, see the following web site: <http://navigaresicuri.telecomitalia.it/>

- the drawing up of “Guidelines for combating child pornography online”, 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 in the minds of the subjects concerned (chat moderators and/or community services, developers, abuse desk operators etc.) and to ensure compliance with current regulations. The guidelines are also modelled on those provided and implemented by the CNCPO and the major external organisations operating in this field (Save The Children, Telefono Arcobaleno etc.);
- management of the abuse desks: operational groups who handle abuse differentiated by type of service (residential 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.
- involvement in the “ITU Child Online Protection: Guidelines for industry” work group, which is coordinated by the ITU (International Telecommunication Union). Telecom Italia is taking part in drawing up a Guideline on “Child Online Protection – COP” aimed at companies in the sector of broadcasting, internet and mobile telephony. A document entitled “Guidelines for Industry” was drawn up and presented at the World Summit on the Information Society Forum 2009. Telecom Italia won an award for its contribution to the “Child Online Protection” initiative, which is part of the broader international “Global Cybersecurity Agenda” project under the auspices of the United Nations. In the context of the ITU, the Security / Risk Prevention manager of Telecom Italia performs the important role of Vice Chairman of the Council Working Group on Child Online Protection (WG-CP). To find out more: www.itu.int/osg/csd/cybersecurity/gca/cop/index.html;
- participation in the “GSMA - Mobile Alliance against Child Sexual Abuse Content” Work Group in the context of the GSM Association, for all technological and communications initiatives aimed at protecting children in the mobile phone sector. In particular, the <http://teachtoday.eu/> website, dedicated to children and teenagers, has been created to educate them in making safe use of the Internet. The portal supplies a wide range of content, including practical suggestions for teachers in managing any problems connected to the use of mobile phones;
- participation in the European project in the Safer Internet context: Telecom Italia is collaborating in the project promoted by Save the Children and Adiconsum, in response to the EU “Safer Internet 2009 – 2013” initiative, taking part in the permanent round table as part of the Italian Safer Internet group. The priority is to protect minors in the European social context, where social networking is increasingly widespread, particularly among the younger members of society, and to provide the tools with which to make safe use of the web services that allow social networking, blogging and instant messaging. On February 8, 2011, the Safer Internet Day 2011 took place under the slogan “it’s more than a game, it’s your life”, focusing on the relationship between real life and virtual life, with particular reference to online games;
- co-operation with Telefono Azzurro: Telecom Italia has provided its own infrastructures and services for the Toll Free “114” Child Emergency service (since 2003) and the European Toll Free Number “116000” for missing children (since 2009);
- 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 March 2011, Telecom Italia signed the “Allarme Scomparsa Minore” (missing child alert) agreement with the Ministry of the Interior’s Public Safety Department.

Brazil

Adult content services allow images, films, audio podcasts and erotic content supplied by third parties by SMS to be downloaded by accessing the company's WAP portal. In order to access this content, customers are required to declare that they are adults. Tim Brasil restricts adult content to level 3.2 and below of the international classification. In order to prevent access by children, the adults portal is equipped with parental control activated by a password requested for every access.

Argentina

Adult content services are offered via Web or Wap. They are subdivided into:

- a) Sexy, editorial standard 0, available between 06.00 a.m. and midnight.
- b) Frontal nudity, editorial standard 1, available between midnight and 06.00 a.m.

A new service has been launched offered by Arnet Play (fixed telephony) which enables access to multimedia content on demand via the Internet at home using multimedia wi-fi. The service includes an extensive catalogue of 2,500 titles of all kinds (e.g. kids films, music shows and adult content). Customer are free to access the library by paying a fixed monthly fee. They can also hire the latest releases or access special content, including adult material. Age restrictions are in force and a PIN is required to access the latter by entering a protected area.

The customer who owns the land line is the only person authorised to buy adult content services, provided he/she is an adult. When requesting the purchase, customers receive an access PIN from the call centre operator. At the same time they are also advised to enable and configure the PIN in order to activate parental control, which restricts access based on the film classification, which complies with international standards.

The PIN must be entered every time the customer wishes to access the adult section.

¹³⁶ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/Adult%20content%20Brazil%20and%20Argentina.pdf>

UN Global Compact 6th Principle: Business should uphold the elimination of discrimination in respect of employment and occupation.

Social Responsibility in Telecom Italia (Telecom Italia web site/Sustainability: Our vision/Environmental and Social Policies/Social Policy)¹³⁷

The commitment of Telecom Italia Group to respect and uphold human rights and labour standards is stated in its Code of Ethics¹³⁸ and in the Group Organisational Model¹³⁹, in accordance with the ten principles of the UN Global Compact concerning human rights, labour standards, environmental protection and fight against corruption. Telecom Italia SpA and its subsidiaries endorse and promote these principles, as well as all relevant UN's and ILO's conventions, in particular, the Universal Declaration on Human Rights, and they act with the aim of mainstreaming those principles within the Company and its suppliers. As for suppliers, a specific policy has been published, available on the Company's WEB site¹⁴⁰.

Responsibility for policies regarding human rights and labour standards rests with the director of Human Resources, directly reporting to the CEO.

DISCRIMINATION¹⁴¹

The Group's companies shall not engage in nor allow for discrimination in hiring, remuneration, access to training, promotion, lay off, or retirement based on race, social class, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation or age. In compliance with the laws in force, the Group's companies shall not allow any behavior that is sexually coercive, threatening, abusive or exploitative.

Responsibility for policies regarding human rights and labour standards rests with the director of Human Resources, directly reporting to the CEO.

Enhancing gender diversity (Telecom Italia website/Career/Growing with Telecom Italia/People policy)¹⁴²

We consider the value of each individual without racial, sexual, religious or ethnical discrimination

In Telecom Italia we consider integration and gender diversity both as corporate strengths and a fundamental wealth in competence or a critical resource to facilitate the processes of innovation and cultural change.

In particular, we consider this aspect essential in certain structures (e.g. technical departments) exhibiting male predominance, in order to progressively better balance the organizational constitution.

Precisely, supporting access to and integration of female personnel within the organization, Telecom Italia Group ensures all along its recruitment process:

- the use of applicant short-lists, if available on the market, that always include members of both genders,
- making choices that contribute to a better balance of female staff in the various corporate departments,
- promoting the company's open positions and corporate career paths to women at job fair events,

¹³⁷ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/policyRS-eng.pdf

¹³⁸ Please, see the beginning of the section: "Strategy, Governance and Engagement" of this Communication On Progress.

¹³⁹ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/it/OurApproach/organizational%20model%20231%202011.pdf>

¹⁴⁰ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/Suppliers_EN_22.12.09.pdf

¹⁴¹ Please, see the following web sites:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/Policies_ENG/policyRS-eng.pdf

¹⁴² Please, see the following web site: http://www.telecomitalia.com/tit/en/career/developing-at-telecom-italia/people_policy.html

- analyzing and monitoring gender statistics and comparing them with those of the ICT sector that set the trend to define possible specific yearly professional targets to correct existing gender disparities.

Carta per le pari opportunità e l'uguaglianza sul lavoro (in italian) (Telecom Italia website/Sustainability/Our Stakeholders/Our people/People Caring/ People Caring/The Equal Opportunity Chart)¹⁴³

Valorizzare il pluralismo e le pratiche inclusive nel mondo del lavoro contribuisce al successo e alla competitività delle imprese, riflettendone la capacità di rispondere alle trasformazioni della società e dei mercati.

Adottando questa Carta la nostra impresa intende contribuire alla lotta contro tutte le forme di discriminazione sul luogo di lavoro - genere, età, disabilità, etnia, fede religiosa, orientamento sessuale - impegnandosi al contempo a valorizzare le diversità all'interno dell'organizzazione aziendale, con particolare riguardo alle pari opportunità tra uomo e donna.

In virtù di questa Carta ci impegniamo a contribuire al raggiungimento degli obiettivi sopra condivisi attraverso alcune azioni concrete:

- ■ ■ **definire** e attuare politiche aziendali che, a partire dal vertice, coinvolgano tutti i livelli dell'organizzazione nel rispetto del principio della pari dignità e trattamento sul lavoro;
- ■ ■ **individuare** funzioni aziendali alle quali attribuire chiare responsabilità in materia di pari opportunità;
- ■ ■ **superare** gli stereotipi di genere, attraverso adeguate politiche aziendali, formazione e sensibilizzazione, anche promuovendo i percorsi di carriera;
- ■ ■ **integrare** il principio di parità di trattamento nei processi che regolano tutte le fasi della vita professionale e della valorizzazione delle risorse umane, affinché le decisioni relative ad assunzione, formazione e sviluppo di carriera vengano prese unicamente in base alle competenze, all'esperienza, al potenziale professionale delle persone;
- ■ ■ **sensibilizzare** e formare adeguatamente tutti i livelli dell'organizzazione sul valore della diversità e sulle modalità di gestione delle stesse;
- ■ ■ **monitorare** periodicamente l'andamento delle pari opportunità e valutarne l'impatto delle buone pratiche;
- ■ ■ **individuare** e fornire al personale strumenti interni a garanzia della effettiva tutela della parità di trattamento;
- ■ ■ **fornire** strumenti concreti per favorire la conciliazione dei tempi di vita e di lavoro favorendo l'incontro tra domanda e offerta di flessibilità aziendale e delle persone, anche con adeguate politiche aziendali e contrattuali, in collaborazione con il territorio e la convenzione con i servizi pubblici e privati integrati; assicurando una formazione adeguata al rientro dei congedi parentali;
- ■ ■ **comunicare** al personale, con le modalità più opportune, l'impegno assunto a favore di una cultura aziendale della pari opportunità, informandolo sui progetti intrapresi in tali ambiti e sui risultati pratici conseguiti;
- ■ ■ **promuovere** la visibilità esterna dell'impegno aziendale, dando testimonianza delle politiche adottate e dei progressi ottenuti in un'ottica di comunità realmente solidale e responsabile.

Selection and Hiring (Telecom Italia website/Sustainability/Our Stakeholders/Our people/Hiring and Development/Hiring/Hiring and Selection)¹⁴⁴

The Recruiting and Selection Policy is based on the individual value of each person, and it explicitly rejects discrimination of gender, religion, race, opinion or ability. The Policy supports equal opportunities for men and women and it stresses the importance of gender diversity in the selection process. From 2010, the

¹⁴³ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/it/Politiche/Cartapariopportunita0_maggio2010.pdf

¹⁴⁴ Please, see the following web sites:

<http://www.telecomitalia.com/tit/en/sustainability/stakeholders/human-resources/recruitment-section.html>

recruiting and selection service for professional positions has been entrusted to the company HR Services S.r.l.

Various forms of cooperation with the world of education and academia have been set up in, including the presence of company representatives in Scientific Committees, company representatives providing tuition on training courses, scholarships being granted to young people, paid internships being provided in company offices, financial support being given for specific training plans.

[Training and Education \(Telecom Italia website/Sustainability/Our Stakeholders/Our people/Training/Training/Training and Education\)](#)¹⁴⁵

At Telecom Italia we believe that education and training are crucial for our people's development and performance.

Normally, our training and educations projects have the following aims:

- business culture transformation by means of support plans for the management of organisational changes;
- the development of individual skills by means of personalised plans;
- professional retraining for the purpose of acquiring and reinforcing the skills required by organisational developments;
- respect for the ethical and compliance principles declared by the Company (e.g. environmental protection, sustainability, ethics, Legislative Decree 231, respect for privacy).

....



References related to the 6th principle

- 2011 Telecom Italia Sustainability Report:
 - Headcount and Changes (Human Resources),
 - Gender Balance (Human Resources),
 - Development (Human Resources),
 - Selection (Human Resources),
 - Training (Human Resources),
- Telecom Italia website/Sustainability/Our Stakeholders/Our people/Training:
 - Management training (Training/Training Initiatives in Telecom Italia),
 - Institutional training (Training/Training Initiatives in Telecom Italia),
 - Training to support skill supervision (Training/Training Initiatives in Telecom Italia),
 - Project “Vagão da formação” (Case Studies /Special Training Projects),
- 2011 Telecom Italia Sustainability Report:
 - Remuneration Policy (Human Resources),
 - Employees share ownership plan 2010-2014 (Human Resources),
 - 2011 Human Resource Results (Appendix),
 - 2012 Human Resource Objectives (Appendix).

[Headcount and changes \(Human Resources/2011 Telecom Italia Sustainability Report\)](#)¹⁴⁶

Unless otherwise stated, the data shown in the tables contained in the Human Resources chapter relate to all the Telecom Italia Group companies.

¹⁴⁵ Please, see the following web sites:

<http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/human-resources/training-section.training.html>

¹⁴⁶ Please, see the following web site, related to the 2011 Telecom Italia Group Sustainability Report (chapter: Human Resources/Headcount and changes):

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

Headcount as of December 31, 2011 is as follows:

Telecom Italia Group

(units)	12.31.2011	12.31.2010	Changes
Italy	56,838	57,994	(1,156)
Abroad	27,274	26,135	1,139
Total personnel on payroll	84,112	84,129	(17)
Agency contract workers	42	71	(29)
Total personnel	84,154	84,200	(46)
Non-current assets held for sale	-	-	-
Total	84,154	84,200	(46)

Excluding agency contract workers, the Group's headcount has decreased by 17 compared to December 31, 2010.

The changes can be itemised as follows:

- exit of the company Loquendo S.p.A. from the consolidation scope (103 units);
- entry into the consolidation scope of the company 4GH Retail (699 units) and the companies Tim Fiber SP and Tim Fiber RJ (302 units);
- net turnover down by 915 units, as detailed below by individual Business Unit:

(units)	Recruited	Departed	Net change
Domestic	614	2,347	(1,733)
Brazil	4,523	4,400	123
Argentina	1,824	1,107	717
Olivetti, Media and Others	191	213	(22)
Turnover	7,152	8,067	(915)

Telecom Italia S.p.A.(*)

(units)	12.31.2011	12.31.2010	Changes
Total personnel on payroll	47,801	49,636	(1,835)

(*) In 2011, as in 2010, there were no agency contract workers.

As of December 31, 2011, Telecom Italia S.p.A. had 47,801 employees on its payroll.

Compared to December 31, 2010, an overall reduction of 1,835 units was recorded, due to:

- balance of 7 outgoing units due to inter-company transfers, (84 incoming units from the transfer, by the company Matrix S.p.A., of the business unit consisting of the Market & Technology Captive department);
- net turnover down by 1,828 units, as specified:

(units)	Recruited	Departed	Net change
Turnover of Telecom Italia S.p.A.	106	1,934	(1,828)

Brazil Business Unit

(units)	12.31.2011	12.31.2010	Changes
Total personnel on payroll	10,539	10,114	425

The headcount of the Brazil Business Unit as of December 31, 2011 was 10,539.

Compared to December 31, 2010, an increase of 425 units was recorded, due to:

- 1 incoming unit from other Group companies;
- the entry into the consolidation scope of the companies Tim Fiber SP and Tim Fiber RJ (302 units);
- net turnover up by 122 units, as detailed below:

(units)	Recruited	Departed	Net change
Brazil Business Unit turnover	4,522	4,400	122

Argentina Business Unit

(units)	12.31.2011	12.31.2010	Changes
Total personnel on payroll	16,349	15,632	717

Excluding agency contract workers, the headcount of the Argentina Business Unit as of December 31, 2011 was 16,349.

Compared to December 31, 2010, an increase of 717 units was recorded, due to:

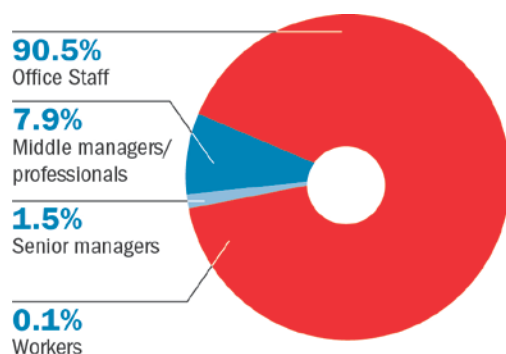
- net turnover as detailed below:

(units)	Recruited	Departed	Net change
Argentina Business Unit turnover	1,824	1,107	717

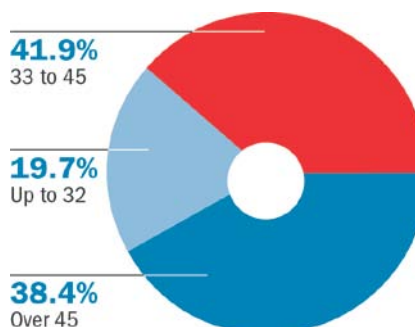
Characteristics of Telecom Italia Group personnel

Staff operating in the Telecom Italia Group, net of agency workers, have the following characteristics:

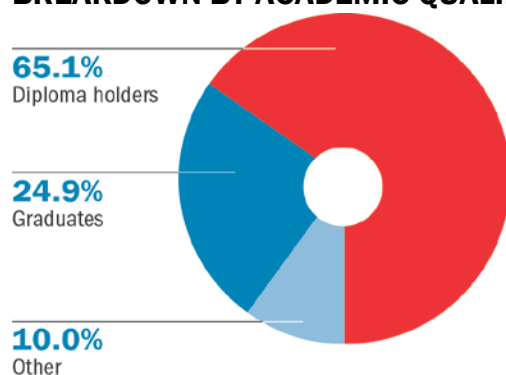
TELECOM ITALIA GROUP: EMPLOYEE BREAKDOWN BY JOB CATEGORY



TELECOM ITALIA GROUP: EMPLOYEE BREAKDOWN BY AGE BAND



TELECOM ITALIA GROUP: EMPLOYEE BREAKDOWN BY ACADEMIC QUALIFICATION



Telecom Italia Group (units - net of agency workers) Employee distribution by level of education ¹⁴⁷	12.31.2011	12.31.2010	Changes
Domestic	55,385	56,522	(1,137)
Graduates	10,471	10,567	(96)
Diploma holders	39,454	40,273	(819)
Others	5,460	5,682	(222)
Brazil	10,539	10,114	425
Graduates	3,629	3,375	254
Diploma holders	6,675	6,538	137
Others	235	201	34
Argentina	16,349	15,632	717
Graduates	6,300	3,004	3,296
Diploma holders	7,712	7,631	81
Others	2,337	4,997	(2,660)
Olivetti, TI Media, Others	1,839	1,861	(22)
Graduates	516	491	25
Diploma holders	968	992	(24)
Others	355	378	(23)
Total	84,112	84,129	(17)

¹⁴⁷ Please, see also the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/human-resources-eng/Staff%20distribution%20by%20level%20of%20education.pdf>

Telecom Italia Group (units - net of agency workers) Employee distribution by age band ¹⁴⁸	12.31.2011	12.31.2010	Changes
Domestic	55,385	56,522	(1,137)
Up to 32	4,925	4,378	547
From 33 to 45	24,045	27,031	(2,986)
Over 45	26,415	25,113	1,302
Brazil	10,539	10,114	425
Up to 32	7012	6,846	166
From 33 to 45	2,938	2,653	185
Over 45	589	615	(26)
Argentina	16,349	15,632	717
Up to 32	4,520	4,352	168
From 33 to 45	7,462	7,067	395
Over 45	4,367	4,213	154
Olivetti, TI Media, Others	1,839	1,861	(22)
Up to 32	123	162	(39)
From 33 to 45	799	822	(23)
Over 45	917	877	40
Total	84,112	84,129	(17)

Telecom Italia Group (units - net of agency workers) Employee distribution by professional profile ¹⁴⁹	12.31.2011	12.31.2010	Changes
Domestic	55,385	56,522	(1,137)
Senior managers	859	921	(62)
Middle managers	4,250	4,410	(160)
Office staff	50,271	51,186	(915)
Workers	5	5	0
Brazil	10,539	10,114	425
Senior managers	33	26	7
Middle managers	228	189	39
Office staff	10,278	9,899	379
Workers	0	0	0
Argentina	16,349	15,632	717
Senior managers	303	291	12
Middle managers	1,761	1,658	103
Office staff	14,285	13,683	602
Workers	0	0	0
Olivetti, TI Media, Others	1,839	1,861	(22)
Senior managers	69	70	(1)
Middle managers	363	362	1
Office staff	1,304	1,325	(21)
Workers	103	104	(1)
Total	84,112	84,129	(17)

¹⁴⁸ Please, see also the following web site:

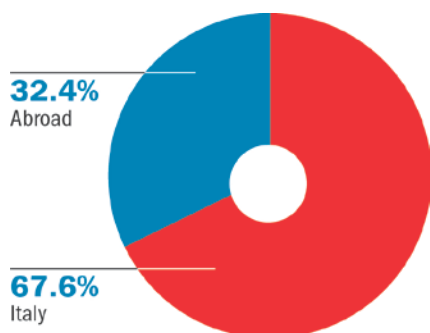
<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/human-resources-eng/Staff%20distribution%20by%20age.pdf>

¹⁴⁹ Please, see also the following web site:

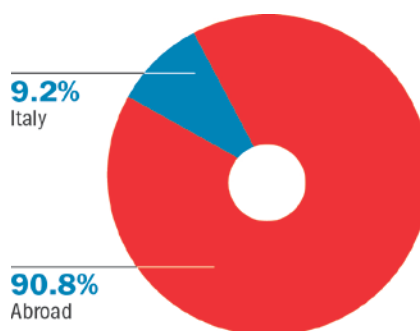
<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/human-resources-eng/Staff%20distribution%20by%20professional%20profile.pdf>

The geographical distribution and intake of personnel by the Group are the following:

**TELECOM ITALIA GROUP: EMPLOYEE
BREAKDOWN BY GEOGRAPHICAL
AREA**



**TELECOM ITALIA GROUP:
RECRUITMENT
BREAKDOWN BY GEOGRAPHICAL
AREA**

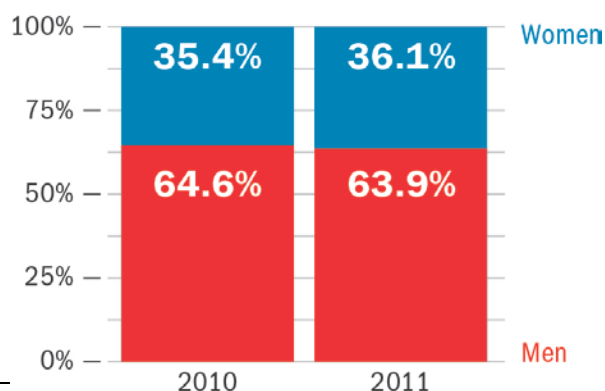


Gender balance (Human Resources/2011 Telecom Italia Sustainability Report)¹⁵⁰

In 2011, the distribution of men and women in the Group was the following:

(units)	12.31.2011	12.31.2010	Changes
Men	53,741	54,363	(622)
Women	30,371	29,766	605
Total	84,112	84,129	(17)

DISTRIBUTION OF MEN AND WOMEN IN TELECOM ITALIA GROUP (2010 – 2011)



¹⁵⁰ Please, see the following web site, related to the 2011 Telecom Italia Group Sustainability Report (chapter: Human Resources/Headcount and changes):

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

In 2011, the percentage of women holding senior management positions in the Telecom Group was approximately 12%. In middle management, the proportion of the total was 27%.

In 2011, the distribution of men and women in the Telecom Italia Group was the following¹⁵¹:

(units) Distribution of men and women	12.31.2011	12.31.2010	Changes
Domestic	55,385	56,522	(1,137)
Men	37,792	39,179	(1,387)
Women	17,593	17,343	250
Brasile	10,539	10,114	425
Men	4,545	4,209	336
Women	5,994	5,905	89
Argentina	16,349	15,632	717
Men	10,272	9,835	437
Women	6,077	5,797	280
Olivetti, TI Media, Others	1,839	1,861	(22)
Men	1,132	1,140	(8)
Women	707	721	(14)
Total	84,112	84,129	(17)

Development (Human Resources/2011 Telecom Italia Sustainability Report)¹⁵²

The purpose of the Development area is to identify the technical and managerial skills of employees, drawing up plans for their development and loyalty, with particular regard to talent¹⁵³.

Initiatives in Telecom Italia

- Performance assessment: the 2010 Group performance assessment process for Italy was completed in March 2011. For the first time, the process included the Shared Service Center (SSC) and HR Services (HRS) companies.

The assessment system allows:

- behaviour to be promoted that the Company considers to be essential for the achievement of its excellence and customer satisfaction objectives according to the Customer Promise;
- behaviour to be further directed towards the achievement of the Company's objectives in accordance with the principles established by the Group's Code of Ethics;
- a selection process to be promoted that differentiates among the various contributions;
- useful feedback to be gathered about the development and self-development paths of individuals.

The uniformity of the assessment criteria used is ensured by appropriate Calibration Committees consisting of managers from the assessed employee's department and members of Human Resources. As of April, following the assessment process, specific training plans were implemented.

- Assessment of the potential of middle managers and employees: assessment activities continued during 2011 and in particular the management assessment process was extended to Group companies. As part of the assessment process aimed at middle managers and employees, 58 assessments centre assessments were carried out (+18% compared to 2010) involving 348 people. The creation of the

¹⁵¹ Please, see also the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/human-resources-eng/gender%20balance%20TI%20Group.pdf>

¹⁵² Please, see also the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹⁵³ Please, see also the following web site:

<http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/human-resources/recruitment-section.development.html>

assessment centres - which is governed by specific guidelines - is entrusted to the company HR Services S.r.l. of the Telecom Italia Group, which is ISO 9001 certified.

Initiatives in Brazil

The performance assessment process, which is conducted annually according to the activities carried out and the objectives established, allows useful information to be gathered for the purpose of managing incentive, training and career processes, in order to ensure the professional growth of the people assessed. An online assessment system has been developed in order to map the potential of all the Company's employees, identifying strengths and areas of improvement, and to provide proper guidance on development activities.

In order to attract and retain the best talents, a "Talent without borders" programme was launched for trainees and students enrolled in the last 2 years of university, which allows them to access accelerated and diverse professional career paths.

Initiatives in Argentina

As part of the "Talent Pool" (Pool de Talentos) project, the assessment of fixed and mobile telephony, Wholesale and Corporate middle managers and specialists was completed. This process, which involved 197 people and also involved the use of an on line platform, allowed skills development and coaching programmes to be planned.

During the second half of 2011, an assessment process was completed for senior managers in the mobile telephony unit, which was also extended to middle managers recruited the previous year.

Selection (Human Resources/2011 Telecom Italia Sustainability Report)¹⁵⁴

Initiatives in Telecom Italia

Various forms of cooperation with the world of education and academia have been set up in Italy through the presence of company representatives in scientific committees, company representatives providing tuition on training courses, scholarships being granted to young people, paid internships being provided in company offices (around 180 were provided in 2011), participation in the main career days, financial support for specific training plans.

Telecom Italia signed 2 important agreements with trade unions for the training and recruitment by the company of young undergraduates and graduates, with the aim of renewing existing skills and developing new management skills, covering the generation gap.

“IMPORTANT INITIATIVES HAVE STARTED FOR THE ENTRY OF QUALIFIED YOUNG PEOPLE IN THE COMPANY”

The following initiatives are taking place:

- launch of research doctorates for 95 young engineering and economics graduates through conventions signed with several Italian universities, with the aim of acquiring people with excellent skills to be dedicated to specific research projects of interest to the company;
- planning of 3 new master's degree courses in technological innovation for the ICT market aimed at creating a pool of resources highly trained in topics of interest to the company from which to draw future recruits. The universities involved are the Polytechnic of Turin, MIP - Polytechnic of Milan and Federico II University of Naples, involving a total of 65 young engineering and economics graduates;
- extension of apprenticeship contracts for advanced training previously launched as part of the “The Day Before” project. The experimental project launched by Telecom Italia in agreement with trade unions was started up by the TeleContact Center (TCC) with the aim of recruiting 200 engineering and economics

¹⁵⁴ Please, see also the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

undergraduates: to date 85 engineering undergraduates have been hired at the Naples, Catanzaro and Caltanissetta offices. In July the initiative was also launched in Telecom Italia, within the Open Access department, for the recruitment of a further 200 engineering undergraduates;

- Cooperation also continued with the academic world which had already been successfully established in previous years, including the “Network Scuola-Impresa” project in cooperation with the Elis Centre and the “Leader del Futuro” - development and merit scholarships - implemented in cooperation with The European House-Ambrosetti and the Federazione Nazionale Cavalieri del Lavoro.

Initiatives in Brazil

The main selection programmes implemented in 2011 were:

- “Jovem Aprendiz”: launched in 2008, this programme promotes the training of young people between the ages of 16 and 24 for potential employment throughout all areas of the Company. An administrative training course is provided for young people to prepare them to enter the world of work. The programme enrolled 270 participants in 2011.
- “Talentos sem Fronteiras”: launched in 2009, is intended to scout the market for young graduates in order to create a talented team to be trained and developed in order to build the company management of the future. At the end of 2011, 16 young talented people were recruited in strategic areas of the business.
- “Estágio sem Fronteiras”: a new programme was set up at the end of 2009 to select talented interns with the aim of offering young university students an opportunity to develop in diverse ways and prepare for the labour market, as well as to increase their potential for finding permanent employment in the Company and possibly access the “Talentos sem Fronteiras” programme. 166 interns were recruited in 2011.

Initiatives in Argentina

At Telecom Argentina and Telecom Personal tools were diversified and optimised in 2011, with the help of external consultants and head hunters, to seek talent outside the company.

Social networks and collaborations with universities were used during the year to contact the required profiles. A pilot programme was launched during the second half of 2011 to implement integrated software with which to seek and select candidates quickly and effectively.

Training (Human Resources/2011 Telecom Italia Sustainability Report)¹⁵⁵

In 2011, around 2.2 million hours of training were carried out in the company costing over 30 million euros in total. 96.8% of personnel, equal to 81,452 employees, participated in at least one training session.

¹⁵⁵ Please, see also the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

Total by training type (Telecom Italia Group)

Type of Training	Total by training type				
	Hours		Participations (*) (no.)	Participants (no.)	Coverage (%)
	Total hours (no.)	Hours per head (no.)			
Specialist training	1,848,683	22.0	323,878	44,255	52.6%
Senior Managers	3,220	2.5	289	191	15.1%
Middle Managers	46,932	7.1	4,389	1,977	29.9%
Office Staff/Workers	1,798,531	23.7	319,200	42,087	55.2%
Management training	116,596	1.4	11,645	5,878	7.0%
Senior Managers	25,426	20.1	3,475	762	60.3%
Middle Managers	35,324	5.4	3,350	1,749	26.5%
Office Staff/Workers	55,846	0.7	4,820	3,367	4.4%
Institutional training	125,102	1.5	52,906	26,673	31.7%
Senior Managers	1,497	1.2	277	163	12.9%
Middle Managers	6,426	1.0	9,676	1,851	28.0%
Office Staff/Workers	117,179	1.5	42,953	24,659	32.3%
Training for newly-hired employees	38,518	0.5	2,823	1,162	1.4%
Senior Managers	-	-	-	-	-
Middle Managers	313	0.0	20	14	0.2%
Office Staff/Workers	38,205	0.5	2,803	1,148	1.5%
Language training	77,222	0.9	4,982	3,484	4.1%
Senior Managers	15,846	12.5	649	326	25.8%
Middle Managers	22,199	3.4	1,463	1,159	17.6%
Office Staff/Workers	39,177	0.5	2,870	1,999	2.6%
TOTAL	2,206,121	26.2	396,234	81,452	96.8%
Senior Managers	45,989	36.4	4,690	1,442	114.1%
Middle Managers	111,194	16.8	18,898	6,750	102.2%
Office Staff/Workers	2,048,938	26.9	372,646	73,260	96.1%

(*) Shows the overall number of participations in the various forms of training (classroom, training on the job, online).

I care about myself

Launched at the end of 2010, the project gives employees the opportunity to register free of charge for one of the degree courses offered by the faculties of law, economics, engineering, communication science, psychology and arts of the Uninettuto International Telematic University, with the aim of promoting non-work related knowledge and skills. Anyone obtaining at least 50% of the credits required by their curriculum is entitled to a refund of tuition fees for subsequent years as well. Agreed with the industry's main trade unions (SLC-CGIL, FISTel-CISL and UILCOM-UIL), the initiative has been considerably successful. 2,800 employees signed up in 2011 and were able to interact on the company's intranet via a dedicated project blog.

In Telecom Italia

In 2011, training at Telecom Italia S.p.A. again supported:

- business culture transformation by means of support plans for the management of organisational changes;
- the development of individual skills by means of personalised plans;
- online publishing initiatives on the Intranet and on the company's web TV;
- professional retraining for the purpose of acquiring and reinforcing the skills required by organisational developments;
- respect for the ethical and compliance principles declared by the Company (such as environmental protection, sustainability, ethics, compliance with Legislative Decree 231, and respect for privacy).

At the end of 2010, the Telecom Italia Industrial Relations School was launched as a permanent forum for discussion between industrial relations operators from companies, institutions and industry associations, thus promoting social dialogue.

A scientific committee consisting of representatives from the world of academia and the media, as well as executives from Telecom Italia, guide the decisions taken by the school, which promotes training sessions and workshops in which industry professionals are able to examine and discuss the main labour-related issues, industry trends and the evolution of national and international scenarios.

In order to widen the discussion and stimulate the development of widespread understanding of these issues, the school organised a meeting on the subject of "social investment and sustainable enterprise", involving company managers and representatives of the academic and institutional world.

Management training (Telecom Italia website/Sustainability/Our Stakeholders/Our people/Training/Training/Training Initiatives in Telecom Italia)¹⁵⁶

In keeping with the management development system defined in March last year, several management training activities were carried out with the aim of promoting the establishment of a conscious, ethical, authoritative, distinctive and exemplary management style.

In particular, in order to support the objective of transforming the corporate culture, the "Managerial Nodes" training project continued, involving all of Telecom Italia Group's senior managers in successive groups. The key points of this process are ethics, dialogue, listening, transparency and courage.

Given the high level of satisfaction recorded, in terms of quality and involvement (93% of the people registered), the initiative was extended to middle managers and level 7 positions with organisational responsibility.

A strong contribution to management development was also made by individual and group coaching processes that were particularly effective in strengthening individual skills and improving personal effectiveness and professional performance. As regards individual coaching in particular, the processes launched in 2010 were completed and new ones were launched to fulfil the requirements identified during the second half of 2011.

Satisfaction levels were also high among people taking part in group coaching sessions aimed at supporting the spread of the new organisational culture.

It is also worth underlining the positive feedback received from participants in the "permanent updating" sessions run by The European House of Ambrosetti. Split into half-yearly programmes, the initiative offers registered participants the opportunity to hold discussions with equivalent professional communities in other countries and organisational contexts with the help of internationally renowned speakers.

Finally, the "Quality for Service Excellence" tour took place, aimed at learning more about innovative approaches/methods for improving customer satisfaction and devising operational projects that fulfil the objectives of the 2011 – 2013 Quality Plan. The initiative involved senior managers from various areas of the company. The tour took place in Europe (UK and Germany) and involved visits to excellent companies of particular interest to Telecom Italia in terms of the complexity of their organisational and market context.

¹⁵⁶ Please, see also the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/human-resources-eng/Training%20in%20TI.pdf>

[Institutional training \(Telecom Italia website/Sustainability/Our Stakeholders/Our people/Training/Training/Training Initiatives in Telecom Italia\)](#)¹⁵⁷

The following plans were implemented during 2011 with regard to institutional training, which includes initiatives to strengthen the links between the organisation and institutions as well as other organisations:

Lean Six Sigma: to increase knowledge and implementation of the Lean Six Sigma methodology. In the context of this project, participants achieved the Green Belt (level one) and, in some cases, the Black Belt (level two) certification.

Sarbanes Oxley Act 404: aimed at improving knowledge of the resulting legal duties.

Health and Safety of Workers: aimed at providing the training required to ensure that legal requirements are fulfilled and workers are protected (safe driving, fire prevention, computer terminal work, etc.).

Seminar for new Middle Managers: with the aim of promoting greater awareness of market dynamics, strategic and business directions, corporate values, organisational choices and personal expectations when performing middle management tasks.

[Training to support skill supervision \(Telecom Italia website/Sustainability/Our Stakeholders/Our people/Training/Training/Training Initiatives in Telecom Italia\)](#)¹⁵⁸

This area of training is concerned with skill supervision in order to ensure that skills are disseminated, updated and developed.

In this context, the action taken in 2011 related to four macro areas:

1) Cross-cutting training projects

Catalogue courses aimed at exploring issues relating to: organisational behaviour, systems and processes, telecommunications and software infrastructure.

Post-performance assessment behavioural training plans aimed at helping staff to develop the skills required to perform their role fully and use these skills more widely in their field of work.

The skills covered by the training were: innovation, proactivity, mental openness and change management.

Certifications aimed at achieving and renewing SUN Cluster Administration, ITIL V3, CISCO and Junipers, Microsoft and PMP-PMI certifications, for the purpose of refreshing the technical skills required to develop business solutions and manage equipment and services.

Language Training aimed at improving linguistic knowledge and provided by e-learning methods (usable by all) and in classroom settings (specifically intended for people who use a foreign language as a working tool).

2) Training projects for Market departments

The training projects intended for Market departments aim to strengthen and develop specific Marketing, Sales and Customer Operations skills.

The following action was carried out specifically:

- Value together with the Customer aimed at strengthening the selling skills of the sales force (Consumer, Business, Top Clients and Public Sector), making the most of experience, promoting personal effectiveness and developing sales,
- ECO (Effectiveness in Customer Orientation) carried out by workplace shadowing and aimed at employees assigned to the Consumer Fixed, Consumer Mobile and Business Customer Operations, with the aim of improving customer relationship management, particularly the skills most associated with customer satisfaction and caring,
- Effective Customer Management intended for assistants working in the Top Clients Customer Operation area, aimed at strengthening and updating the skills required by their role by reflecting on identity, improving communication and relationship style in interactions with customers and colleagues, and improving time management.,

¹⁵⁷ Please, see also the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/human-resources-eng/Training%20in%20TI.pdf>

¹⁵⁸ Please, see also the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/human-resources-eng/Training%20in%20TI.pdf>

- Credit & Fraud Management provided for the purpose of supporting organisational change in the Mobile Credit Management and Mobile Fraud Management Consumer areas and enabling resources to perform administrative activities associated with credit and fraud.

3) Training projects for Technology departments

The training projects dedicated to Technology departments were aimed at supervising and updating technical/specialised skills (equipment/systems/new technologies).

The following action was carried out specifically:

- Giano (AOL and former NOL Integration Management) carried out in Open Access and aimed at supplementing the skills of technical staff - AOL (Assurance Operations Line) engineers, former NOL (Network Operations Line) analysts and engineers.
- ASO - Communicating with customers for ASA (Assurance Services Area) telephone operators, both in the Basic Services sector, which looks after residential and small business customers, and in the Advanced Services sector, which looks after business customers, with the aim of strengthening effective communication and customer management skills and of ensuring awareness of their role as "telephone consultants" in order to guarantee excellence of service.
- D.A.R.E. (Developing AOT Resources Expertise) Project for AOT (Access Operation Team) resources who oversee the network fault repair process, through operational resources, in the Open Access AOL (Access Operation Line) sector. The aim is to strengthen their role, making resources increasingly responsible for their development.
- "Cascade" Training Plan for Local Network Engineers aimed at supporting the development of the skills of engineers employed in local Network Maintenance and Network Development facilities to cope with the introduction of technological innovations.
- Safety Training Plan for Technical Infrastructures for managers and operational staff involved in maintenance operations relating to safety in the workplace, with regard to the installations for which they are responsible.

Furthermore, as regards the development of skills, specific focus was placed on professional retraining with the launch of the Field Engineer Retraining Project (JUMP - Job Unification Man Power Project) to support resources, by means of classroom sessions and on-the-job training, in qualifying for the role of field engineer in the AOA (Assurance Operations Area).

4) Training projects for Staff departments

Training projects for Staff departments were aimed at strengthening soft skills (relationship, managerial and organisational skills) in order to improve and support the management of relations with customers and suppliers. Constant updating of knowledge of the ICT Industry and their own area of work was also ensured in order to provide business departments with increasingly effective support.

Finally, where possible, the various training initiatives were also delivered by means of e-learning, using the e.LISA (e-Learning: Insieme Sviluppriamo Apprendimento) platform of Telecom Italia S.p.A., a dedicated multimedia training area which, thanks to its ever expanding library, has become an essential personal and organisational learning tool. e.LISA complements classroom and on-the-job training to build training paths which, by alternating the various methods, provide blended solutions that are increasingly targeted at the training needs of individuals. It also contributes to developing self-learning, given that anyone can activate and personalise his or her own training path.

In Brazil (Human Resources/2011 Telecom Italia Sustainability Report)¹⁵⁹

The main training activities included:

- the launch of two new courses regarding sustainability and sales techniques for consumer area staff;
- an advanced certification programme aimed at business area sales staff and involving 212 employees for a total of 60 hours. The training activities also covered the new commercial offers.

¹⁵⁹ Please, see also the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

Project “Vagão da formação” (Telecom Italia website/Sustainability/Our Stakeholders/Our people/Training/Case Studies /Special Training Projects)¹⁶⁰

It allows employees whose salaries are below a certain threshold to attend online degree courses in business administration. The subsidy paid by the company amounts to as much as 80% of the cost of attending the university, depending on the employee's wage band.

In Argentina (Human Resources/2011 Telecom Italia Sustainability Report)¹⁶¹

The main training activities included:

- a training programme for new recruits, which has been provided for 6 years with the aim of helping new recruits to integrate and find their way around the Company, conveying the operational information required and relevant corporate values;
- a technical knowledge certification programme planned to contribute to improving the professionalism of technical staff by certifying their knowledge. The initiative is part of the professional certification programme of the National Ministry of Labour and Social Security and has the academic support of ITBA (Institute of Technology of Buenos Aires). During 2011, around 187 employees were awarded a diploma that certifies the experience and knowledge gained by them;
- a cycle of 16 workshops entitled "Dialogue in the dark", involving over 400 employees. This is an experience in which participants are exposed to new and different situations while temporarily losing their sight. Based on an idea developed in Germany and implemented in over 110 cities around the world, the project allows participants to improve their emotional intelligence and social skills. The "invisible meetings" module, which involved 100 employees, was run by the La Usina NGO. This activity also applied the concept of blindness as a tool for guiding individuals through the eyes of another person and building dialogue between different people, which is useful for recognising others and ourselves in our network of social relations.

Remuneration policy (Human Resources/2011 Telecom Italia Sustainability Report)¹⁶²

In 2011, remuneration policies pursued the aim of cooling the incremental effects of the increase in the fixed component of labour costs over time. Intervention was focused on the variable elements of remuneration, making exclusive use of one-off tools with a greater degree of selectivity than in the past. Interventions on fixed remuneration were frozen, with the exception of measures regarding individuals working in core business positions characterised by the actual existence of risks of a competitive nature. The MBO 2011 system, the only short-term formalised incentive tool aimed at managers and key employees, confirms the importance that the company has placed over the past two years and continues to place on corporate and departmental macro-economic objectives. In 2011, investment has continued to be made in enhancing the non-monetary components of the pay packet (company benefits). Telecom Italia has equipped itself with a long-term incentive system that brings together senior executive personnel, top management and a selected number of senior managers in achieving pre-established three-year performance objectives in order to strengthen the link between management remuneration and company performance ensuring the long-term sustainability of the company's results.

¹⁶⁰ Please, see the following web page: <http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/human-resources/training-section.case-studies.html>

¹⁶¹ Please, see also the following web site: http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹⁶² Please, see also the following web site: http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

Stakeholder of reference	Targets linked to incentives
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
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
The Environment	<ul style="list-style-type: none"> • Consumption of materials, energy
Shareholders and Institutions	<ul style="list-style-type: none"> • Quality and speed of company information delivery
The Community	<ul style="list-style-type: none"> • Organisation of corporate events • Quality of corporate initiatives/projects

Employees share ownership plan 2010-2014 (Human Resources/2011 Telecom Italia Sustainability Report)¹⁶³

In 2010, Telecom Italia launched the 2010-2014 employees share ownership plan for all permanent employees of Telecom Italia or its subsidiaries with registered offices in Italy.

During the first subscription phase, which took place between June 28 and July 9, 2010, all employees were able to purchase ordinary shares, with a 10% discount on the market price, up to a maximum countervalue of three thousand euros.

On August 2, 2011 the second phase was completed, involving the allocation of one free share for every three shares purchased to those who complied with the conditions set by the plan, i.e. keeping the ownership of the shares purchased for one year and remaining employees of one of the Group companies. The plan complies with the conditions for access to the fiscal benefits of article 51 of the consolidated law on income tax. Employees who decide to retain full ownership of the shares, bought at a discount and assigned free of charge for three years from the respective dates of purchase/assignment, will be entitled to an exemption from tax and contributions on the benefit paid by the company in terms of discount and bonus shares.

2011 Human Resources Results (Appendix/2011 Telecom Italia Sustainability Report)

The 2011 Human Resources Results are reported in the chapter “Strategy, Governance and Engagement” (Other Stakeholders, TIM Brasil, Telecom Argentina) of this Communication On Progress.

2012 Human Resources Objectives (Appendix/2011 Telecom Italia Sustainability Report)

The 2012 Human Resources Objectives are reported in the chapter “Strategy, Governance and Engagement” (Other Stakeholders, TIM Brasil, Telecom Argentina) of this Communication On Progress.

¹⁶³ Please, see also the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

5) Environmental Stewardship Implementation

Criterion 13: Robust *commitments, strategies or policies* in the area of environmental stewardship.

Criterion 14: Effective *management systems* to integrate the environmental principles.

Criterion 15: Effective *monitoring and evaluation mechanisms* for environmental stewardship.

Criterion 16: Key *outcomes* of integration of the environmental principles.

UN Global Compact 7th Principle: Business should support a precautionary approach to environmental challenges.

Code of Ethics of the Telecom Italia Group (Telecom Italia web site/Sustainability/Codes and Policies/Code of Ethics)¹⁶⁴

article 2 – Objectives and Values

Group companies:

- ...
- must use material resources responsibly, with a view to achieving sustainable growth that respects the environment and the rights of future generations;
- ...

4.2 quinquies - The environment

Telecom Italia Group companies pursue their own strategies with regard to the environment in compliance with the following principles:

- optimize the use of energy sources and natural resources;
- minimize negative environmental impacts and maximize positive ones;
- foster the spread of a culture based on a correct approach to environmental issues;
- ensure a commitment to continuously improving environmental performance;
- adopt purchasing policies that take account of environmental issues.

Environmental policies

Telecom Italia Group has the following specific policies:

- the environmental policy of "Technology and Operations" department (network and R&D)¹⁶⁵;
- the environmental policy of Facility management Department (in the Italian language)¹⁶⁶;

¹⁶⁴ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Governance/en/codes_principles_procedures/Code_of_Ethics.pdf

¹⁶⁵ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/env_policy_EN.pdf

¹⁶⁶ Please, see the following web site:

- the environmental policy of TIM Brasil¹⁶⁷;
- the green procurement policy¹⁶⁸.

Our Commitment towards the Environment (Telecom Italia website/Sustainability/Environment/Our Commitment/Our Environmental Commitment)¹⁶⁹

Telecom Italia regards respect for the environment and energy efficiency as the fundamental cornerstones of its contribution to sustainable development. This contribution is made possible through both specific actions implemented to manage and reduce Telecom Italia's impacts, and technological solutions aimed at customers, at other sectors of the economy and at the public in general.

The environmental strategy implemented by the Group's companies is founded on the following principles:

- optimising the use of energy sources and other natural resources;
- minimising negative environmental impacts and maximising the positive ones;
- pursuing the continuous improvement of environmental performance;
- adopting procurement policies that take environmental issues into account;
- disseminating a culture that promotes a correct approach to environmental issues.

In order to manage production and support processes in a way that is effective and environmentally sustainable, the Group has established an Environmental Management System (EMS) certified according to the ISO 14001 standard in the areas characterised by particular impacts on the environment.

Application of the procedures is verified by means of internal audits of company departments and external companies.

Since 1997 Telecom Italia publishes its environmental performance data, drawn from management data. In accordance with the principle of materiality, only subsidiaries included in the consolidated accounts that have revenue greater than 300,000 Euro and more than 40 employees, excluding discontinued companies and non-current assets held for sale, are considered.

Our Environmental Management System: General Framework (Telecom Italia website/Sustainability/Environment/Our Environmental Management System)¹⁷⁰

The Telecom Italia Group obtained the UNI EN ISO 14001 Environmental Certification of the various operational units and processes which exhibit significant environmental impacts. The Group has developed General Guidelines for the Environmental Management Systems (EMS) which are subject to annual verification by accredited bodies.

An EMS is a management tool that permeates all business operations; it is based on a Policy issued and endorsed by the Top Management that is deployed through company operations thus enabling the achievement of the general objectives defined at all levels. More specifically, by implementing an EMS, we aim:

- to ensure compliance with all national legal environmental requirements taking also into account all different regulatory contexts (regions, provinces and municipalities);
- to monitor the environmental performance referred to the various activities that generate impacts by seeking continuous improvement with respect to predefined targets;
- to prevent any environmental emergency and mitigate any possible adverse effects.

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Polices_ENG/env_policy_EN.pdf

¹⁶⁷ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Polices_ENG/Politica_Ambientale_di_Tim_Brasil_EN.pdf

¹⁶⁸ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/it/Politiche/Green_Procurement_policy.pdf

¹⁶⁹ Please, see the following web site:

<http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/environment/environmental-commitment.our-environmental-commitment.html>

¹⁷⁰ Please, see the following web site:

<http://www.telecomitalia.com/tit/en/sustainability/stakeholders/environment/environmental-management-system.html>

Among the other ISO 14001 requirements, essential elements of the Environmental Management System are:

- the commitment of the Top Management to operate in line with and to guarantee the achievement of the objectives defined by the System;
- the Environmental Management System Manual;
- system procedures covering environmental processes: such operating procedures describe how processes should be managed and define roles and responsibilities thus ensuring the operational control of the processes/activities/ facilities related to significant environmental aspects, as well as regulatory compliance;
- the environmental analysis report that summarizes and contextualizes activities, data and information about environmental issues of greatest importance in terms of stocks, consumption, accidents/emergencies, reports/complaints from interested parties.

In order to guarantee the effective implementation of the Environmental Management System, we have developed a set of tools with the aim:

- to maintain and update the computerized database of all applicable environmental legislation;
- to record and manage all reports of environmental problems received from outside the company (i.e. from citizens, local administrations, etc.),
- to record all environmental impact data;
- to store and update all environmental documents (both available on paper and in digital format);
- to communicate to the relevant authorities all the data required by current regulations on the management and disposal of wastes.

Within Telecom Italia SpA, all the units that run business processes which have significant environmental impacts are certified; in particular:

- Open Access - for external activities (management of access network) and relationship with third parties;
- Technology - for the industrial aspects and industrial buildings / sites / plants as well as office buildings (infrastructure works and maintenance);
- Supply Chain & Real Estate – for the management of environmental services, canteens, vehicle fleet, green areas, cleaning of office buildings and control of suppliers whose activities may have environmental impacts.

TI Group companies that have a certified EMS in place are the following:

- Olivetti - covering Olivetti Ink Jet manufacturing activities in the Arnad plant (Valle d'Aosta),
- TI Sparkle – covering some specific operations,
- TIM Brasil – covering network process management and some specific operational activities.

Moreover, Telecom Italia SpA signed up the Caring for Climate platform in 2007¹⁷¹.



References related to the 7th principle

- 2011 Telecom Italia Sustainability Report/The Environment:
 - The Environment,
 - Strategy,
 - Relevant Stakeholders,
 - Atmospheric Emissions (Environmental Performance),
 - Climate Change,

¹⁷¹ Please, see the following web site: http://www.unglobalcompact.org/Issues/Environment/Climate_Change/list_of_signatories.html

- Telecom Italia as part of the solution,
- Telecom Italia web site/Sustainability:
 - Telelavoro in Borgo (Our Stakeholders/Our people/People caring/Teleworking projects),
- 2011 Telecom Italia Sustainability Report/The Environment:
 - Environmental performance/Electromagnetic emissions,
- Telecom Italia web site/TIM/ Per i Consumatori/Info Consumatori:
 - Elettromagnetismo - Salute (in Italian).

The Environment (2011 Telecom Italia Sustainability Report/The Environment)¹⁷²

In Telecom Italia, environmental protection and energy efficiency are the two key areas for the promotion of the sustainable development of the country. These include specific actions to manage and reduce the Company's impact and proposals for technological solutions for people, businesses and public administration that contribute to creating a more inclusive and viable digital society.

Strategy (The Environment/2011 Telecom Italia Sustainability Report)¹⁷³

The environmental strategy of the companies of the Group is founded on the following principles:

- optimising the use of energy sources and other natural resources;
- pursuing the continuous improvement of environmental performance by reducing negative impacts and increasing positive ones;
- adopting procurement policies that take environmental issues into account;
- disseminating a culture that promotes a correct approach to environmental issues.

In order to ensure the effective and sustainable management of operational processes characterised by particular environmental impacts, Telecom Italia has equipped itself with an Environmental Management System (*Sistema di Gestione Ambientale* - SGA) which is ISO 14001 certified.

In two call centres, this Environmental Management system has been integrated with the Safety Management System based on the OHSAS 18001 standard, both having achieved the respective certification.

Application of the procedures is verified by means of internal audits of company departments and external companies.

Relevant stakeholders (The Environment/2011 Telecom Italia Sustainability Report)¹⁷⁴

The environment stakeholder representative is identified as the future generations who are entitled to live in a world that is not compromised by the negative effects resulting from the development of previous ones. 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 in which 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 Academy of Business in Society (EABIS), European Telecommunications Network Operators' Association (ETNO) - in ETNO Telecom Italia chairs both the Association and the "Sustainability" working group -, European Telecommunications Standards

¹⁷² Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹⁷³ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹⁷⁴ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

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 demands expressed by stakeholders interested in protecting the environment and has developed various channels of communication with them, including AVoiComunicare, the Festival of Science, the Venice Future Centre and the dedicated pages of the Group Intranet/Internet site, in addition to formal and informal meetings with these stakeholders.

Telecom Italia also promotes and in some cases coordinates national and international projects on this issue.

Atmospheric emissions (The Environment/2011 Telecom Italia Sustainability Report)¹⁷⁵

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 (HCFCs and HFCs) from air conditioning plants are also considered and converted into kg of CO₂ equivalent.

As with the classification of energy consumption for atmospheric emissions use is made of the Global Reporting Initiative - GRI Version 3 - guidelines, which refer to the definitions of the GHG Protocol, distinguishing between direct emissions (Scope1: use of fossil fuels for vehicles, heating, power generation), indirect emissions (Scope2: purchase of electricity for industrial and civil use) and other indirect emissions (Scope3).

Unless otherwise stated, the atmospheric emissions recorded in this Report have been calculated based on the latest coefficients made available by the GHG Protocol¹⁷⁶; emissions in previous years have been recalculated based on these coefficients in order to allow comparison.

Atmospheric Emissions		Changes %	
	Telecom Italia S.p.A. 2011	2011 vs 2010	2011 vs 2009
CO ₂ emissions from transport	kg 52,018,660	(8.43%)	(12.47%)
CO ₂ emissions from heating	kg 32,738,582	1.03%	(28.60%)
Emissions of CO ₂ equivalents for HCFC/HFC(*) dispersals	kg 21,508,900	(19.81%)	(26.81%)
CO ₂ emissions from electricity generation by cogeneration	kg 40,975,696	36.21%	213.87%
CO ₂ emissions from electricity generation using diesel	kg 2,261,181	(15.23%)	(37.79%)
Total direct emissions of CO₂ - under Scope1 GRI	kg 149,503,019	0.48%	(1.23%)
CO ₂ emissions from purchases of electricity generated by mixed sources	kg 722,386,641	(7.50%)	(12.29%)
Total indirect emissions of CO₂ - under Scope2 GRI	kg 722,386,641	(7.50%)	(12.29%)
CO ₂ emissions from work-home commuting ^(†)	kg 55,843,288	(6.81%)	(14.72%)
CO ₂ emissions from air travel ^(‡)	kg 9,942,526	(0.61%)	(16.14%)
Total other indirect emissions of CO₂ - under Scope3 GRI	kg 65,785,814	(5.93%)	(14.93%)
Total CO₂ emissions	kg 937,675,474	(6.20%)	(10.89%)

¹⁷⁵Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹⁷⁶Emissions relating to the consumption of electricity purchased in the Italian market have been calculated by using the latest coefficient (2008) calculated by the GHG Protocol - which considers the national energy mix - equal to 398 grams of CO₂/kWh. For Argentina a similar coefficient has been calculated and published by the Secretaría de Energía de la Nación Argentina. The coefficient is equal to 541 grams of CO₂/kWh. For Brazil, the average coefficient for 2011 has been used, which has been calculated and published by the local Ministério da Ciência, Tecnologia e Inovação. The coefficient is equal to 29 grams of CO₂/kWh.

(*) Hydrochlorofluorocarbons (HCFC) and hydrofluorocarbons (HFC), in terms of equivalent CO₂ emissions are determined by reference to specific Global Warming Potential (GWP) parameters for the two gases: the index is based on a relative scale that compares the gas considered with an equal mass of carbon dioxide with a GWP of 1. The GWP of HCFC used was 1,780 and that of HFC was 1,300. In 2009, however, a single parameter was used without differentiating between the types of gas dispersed.

(†) In determining the impact of home-work commuting, reference is made to statistical data produced on the company's personnel.

(‡) Air travel emissions were calculated based on the individual journeys actually made and the coefficients suggested by the GHG Protocol differentiating between short- and long-haul flights.

For Telecom Italia S.p.A. a process has been launched to assess emissions under Scope3 associated with the supply chain according to the specifications of the Corporate Value Chain (Scope3) Accounting and Reporting Standard published in the Greenhouse Gas Protocol Initiative in 2011.

The following table shows the total CO₂ emissions of the Telecom Italia Group. The ex Scope3 emissions include those generated by commuting and air travel by the staff of the Business Units considered.

Atmospheric Emissions		TI Group breakdown by Business Unit (%)					
		TI Group 2011	Domestic	Brazil	Argentina	Media	Olivetti
Total CO ₂ emissions – under Scope 1 GRI	kg	177,807,364	86.08%	2.14%	9.06%	0.44%	2.28%
Total CO ₂ emissions – under Scope 2 GRI	kg	963,547,634	76.72%	1.05%	20.97%	1.01%	0.25%
Total other CO ₂ emissions – under Scope 3 GRI	kg	96,316,630	75.98%	8.04%	15.44%	0.22%	0.32%
Total CO₂ emissions	kg	1,237,671,628	78.00%	1.75%	18.83%	0.87%	0.55%

Atmospheric emissions by Telecom Italia S.p.A. are falling significantly in overall terms. The following are a number of considerations on how individual items contributed to the achievement of the overall result:

- reduction of emissions due to lower consumption by vehicles;
- reduction of equivalent CO₂ emissions, relating to the dispersal of HCFCs and HFCs used in air conditioning systems, due to the adoption of more efficient methods for preventing leaks and the replacement of these gases with lower environmental impact solutions;
- increase in emissions attributable to cogeneration, resulting from the company's decision to invest more in this technology, with positive financial and environmental benefits. The increase is in any case offset by the lower amount of power purchased from the grid, which overall has led to a positive balance being achieved in terms of emissions;
- reduction of emissions from diesel electricity generators in situations where the electricity distribution network is unavailable;
- reduction of emissions resulting from electricity consumption;
- reduction of emissions from business air travel by employees due to a reduction in the number of trips, resulting in particular from increased use of video-conferencing.

Climate change (The Environment/2011 Telecom Italia Sustainability Report)¹⁷⁷

The subject of climate change has moved from the agenda of the scientific community, which has identified the impact on human life, to the international political agenda, which is trying to find methods which the various countries can agree upon to control its most negative effects. The subject was also discussed at the latest summit in Durban (United Nation Climate Change Conference - UNFCCC COP17) with the aim of

¹⁷⁷ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

limiting the global temperature increase to +2°C, restoring carbon dioxide emissions expected in 2100 to pre-industrial level¹⁷⁸.

There are many market drivers that increase the importance of carbon management for companies: operating costs, energy costs, the growing economic impact of carbon management (the telecommunication sector is not currently part of the emission trading schemes¹⁷⁹), brand reputation issues and the risks associated with the energy supply. In addition to these, there is the financial risk connected with the physical impact resulting from climate change, competitive positioning, the demands of investors and the expectations of customers. The requirement for effective carbon management is governed by additional drivers that depend greatly on the specific market, including the expectations of employees, talent turnover and retention systems for particularly prestigious positions.

All of this makes "carbon" management strategic for companies, will tend to increase its importance in the coming years and will require increasingly strong integration with the business as of now, becoming a long-term priority.

The emissions produced by the sector are expected to grow. Nevertheless, the ICT sector is required to play a major role by contributing to the reduction in emissions in other sectors.

Once again this year the Group took part in the Carbon Disclosure Project (CDP), an international initiative that aims to encourage companies to improve their performance on carbon management and communicating with the stakeholders on this issue. Also assessed is the ability of companies to better manage the risks and opportunities resulting from climate change. Telecom Italia scored 73 out of 100 points in its CDP9 involvement, having improved its degree of disclosure by 4% compared to the previous year and positioned itself in band B in terms of performance.

The Group's approach to the fight against climate change is based on three synergic levels of action:

- reducing its own direct and indirect emissions of greenhouse gases;
- limiting the emissions of other sectors and customers in general by supporting virtualisation and the provisions of services that promote new ways of working, learning, travelling and living;
- contributing to disseminating a culture based on a correct approach to environmental issues inside and outside the company.

Reducing emissions

The environmental impact of Telecom Italia in terms of CO₂ emissions is determined, as shown in the preceding paragraphs, by direct emissions from the use of fossil fuels, indirect emissions through the procurement of electricity and other indirect emissions due for example to home-work commuting and air travel by staff.

...

Telecom Italia as part of the solution (The Environment/2011 Telecom Italia Sustainability Report)¹⁸⁰

The Information Communication Technology sector is expected 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 that, where possible, can promote the virtualisation of society by reducing the need to move people and goods.

¹⁷⁸For more detailed information go to: unfccc.int/2860.php.

¹⁷⁹The emissions market is an administrative tool used to control emissions of pollutants and greenhouse gases internationally by listing the emissions themselves and trading emissions quotas between states:

- European Directive 2003/87/EC establishes a system for trading greenhouse gas emissions quotas in order to allow the undertakings given in the Kyoto Protocol to be fulfilled more effectively using an economically efficient tool (Emission Trading Scheme – EU-ETS).
- As of January 1, 2005, the carbon dioxide emissions market (EU-ETS) formally came into force, involving production sectors with high levels of CO₂ emissions.
- European companies operating in the sectors specified in the directive will be required to limit their emissions according to the requirements of their national allocation plans for two reference periods: 2005-2007 and 2008-2012.

¹⁸⁰ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

In general¹⁸¹:

- video and audio conferencing services facilitate relations regardless of whether people travel or not;
- broadband connection services enable teleworking by reducing the need to commute to the workplace;
- 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 doctor-patient meetings, limiting travel and, as a consequence, the emission of greenhouse gases;
- infomobility systems, using information obtained from mobile handsets, allows 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 households.

ICT based solutions can influence the price, efficiency and relative convenience of products and services, eventually affecting the demand for services and increasing the overall demand for energy. They can also accelerate the obsolescence of products and require the resulting technological waste to be managed. It is the responsibility of the ICT sector, and therefore also of Telecom Italia, to give due consideration to these effects, focusing on research and development to create products with a low environmental impact throughout their entire life cycle.

Technological convergence between Tlc and IT, on which the Telecom Italia "Nuvola italiana" Cloud Computing offer is based, allows companies and public administration to use infrastructure and services on an "on demand" and "pay per use" basis, optimising costs and performance and having up-to-date technological solutions available to them without having to invest in dedicated IT resources and specialised know-how. Telecom Italia's strategy allows innovative technological solutions to be combined with connectivity services, cutting the cost of IT infrastructure and energy consumption and thereby contributing to greater environmental sustainability.

In 2011, around 1,100 video conferences were centrally handled by Telecom Italia between its Rome and Milan offices and, thanks to the introduction of a specific automatic audio and video conference booking portal, over 7,000 video conferences and 38,000 audio conferences were handled. The use of these communication systems has allowed a significant amount of carbon dioxide and other polluting emissions associated with the use of means of transport¹⁸² to be avoided.

Telelavoro in Borgo (Telecom Italia web site/Sustainability: Our Stakeholders/Our people/People caring/Teleworking projects)¹⁸³

Telelavoro in Borgo (teleworking on shared workstations for urban centres with a high rate of commuting). "Telelavoro in Borgo" allows teleworkers to benefit from a User Experience similar to that found in companies, in terms of: workstation (e.g. use of ergonomic chairs), connectivity (e.g. LAN at 100 Mb/s), access to business applications (e.g. access to SAP), use of printers, fax, audio/video communication services.

¹⁸¹It has been estimated that 100 million audio-conferences in place of physical travel would save over 2 million tonnes of CO₂ emissions, that 10 million teleworkers working from home for just two days a week would lead to a saving of almost 11 million tonnes of CO₂ and that if 10 million users received their telephone bills online instead of the traditional paper bills there would be a saving of around 11 million tonnes of CO₂. The examples are indicative and are intended to give a concrete indication of the potential of Tlc services. They are based on projects, verified by independent third parties, tested on a small scale by members of ETNO as part of the "Saving the climate @ the speed of light" initiative developed together with the WWF (see etno.be).

¹⁸²On average, around 10 people take part in each video conference and half of these would have travelled to take part in the meeting. It can be estimated, solely for video conferences carried out between the management offices in Rome and Milan, that there has been an overall reduction in emissions of 1,200 tons of CO₂. Each person travelling between Rome and Milan would have led to an impact of around 120 kg and each event replaced by a video conference is estimated to save at least 600 kg (the calculation only relates to air travel: around 1000 km per round trip with an impact factor on medium range travel of 0.12 kg per km - source GHG Protocol).

¹⁸³Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/Teleworking.pdf>

The service consists of setting up and managing a specific area (with the necessary logistical and ICT infrastructure) which is accessed by teleworkers and workers from other companies to carry out work in a public organisation (e.g. a local authority), an office of Telecom Italia or a third party (service vendor). An agreement has been signed between the municipality of Buttigliera d'Asti and the Piedmont Region, which will work with Telecom on a trial to be carried out during the first few months of 2012 in the offices of the municipality, initially with employees of the regional authority. Other similar initiatives are being launched in other municipalities (particularly Acqui Terme) with the aim of reducing commuting, benefiting from the positive impacts on traffic and reassessing the concept of a town.

Electromagnetic emissions (The Environment/Environmental performance/2011 Telecom Italia Sustainability Report)¹⁸⁴

The actions of the Telecom Italia Group on the subject of electromagnetic emissions are essentially:

- careful and proper management of its equipment during its entire life cycle, 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 has continued of the levels of electromagnetic emissions in the installations of La7, MTV and Telecom Italia Media in order to guarantee that legal limits are respected and high safety standards are maintained. For the Telecom Italia Media Group in particular, such monitoring is related to electromagnetic field levels for protection of the population and the levels of exposure of workers. According to the checks carried out in Italy, the electromagnetic emissions generated by La7 and MTV are well within legal limits.

Similar attention is paid to the emissions from mobile handsets using the frequency bands operated by Telecom Italia: GSM 900MHz, DCS 1800MHz and UMTS. In 2011, in accordance with the established targets, all the models of technologically innovative mobile phones marketed by Telecom Italia under the TIM brand were submitted to SAR qualification¹⁸⁵. In determining the SAR compliance of mobile terminals Telecom Italia complies with the limits defined in the ICNIRP (International Commission on Non-Ionizing Radiation Protection) guidelines and subsequent declarations of conformity¹⁸⁶. This qualification, which is carried out during the pre-marketing stage, when Telecom Italia does not often have the SAR value declared by the manufacturer, makes the test more valuable than a simple quality control check.

During the year, the percentage of GSM network traffic in half rate mode increased. This technology allows a single radio resource to be used for two simultaneous conversations, thus reducing the overall power emitted as compared to the traditional voice coding system.

In order to respond to the growing demand for information about non-ionising radiation¹⁸⁷ related issues, Telecom Argentina signed an agreement with the Argentinian federation of municipalities and a continuous monitoring and data dissemination system has been installed in over 500 municipalities.

Elettromagnetismo-salute (in Italian) (Telecom Italia web site/TIM: Per i Consumatori/Info Consumatori)¹⁸⁸

Telefonini e salute

In questi ultimi anni le comunità scientifiche internazionali hanno dedicato un'attenzione sempre maggiore all'analisi dell'impatto ambientale e sanitario relativo all'uso di apparecchiature che emettono campi elettromagnetici (EM).

¹⁸⁴ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹⁸⁵SAR - Specific Absorption Rate: SAR is measured in Watts/kg and assesses the electromagnetic power absorbed by a mass of tissue.

¹⁸⁶Guidelines 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.

¹⁸⁷The electromagnetic fields used in the context of Tlc are non-ionising radiations, in fact they lack sufficient energy to transform into ions the atoms of the matter with which they interact, which are electrically neutral.

¹⁸⁸ Please, see the following web site: <http://www.tim.it/119-self-service/per-i-consumatori-info-consumatori/elettromagnetismo>

Prima di addentrarci nello studio dell'interazione fra campi elettromagnetici e sistemi biologici (interazione bioelettromagnetica), occorre definire due concetti chiave (le definizioni sono fornite dall'Organizzazione Mondiale della Sanità (WHO):

- *Effetto biologico*: una qualsiasi risposta misurabile di tipo fisico ad uno stimolo o ad un qualsiasi cambiamento ambientale (in questo caso all'esposizione a campi elettromagnetici).
- *Effetto rischioso (health hazard) per la salute umana*: qualsiasi effetto biologico che induca modificazioni eccedenti i limiti tollerati dai meccanismi di compensazione del corpo umano.

Lo studio dei possibili effetti dei campi elettromagnetici sui sistemi biologici ha coinvolto, nell'arco degli ultimi 50 anni, numerosi scienziati ed enti di ricerca a livello mondiale. Le indagini sono state opportunamente differenziate in base alla frequenza o al campo di frequenze relativo alla sorgente della radiazione elettromagnetica. Infatti a frequenze diverse corrispondono differenti meccanismi biofisici di interazione con la materia biologica. La ricerca si è interessata sia ai campi elettromagnetici in bassa frequenza (per esempio quelli generati da linee d'alta tensione, elettrodomestici, etc.), sia ai campi elettromagnetici a radiofrequenza (RF) e microonde (per esempio quelli generati da sistemi radar, stazioni radio base per sistemi di comunicazione mobili, terminali mobili, etc.).

La classificazione più comunemente usata nello studio dell'interazione bioelettromagnetica suddivide gli effetti dell'esposizione a campi EM di sistemi biologici in effetti termici e non termici. Nel corpo umano l'energia trasportata dalle onde elettromagnetiche alle frequenze comunemente adottate dalla telefonia mobile, si trasforma in calore; pertanto in tal caso si parla di effetto termico.

L'ente che ha emanato le linee guida per limitare l'esposizione umana ai campi elettromagnetici, ha seguito un approccio (si veda a tal proposito la sezione Normativa) che fissa i limiti di esposizione (a radiofrequenza) sulla base di condizioni di esposizione che assicurino un effetto termico di entità non sufficiente ad indurre possibili effetti rischiosi per la salute umana.

I telefoni cellulari utilizzano livelli di potenza tali da indurre un riscaldamento trascurabile rispetto alle normali variazioni di temperatura cui è soggetto il corpo umano (ad esempio nel caso di pratica di uno sport o anche di semplice esposizione al sole). Tale riscaldamento non deve essere inoltre confuso con il riscaldamento del terminale stesso, che è invece prevalentemente determinato dai circuiti interni del telefonino, come avviene in ogni apparato elettronico.

La radiazione elettromagnetica che, alle frequenze utilizzate dalla telefonia mobile, è definita come non ionizzante (non possiede energia sufficiente a rompere i legami chimici biologici), non produce alcuna azione chimica, e il riscaldamento indotto è, secondo la maggior parte degli studi a disposizione, di gran lunga al di sotto dei valori che potrebbero creare un effetto rischioso per la salute umana, tanto che, basandosi su recenti review della letteratura scientifica, l'Organizzazione Mondiale della Sanità conclude che "l'evidenza scientifica attuale non conferma l'esistenza di un qualsiasi effetto potenzialmente pericoloso per la salute, derivante da esposizione a bassi livelli di campo elettromagnetico."

Recentemente l'agenzia IARC (International Agency for Research on Cancer) ha pubblicato un rapporto con una sezione interamente dedicata alla radiazione elettromagnetica (disponibile nella pagina dell'Organizzazione Mondiale della Sanità relativa all' EMF Project, al link: http://www.who.int/peh-emf/publications/reports/WCR2008_212.pdf). Nel sommario di tale sezione, viene indicato fra l'altro che "i dati disponibili al momento non mostrano alcun eccesso di rischio di cancro al cervello o altre forme di neoplasia associate all'uso del telefono cellulare".

A questo proposito risulta importante considerare l'autorevole opinione del Dr. Repacholi, uno dei massimi esperti in materia a livello mondiale, nonché coordinatore del progetto EMF dell'Organizzazione Mondiale della Sanità per 11 anni. Secondo il Dr. Repacholi (intervista a NewScientist, 2 Dic. 2009) nonostante l'uscita del report finale del progetto Interphone, il dibattito sull'ipotesi di cancerogenicità dei telefoni cellulari non avrà fine e questo sarà proprio dovuto alle limitazioni intrinseche di tale studio epidemiologico. Nel 2009 è stato pubblicato anche il rapporto SCHENIR (Scientific Committee on Emerging and Newly Identified Health Risks) in cui si legge che, in base ai risultati provenienti dalle tre linee di ricerca (epidemiologia, esperimenti in vivo, esperimenti in vitro) è improbabile che l'esposizione a campi elettromagnetici a radiofrequenza dia luogo ad un aumento dei tumori nell'uomo. D'altra parte, poichè la durata dell'esposizione a RF da cellulari in larghi strati di popolazione è oggi più breve del periodo d'induzione di alcuni tumori, sono necessari altri studi per valutare se esposizioni di durata maggiore (ben oltre i 10 anni) possano implicare un rischio cancerogeno.

Riguardo le stazioni radio base e le varie tecnologie di comunicazione Wireless (tra cui le WLAN), l'OMS ha pubblicato un promemoria nel 2006 (n. 304), in cui si legge che "ad oggi l'unico effetto sanitario acuto dei campi a radiofrequenza identificato nelle rassegne critiche della letteratura scientifica è quello legato ad aumenti della temperatura ($> 1^{\circ}\text{C}$) susseguenti a esposizioni a campi molto intensi, che possono incontrarsi soltanto in alcuni ambienti industriali, ad esempio in presenza di riscaldatori a radiofrequenza. I livelli di esposizione della popolazione imputabili a stazioni radio base e reti wireless sono talmente bassi che gli aumenti di temperatura sono insignificanti e senza conseguenze per la salute umana". E ancora, "negli ultimi 15 anni, sono stati pubblicati vari studi che esaminavano una possibile relazione tra trasmettitori a radiofrequenza e cancro. Questi non hanno fornito nessuna evidenza che l'esposizione ai campi generati dai trasmettitori aumenti il rischio di cancro." (Base stations and wireless networks - WHO International EMF Project Fact Sheet N° 304, May 2006).

Infine l'altra fonte di un recente dibattito riguarda l'esposizione alla radiazione elettromagnetica a radiofrequenza da parte dei bambini. Una risposta scientifica in tal senso arriva da un dettagliato rapporto pubblicato in Germania dal centro di ricerche Jülich, dall'Istituto di Neuroscienze e Medicina e da "Ethics in the Neurosciences", redatto sulla base di un review della letteratura scientifica disponibile al momento.

Per quanto riguarda in primo luogo la dosimetria, gli esperti segnalano che, per bambini di età inferiore agli otto anni, non emergono conferme a sostegno dell'ipotesi che, a parità di esposizione, il SAR (si veda la definizione nel paragrafo seguente) a livello di testa nel bambino sia più elevato che nell'adulto. Nel caso di esposizione a corpo intero di bambini aventi una età inferiore a otto anni, esiste la possibilità che per specifiche bande di frequenza (100 MHz e 1.8 GHz) i livelli di riferimento riportati nelle Linee Guida ICNIRP non siano sufficienti a garantire il non superamento delle restrizioni di base (vedere a tal proposito la sezione normativa). Tuttavia nella vita reale i livelli di esposizione sono largamente inferiori ai valori limite indicati da ICNIRP.

Misura dell'energia elettromagnetica assorbita dall'uomo a seguito dell'irraggiamento da campi elettromagnetici

Dosimetria e parametri di misura

La dosimetria è la disciplina che si occupa di quantificare l'energia assorbita da un sistema biologico in seguito all'irraggiamento da campi elettromagnetici. Data la complessità dei fenomeni in gioco, non è semplice correlare direttamente la dose di energia EM impartita con l'eventuale effetto indotto (termico e non termico). Per questo viene considerato un parametro appositamente definito: il SAR (Specific Absorption Rate), che rappresenta la potenza assorbita per unità di massa ed è espresso in Watt/kg. Nel caso di terminali radiomobili, l'utente si trova in prossimità della sorgente (antenna), in questo caso l'assorbimento di energia è localizzato (testa o parti del corpo). Questo particolare tipo di interazione tra sorgente e soggetto rende particolarmente complesso lo studio del fenomeno elettromagnetico.

Le tecniche di misura

Per calcolare i valori di SAR occorre conoscere la distribuzione, punto per punto, del campo elettromagnetico all'interno del sistema osservato. Nel caso di esseri viventi la misura diretta dei valori del campo EM è un'operazione praticamente impossibile da effettuare, per cui è necessario ricorrere a tecniche di misura indiretta e a simulazioni al calcolatore per la stima delle grandezze di interesse. La valutazione della distribuzione del SAR nei soggetti esposti, in diverse condizioni di irraggiamento, viene effettuata per via sperimentale e/o per via teorica; i due diversi approcci vengono spesso utilizzati congiuntamente per condurre analisi in parallelo.

I metodi di misura sperimentali

La dosimetria sperimentale consiste nell'analisi in laboratorio della distribuzione di SAR in cavie animali (in vivo) o in fantocci che simulano animali, parti del corpo o l'intero corpo umano (in vitro). I fantocci vengono realizzati con tessuti artificiali aventi le stesse caratteristiche elettriche dei tessuti reali e possono essere antropomorfi e non antropomorfi, omogenei, se l'involucro viene riempito con un unico tessuto sintetico, o non omogenei, se vengono realizzati con diversi strati.

Le misure dell'energia elettromagnetica assorbita (SAR) all'interno del tessuto biologico o del fantoccio che lo rappresenta, viene effettuata mediante l'uso di opportuni sensori.

Le misure del SAR relativo all'uso di terminali mobili rientra anche esso nell'ambito della dosimetria sperimentale; in questo caso gli Standard tecnici di misura Internazionali (per esempio lo Standard IEC 62209-1), descrivono in maniera dettagliata la strumentazione, la procedura di misura e come determinare l'incertezza associata alla misura stessa. In questo contesto normalmente vengono impiegati fantocchi antropomorfi omogenei. Telecom Italia, consapevole della fondamentale importanza di testare i terminali mobili brandizzati TIM e di eseguire prove di conformità in accordo con lo Standard IEC 62209-1 e con lo Standard IEEE 1528-2003, si avvale delle avanzate infrastrutture di un proprio laboratorio interno, il laboratorio SAR, che a partire dagli anni esegue le misure di conformità ai limiti di base sul SAR, relativamente al caso di telefoni cellulari accostati all'orecchio dell'utilizzatore.

Sebbene questa tipologia di prove oggi venga svolta direttamente dai costruttori, Telecom Italia continua a voler effettuare internamente questa attività di testing, grazie a proprie strumentazioni di laboratorio e a competenze di eccellenza di un gruppo di ricercatori.

I laboratori di Telecom Italia non conducono né commissionano esperimenti sugli animali.

I metodi di misura teorici

I metodi teorici consistono nella realizzazione, mediante complessi sistemi computazionali, di modelli che simulano il problema elettromagnetico riproducendone al calcolatore la propagazione del campo EM in condizioni quanto più possibili simili alla realtà. Fra le tecniche teoriche utilizzate per lo studio del bioelettromagnetismo, negli ultimi anni si è largamente diffuso il metodo numerico delle "Differenze Finite nel Dominio del Tempo", meglio conosciuto con l'acronimo FDTD. Lo studio dell'irraggiamento della testa durante l'uso dei telefonini viene simulato al calcolatore suddividendo il volume sotto esame in celle di forma cubica, ognuna delle quali viene riempita con diversi materiali (osso, muscolo, grasso, cervello), assegnando opportuni valori delle caratteristiche elettriche di permittività e conducibilità.

UN Global Compact 8th Principle: Business should undertake initiatives to promote greater environmental responsibility.

Code of Ethics of the Telecom Italia Group (Telecom Italia web site/Sustainability/Codes and Policies/Code of Ethics)¹⁸⁹

article 2 – Objectives and Values

Group companies:

- ...
- must use material resources responsibly, with a view to achieving sustainable growth that respects the environment and the rights of future generations;
- ...

4.2 quinquies - The environment

Telecom Italia Group companies pursue their own strategies with regard to the environment in compliance with the following principles:

- optimize the use of energy sources and natural resources;
- minimize negative environmental impacts and maximize positive ones;
- foster the spread of a culture based on a correct approach to environmental issues;
- ensure a commitment to continuously improving environmental performance;
- adopt purchasing policies that take account of environmental issues.

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References related to the 8th principle

- 2011 Telecom Italia Sustainability Report:
 - Strategy (The Environment),
 - Environmental performance (The Environment),
 - 2011 Results (Appendix/Other Stakeholders, TIM Brasil, Telecom Argentina),
 - 2012 Objectives (Appendix/Other Stakeholders, TIM Brasil, Telecom Argentina).

Strategy (The Environment/2011 Telecom Italia Sustainability Report)¹⁹⁰

The environmental strategy of the companies of the Group is founded on the following principles:

- optimising the use of energy sources and other natural resources;
- pursuing the continuous improvement of environmental performance by reducing negative impacts and increasing positive ones;
- adopting procurement policies that take environmental issues into account;
- disseminating a culture that promotes a correct approach to environmental issues.

¹⁸⁹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Governance/en/codes_principles_procedures/Code_of_Ethics.pdf

¹⁹⁰ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

In order to ensure the effective and sustainable management of operational processes characterised by particular environmental impacts, Telecom Italia has equipped itself with an Environmental Management System (*Sistema di Gestione Ambientale* - SGA) which is ISO 14001 certified.

In two call centres, this Environmental Management system has been integrated with the Safety Management System based on the OHSAS 18001 standard, both having achieved the respective certification.

Application of the procedures is verified by means of internal audits of company departments and external companies.

Environmental performance (The Environment/2011 Telecom Italia Sustainability Report)¹⁹¹

The information regarding environmental performance has been drawn from management data, some of which is estimated.

The data given below covers energy, atmospheric emissions, water, paper, waste and electromagnetic emissions.

ENERGY

Energy consumption by Telecom Italia S.p.A. and the Group is presented according to the Global Reporting Initiative's guidelines (GRI – G3 guidelines) regarding direct consumption for heating and transport (Scope1 according to the GreenHouse Gas Protocol¹⁹²) and indirect consumption for the purchase and use of electricity (Scope2).

Heating systems		Changes %		
		Telecom Italia S.p.A. 2011	2011 vs 2010	2011 vs 2009
Energy generated by heating oil	MJ	120,177,570	3.12%	6.37%
Energy generated by natural gas	MJ	437,290,915	0.25%	(36.54%)
Total energy for heating	MJ	557,468,485	0.86%	(30.49%)

Heating systems			TI Group breakdown by Business Unit (%)				
		TI Group 2011	Domestic	Brazil	Argentina	Media	Olivetti
Total energy for heating	MJ	689,155,125	87.85%	0.00%	3.71%	0.44%	8.00%

The data in the table relating to Telecom Italia S.p.A. show that, compared to 2010, consumption for heating purposes has remained substantially unchanged and that consumption has been falling significantly compared to 2009, when the large cogeneration plants came into service. Installed in a number of Data Processing Centres, these plants produce electricity and heat at the same time, resulting in a reduction in the purchase of fossil fuels used exclusively to heat working environments.

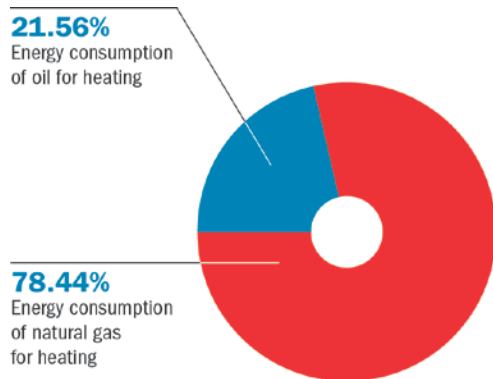
In Brazil, the climate makes it unnecessary to heat indoor premises and in Argentina heating is only required for short periods of time and primarily in the coldest areas of the country.

¹⁹¹ Please, see the following web site:

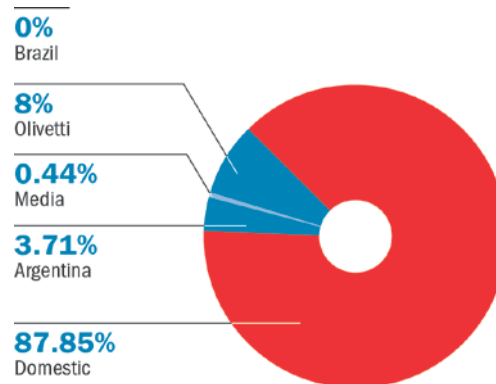
http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹⁹²The GHG Protocol (Greenhouse Gas Protocol Initiative), established in 1998 by the World Resources Institute and the World Business Council for Sustainable Development, supports business in respect of greenhouse gas emissions through calculation methods and studies aimed at promoting innovation and accountability for climate change.

ENERGY CONSUMPTION FOR HEATING (%) – TELECOM ITALIA S.p.A.



ENERGY CONSUMPTION FOR HEATING (%) – TELECOM ITALIA GROUP

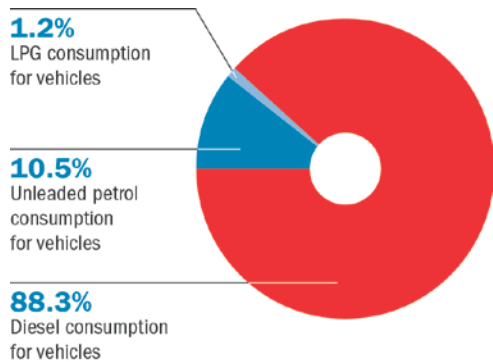


Vehicles		Changes %		
		Telecom Italia S.p.A. 2011	2011 vs 2010	2011 vs 2009
Unleaded petrol consumption	l	2,081,298	(46.02%)	(60.99%)
Diesel consumption	l	17,526,407	(2.38%)	(0.86%)
LPG consumption	l	238,606	(*)	(*)
Total energy for transport(**)	MJ	699,138,479	(8.53%)	(12.84%)

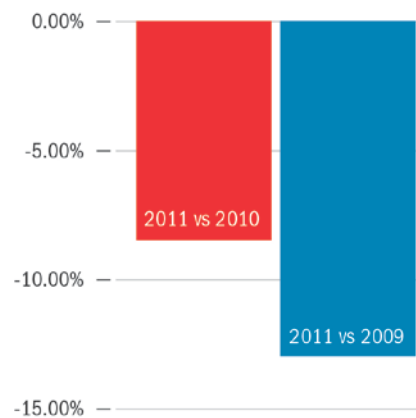
(*) The amount of LPG used in 2009 and 2010 was negligible and was not recorded.

(**) Represents conversion into Megajoules of the consumption of unleaded petrol, diesel and LPG expressed in litres.

FOSSIL FUELS FOR VEHICLES TELECOM ITALIA S.p.A.



ENERGY CONSUMPTION FOR VEHICLES TELECOM ITALIA S.p.A.



Number of vehicles and distance travelled		Telecom Italia S.p.A. 2011	Changes %	
			2011 vs 2010	2011 vs 2009
Total number of company vehicles	no.	19,243	(3.33%)	(8.66%)
Number of low-emission vehicles(†)	no.	18,968	(3.34%)	(8.75%)
Total distance travelled	Km	306,714,162	(4.16%)	(0.64%)

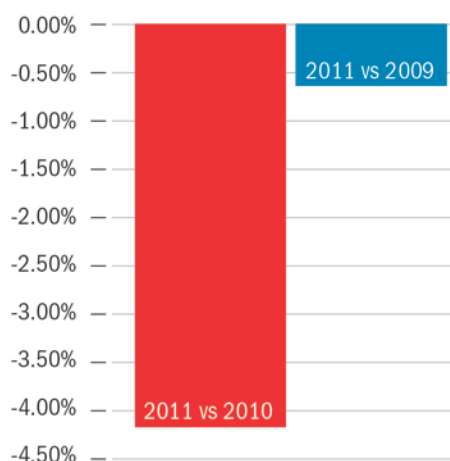
(†)Euro4 or higher standard vehicles fuelled by unleaded petrol, diesel and LPG, electric vehicles or vehicles running on other fuels with comparable or lower emissions.

At Telecom Italia S.p.A., the significant containment of energy consumption for transport is due partly to the reduction in the distance travelled and partly to the greater efficiency achieved in managing the fleet of vehicles. Implementation of the policy to reduce and modernise the fleet with vehicles that comply with more rigorous environmental standards was slower than expected in 2011, primarily because of budgetary restrictions, and involved just 600 vehicles instead of the expected 2,500. This resulted in a failure to achieve the target for reducing CO₂ emissions by replacing vehicles (see 2010 and 2011 Results in the chapter “Strategy, Governance and Engagement” of this Communication On Progress).

Number of vehicles and distance travelled(*)		TI Group 2011	TI Group breakdown by Business Unit (%)				
			Domestic	Brazil	Argentina	Media	Olivetti
Total number of vehicles	no.	23,901	81.59%	3.30%	13.85%	0.38%	0.88%
Total energy consumed	MJ	956,252,389	74.36%	4.43%	19.01%	0.74%	1.46%
Total distance travelled	Km	386,246,821	80.60%	3.54%	14.00%	0.64%	1.22%

(*)The data shown in the tables and graphs relating to transport refer to all the Group's vehicles (industrial, commercial, used by executives/managers/sales engineers), both owned and hired. The vehicles, consumption and distance travelled of vehicles owned or in use by the sales force of TIM Brasil and Telecom Argentina have been included only where usage is significant and continuous

TOTAL DISTANCE TRAVELLED TELECOM ITALIA S.p.A.

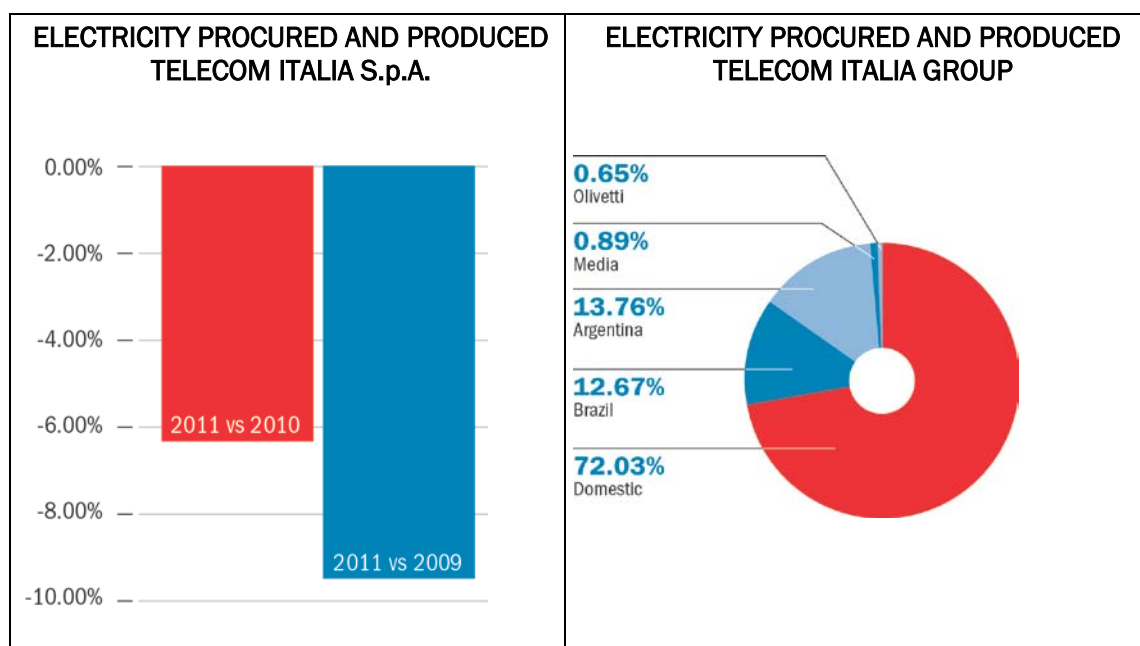


Consumption figures for electricity used to operate the telecommunication and civil/industrial plants are shown below.

Electricity procured and produced		Changes %		
		Telecom Italia S.p.A. 2011	2011 vs 2010	2011 vs 2009
Electricity from mixed sources(*)	kWh	1,896,664,295	(6.28%)	(9.40%)
Electricity from renewable sources	kWh	37,032,133	(7.91%)	(13.79%)
Total electricity	kWh	1,933,696,428	(6.31%)	(9.49%)

(*)Electricity purchased from mixed sources is equal to 1,813 GWh approximately. Self-produced electricity from mixed sources is equal to 84 GWh approximately and refers to the co-generation plants, with an associated consumption equal to 22 million m³ of methane. The production of electricity from continuous generators (not shown in the table) is estimated to be around 3 GWh.

Electricity procured and produced			TI Group breakdown by Business Unit (%)				
		TI Group 2011	Domestic	Brazil	Argentina	Media	Olivetti
Total electricity	kWh	2,743,240.667	72.03%	12.67%	13.76%	0.89%	0.65%



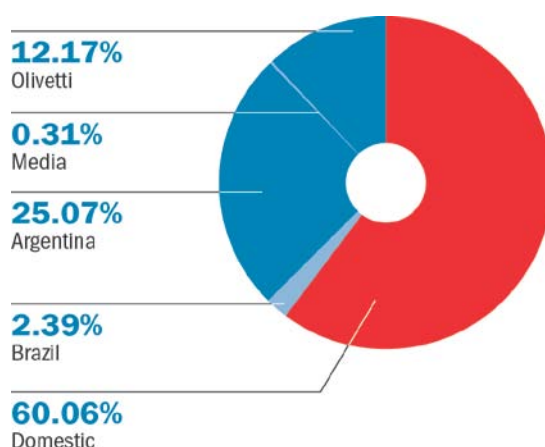
Energy saving and network efficiency improvement initiatives led to a significant reduction in overall electricity consumption of over 6%.

Water consumption		Changes %		
		Telecom Italia S.p.A. 2011	2011 vs 2010	2011 vs 2009
Consumption of water drawn from artesian wells	m ³	53,858	(20.50%)	(36.80%)
Consumption of water provided by water supply companies	m ³	4,300,000	(0.97%)	(1.61%)
Total water consumption	m³	4,353,858	(1.27%)	(2.28%)

Water consumption		TI Group 2011	TI Group breakdown by Business Unit (%)				
			Domestic	Brazil	Argentina	Media	Olivetti
Consumption of water drawn from artesian wells	m³	944,003	5.70%	0.00%	0.00%	0.01%	94.29%
Consumption of water drawn from supply companies	m³	6,528,173	67.92%	2.73%	28.70%	0.35%	0.30%
Total water consumption(*)	m³	7,472,176	60.06%	2.39%	25.07%	0.31%	12.17%

(*)The data of the Argentina BU was estimated on the basis of invoices received. The significant impact by Olivetti is due to water being drawn from artesian wells for industrial processes.

WATER CONSUMPTION (%) – TELECOM ITALIA GROUP



Paper purchased		Telecom Italia S.p.A. 2011	Changes %	
			2011 vs 2010	2011 vs 2009
Paper purchased for office use	kg	413,578	(21.92%)	(35.16%)
Paper purchased for commercial use	kg	1,551,076	(5.61%)	(23.18%)
Total paper consumption	kg	1,964,654	(9.59%)	(26.05%)

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.

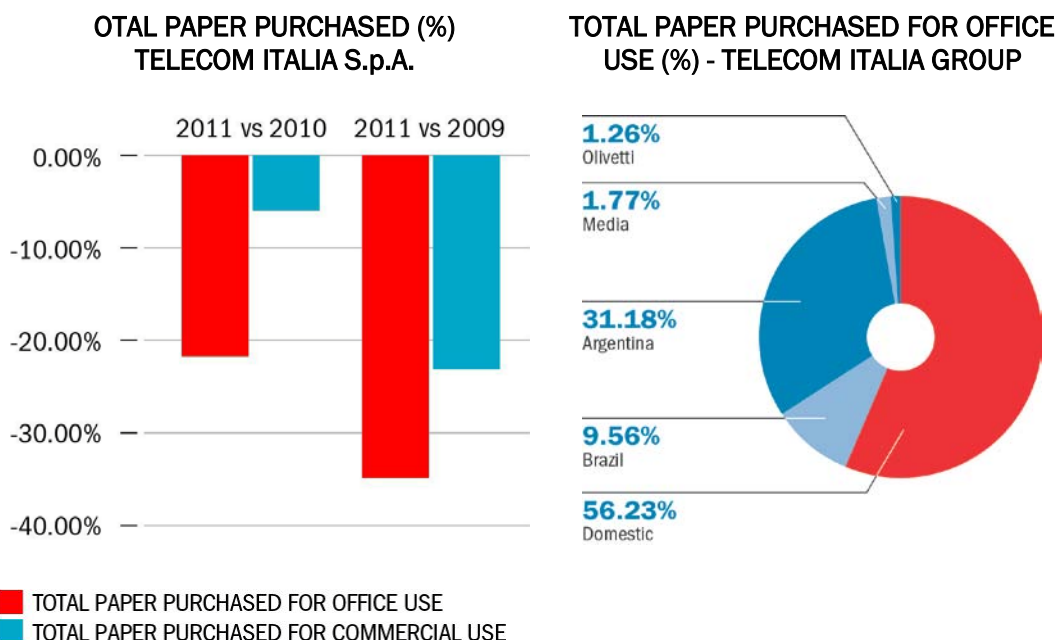
With regard to the working environment, consumption has been rationalised by the awareness-building work on rationalising use and by the “printing on demand” project which provides for the use of shared high performance printers.

As regards paper purchased for commercial use, activities continued for the purpose of achieving an overall reduction in consumption, particularly by promoting the use of electronic invoices and statements among customers. This allowed over 92 tonnes of paper to be saved, as well as reducing the production of CO₂ associated with delivery of the packages.

The collection of sorted waste in offices, organised in all the company's office premises, allowed 21,670 tons of paper to be sent for recycling during 2011.

Telecom Argentina is also focusing on e-billing, which currently covers around 5% of customers and allows the company to avoid printing and sending out around 150,000 documents for each billing cycle.

Paper for office use		TI Group breakdown by Business Unit (%)					
		TI Group 2011	Domestic	Brazil	Argentina	Media	Olivetti
Non-recycled paper purchased	kg	255,828	1.03%	2.47%	96.50%	0.00%	0.00%
Recycled paper purchased	kg	63,072	0.00%	100.00%	0.00%	0.00%	0.00%
FSC certified paper purchased	kg	473,003	93.59%	1.34%	0.00%	2.96%	2.11%
Total paper purchased for office use	kg	791,903	56.23%	9.56%	31.18%	1.77%	1.26%



The data shown in the table refer to the quantity of waste consigned¹⁹³ and recorded by law¹⁹⁴.

Waste consigned ¹		Telecom Italia S.p.A. 2011	Changes %	
			2011 vs 2010	2011 vs 2009
Hazardous waste	kg	5,747,941	6.26%	(8.30%)
Non-hazardous waste	kg	12,406,059	12.28%	7.54%
Total waste consigned	kg	18,154,000	10.30%	1.96%
Waste sent for recycling or recovery	kg	17,345,326	15.16%	7.13%
Ratio between the amount of waste recycled/recovered and the total waste	%	95.55%	4.41%	5.07%

(1) The data does not include 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 manufacturing and recovery companies, subject to the favourable opinion of the conference of State-Regions-Autonomous Provinces. In 2011, Telecom Italia decommissioned 160,861 poles weighing a total of 12,868,880 kg.

(*) By "waste consigned" is meant waste delivered to carriers for recycling or reclamation or disposal.

¹⁹⁴Slight variations compared to the situation on December 31 may occur until the following March 30, because the source of the data is the amounts which are recorded on the loading/unloading register, 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.

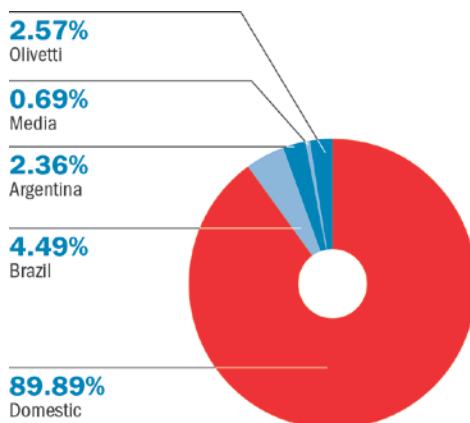
WASTE CONSIGNED FOR RECYCLE/RECOVERY – TELECOM ITALIA S.p.A.



Waste consigned			TI Group breakdown by Business Unit (%)				
		TI Group 2011	Domestic	Brazil	Argentina	Media	Olivetti
Total waste consigned(*)	kg	20,583,186	89.89%	4.49%	2.36%	0.69%	2.57%

(*) For comparison purposes among the Business Units, the data of the Telecom Argentina BU doesn't include decommissioned telephone poles (kg 16,146,750 in 2011) although these have been consigned and are not managed separately from other waste. Furthermore, the figure has not been calculated on the basis of estimated data, and only includes recorded waste.

TOTAL WASTE CONSIGNED (%) – TELECOM ITALIA GROUP



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 has improved significantly compared to the two previous years. 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. As required by the legislation, Telecom Italia and all its sales channels have

been registered as "Distributors" in the National Register of Environmental Managers and management procedures have been adapted to comply with the legislation.

In 2011, Telecom Italia reconditioned a significant number of its own equipment items (including 121,644 modems, 640 IPTV set top boxes, 35,900 fixed-line telephony products and 150,679 other material related to technical logistics). The purpose of this activity is twofold: to help reduce WEEE while at the same time generating savings an economic benefit from the non-purchase of new equipment, which more than covers the reconditioning cost of these products.

For ADSL modems (home gateway), a review has been carried out of the reconditioning and disposal processes in the event of a failure or at the end of their useful life, in order to reduce the environmental impacts of these stages but also to identify solutions that improve the choice of materials and the methods for disassembling future products. Part of this analysis has already been used to build the new Telecom Italia Wi-Fi N modem, which inaugurated the new range of "green" products in 2011.

An awareness-building campaign is taking place at Telecom Argentina urging customers to deliver their used mobile phone batteries to retail outlets. An agreement with a specialised company allows the lithium, cobalt and nickel contained in the batteries to be recovered and re-introduced as materials in the production cycle under conditions that are completely safe for the environment.

2011 Results (Appendix/2011 Telecom Italia Sustainability Report)¹⁹⁵

The 2011 Environment Results are reported in the chapter "Strategy, Governance and Engagement" (Other Stakeholders, TIM Brasil, Telecom Argentina) of this Communication On Progress.

2012 Objectives (Appendix/2011 Telecom Italia Sustainability Report)¹⁹⁶

The 2012 Environment Objectives are reported in the chapter "Strategy, Governance and Engagement" (Other Stakeholders, TIM Brasil, Telecom Argentina) of this Communication On Progress.

¹⁹⁵ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹⁹⁶ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

UN Global Compact 9th Principle: Business should encourage the development and diffusion of environmentally friendly technologies.

Code of Ethics of the Telecom Italia Group (Telecom Italia web site/Sustainability/Codes and Policies/Code of Ethics)¹⁹⁷

article 2 – Objectives and Values

Group companies:

- ...
- must use material resources responsibly, with a view to achieving sustainable growth that respects the environment and the rights of future generations;
- ...

4.2 quinquies - The environment

Telecom Italia Group companies pursue their own strategies with regard to the environment in compliance with the following principles:

- optimize the use of energy sources and natural resources;
- minimize negative environmental impacts and maximize positive ones;
- foster the spread of a culture based on a correct approach to environmental issues;
- ensure a commitment to continuously improving environmental performance;
- adopt purchasing policies that take account of environmental issues.



References related to the 9th principle:

- 2011 Telecom Italia Sustainability Report/The Environment:
 - Strategy,
 - Environmental Performance (Energy, final part),
 - Climate Change (Eco-efficiency indicator),
 - Communicating sustainability,
- Telecom Italia web site/Sustainability:
 - Solar-Wind Power Generation Project (Our Stakeholders/Environment/Case Studies),
- 2011 Telecom Italia Sustainability Report:
 - Product Responsibility (The Environment),
 - Innovative Services (Customers),
 - Research and Development (The Community),
- Telecom Italia web site/Sustainability:
 - Skil technological innovation laboratory (Our Stakeholders/Focus on Customers/Innovating for Customers and the Environment/innovative Services),
 - Pay-as-you-go Cloud storage for companies (Our Stakeholders/Focus on Customers/Innovating for Customers and the Environment/innovative Services),
- 2011 Telecom Italia Sustainability Report:
 - 2011 Results (Appendix/Other Stakeholders, TIM Brasil, Telecom Argentina),
 - 2012 Objectives (Appendix/Other Stakeholders, TIM Brasil, Telecom Argentina).

¹⁹⁷ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Governance/en/codes_principles_procedures/Code_of_Ethics.pdf

Strategy (The Environment/2011 Telecom Italia Sustainability Report)¹⁹⁸

The environmental strategy of the companies of the Group is founded on the following principles:

- optimising the use of energy sources and other natural resources;
- pursuing the continuous improvement of environmental performance by reducing negative impacts and increasing positive ones;
- adopting procurement policies that take environmental issues into account;
- disseminating a culture that promotes a correct approach to environmental issues.

In order to ensure the effective and sustainable management of operational processes characterised by particular environmental impacts, Telecom Italia has equipped itself with an Environmental Management System (*Sistema di Gestione Ambientale* - SGA) which is ISO 14001 certified.

In two call centres, this Environmental Management system has been integrated with the Safety Management System based on the OHSAS 18001 standard, both having achieved the respective certification.

Application of the procedures is verified by means of internal audits of company departments and external companies.

Environmental Performance (The Environment/2011 Telecom Italia Sustainability Report)¹⁹⁹

Energy (final part)

“ENERGY EFFICIENCY INITIATIVES ALLOWED IMPORTANT SAVINGS IN ELECTRICITY CONSUMPTION”

The initiatives put in place in 2011, and aiming at energy efficiency and optimisation of consumption primarily related to:

- adoption of the most modern and efficient technological solutions for Tlc platforms and servers installed in Data Centres, including the concentration and virtualisation of machines²⁰⁰;
- introducing innovative mobile network system technologies in order to improve performance in terms of transmission capacity and allow new services to be introduced that significantly reduce energy consumption;
- rationalising and optimising air conditioning systems, particularly by segregating environments depending on their different temperature requirements, and increasing the average operating temperatures of telephone exchanges, servers and Radio Base Stations (RBSs);
- modernising of AC/DC conversion systems through the introduction of technological solutions that guarantee better performance;
- maintaining the efficiency of the fixed traditional switching network and the data networks;
- installing time switches to turn off the lighting systems;
- the targeted use of Full Free Cooling²⁰¹ technologies and other low environmental impact systems characterised by reduced energy consumption in cooling systems;
- additional use of remote metering systems based on sensor to cover around 25% of the company's energy use in 2011 (with a plan to extend remote metering to cover around 50% of consumption in 2012);

¹⁹⁸ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

¹⁹⁹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

²⁰⁰ Virtualisation makes the functions of a data processing machine available without the machine actually being present.

²⁰¹ The FFC cooling system consists of a forced ventilation system and interaction between areas of different temperature without recourse to traditional air conditioning systems and, in particular, without the use of climate altering gases. The system, which is currently applied in over 400 plants, allows a saving of over 85% to be achieved compared to traditional air conditioning solutions.

- energy efficiency audits at Telecom Italia's most important sites in terms of energy consumption and consequent adoption of improvement actions;
- sharing of technological sites thanks to co-siting agreements²⁰² leading to energy savings of around 30%.

The following initiatives were carried out in 2011 regarding the use of non-traditional or alternative and experimental new technologies:

- cogeneration/trigeneration: 5 large systems are in operation in four Data Centre sites (Rozzano, Padua, Bologna and 2 in Pomezia) and energy requirements are fulfilled by a trigeneration system (power generation, heating and cooling system) which, together with the traditional supply systems, allows energy savings estimated to be in the order 30%;
- building of small scale cogeneration plants fuelled by natural gas with an electrical output of 120 kWe. 5 additional systems have been completed at industrial sites to join the 12 systems already producing electricity and heat;
- solar/wind power systems: at 8 RBSs situated in areas characterised by favourable environmental and meteorological conditions, which were previously powered by diesel generators, a supplementary mixed wind and photovoltaic supply has been installed (3 to 6 kW wind power generator and 5 kWp photovoltaic panels). Similar work is taking place at a further 5 RBS sites and data analysis is continuing in order to identify additional suitable sites;
- building of geo-cooling²⁰³ systems at 3 medium-sized telecommunication exchanges to provide air conditioning for the equipment rooms, replacing the traditional cooling units and with a view to making wider use of the technology across the territory;
- commissioning of a further 52 energy backup systems based on hydrogen fuel cells replacing the traditional lead-acid battery systems, joining the 137 already in operation. The introduction of these systems has allowed the purchase and subsequent disposal of traditional batteries containing approximately 160 tonnes of lead to be avoided. Lifecycle assessments show a benefit to the environment in terms of around 60 tonnes of CO₂.

A number of projects were launched in 2011 to obtain energy efficiency certificates (white certificates) with a value of 270,000 TOEs (Tonnes of Oil Equivalent) saved over five years. These certificates, which can be traded on the electricity market, have a unit value of 100 Euro per TOE not used.

At Telecom Argentina, an interdisciplinary energy committee was set up that meets on a quarterly basis in order to analyse energy consumption and determine rationalisation strategies.

To this end, the methodical monitoring of consumption at each individual plant, using measurement and monitoring instruments with wireless technologies and remote sensors (Kaleidos project), and the preventive maintenance carried out to ensure that any corrective actions required can be quickly identified, are extremely important.

In the city of Rosario, the first “green contact centre” has been put into operation and is currently in progress the process of obtaining its LEED (Leadership in Energy and Environmental Design) certification. The building has been designed and built according to green building standards and includes state-of-the-art technologies in its customer contact infrastructure and equipment.

....

²⁰²These reciprocal agreements between operators are required by the Electronic Communications Code in order to promote more efficient use of network infrastructure and optimise mobile network coverage in urban and rural areas. Each operator retains ownership of their passive infrastructure (poles and masts, power and air conditioning systems and civil infrastructure) and hosts the other.

²⁰³This system uses the temperature difference between the surface and a point situated a few metres below ground in order to directly achieve natural cooling of the air in the ventilation system or of a fluid that is subsequently used via a heat exchanger.

Climate change (The Environment/2011 Telecom Italia Sustainability Report)²⁰⁴

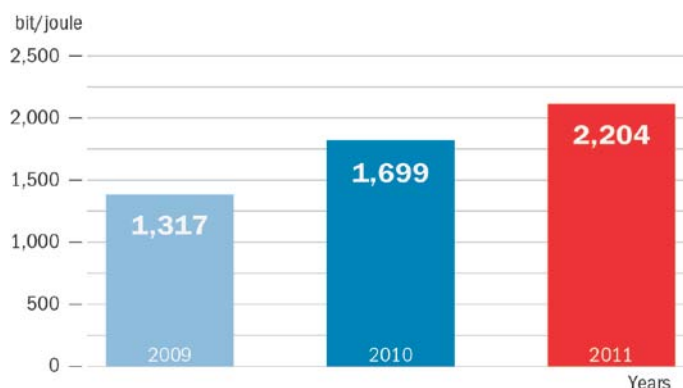
Eco-efficiency indicator

Telecom Italia S.p.A. 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 cooling equipment in exchanges), offices (lighting, air conditioning and heating) and vehicles.

The following table and chart show the values and trend of the eco-efficiency indicator over the past three years.

Eco-Efficiency		Changes %	
		2011 vs 2010	2011 vs 2009
Eco-efficiency indicator	bit/Joule	29.72%	67.35%

ECO-EFFICIENCY INDICATOR – TELECOM ITALIA S.p.A.



In 2011, the indicator value exceeded expectations and work continues with an objective of 2,450 bit/Joule being set for 2012, an increase of +11% compared to the figure for 2011.

Communicating sustainability (The Environment/2011 Telecom Italia Sustainability Report)²⁰⁵

“SUSTAINABILITY COMMUNICATION IS IMPORTANT FOR THE PROMOTION OF VIRTUOUS BEHAVIOURS INSIDE AND OUTSIDE THE COMPANY”

The debate about sustainability, and communicating the relevant action taken in this respect, have a very important role to play because they can generate a virtuous cycle, encouraging reflection and consequently facilitating a change of individual and collective behaviour. In this respect Telecom Italia carries out various communication initiatives :

²⁰⁴ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

²⁰⁵ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

- externally, for the purpose of disseminating the right approach to sustainability, in the certainty that contributing to dialogue and culture on the subject is one of the responsibilities of a large corporation in every respect;
- internally, with the aim of increasing awareness of the importance of the subject for the company, by sharing information about the sustainability model adopted and the many initiatives implemented.

In 2011, for the second year running, Telecom Italia participated as principal partner in the “Treno Verde” (Green Train) initiative run by Legambiente and Ferrovie dello Stato, the aim of which is to monitor the atmospheric and noise pollution in a number of Italian cities and make the public and local authorities more aware of environmental issues. Telecom Italia took part in the initiative by showing the public, inside a dedicated train carriage, how the ICT solutions offered by the Group can reduce CO₂ emissions and improve quality of life, and promoting the “smart city” model. The train stopped off in Siracusa, Reggio Calabria, Bari, Salerno, Pisa, Genoa, Brescia, Vicenza and Rimini, and was visited by thousands of people, as well as many local authorities and schools.

AVoiComunicare (see avoicomunicare.it) is an integrated communication project run by Telecom Italia to maintain an open discussion on topical issues, amongst which sustainability and environmental matters have always played an important part. During 2011, among other initiatives, AVoiComunicare hosted the World Food Programme “Wefeedback” campaign, thus giving space to a discussion about nuclear energy, particularly following the Fukushima disaster. AVoiComunicare includes the Carbon Meter, a simple tool developed by Telecom Italia together with PricewaterhouseCoopers, which allows people to find out how much carbon dioxide is produced by their everyday activities and discover how and by how much they can contribute to mitigating climate changes by making small changes to their behaviour. By using the Carbon Meter and answering a few questions on their lifestyle, people can calculate the CO₂ emissions produced by their activities in the following four areas: home, work, shopping and administrative formalities. The Carbon Meter allows people to understand how to make their daily behaviour more sustainable. The simulation of a virtuous path shows how much one can save in terms of emissions by making a few simple changes and using ICT solutions, such as video conferencing or broadband connections, to make purchases and perform other online operations.

The 14th CinemAmbiente Environmental Film Festival in Turin included a preview, in the presence of Michael Cimino of “itali@mbiente” (italiambiente.avoicomunicare.it) , the first crowd-film dedicated to environmental hazards in Italy and entirely produced by Internet users, which even chose the title from the 100 suggested by Internet users. Thanks to over 200 video contributions and over 1,600 minutes of “filming” received, the final version of the film was subsequently presented at the 2011 Blogfest in Riva del Garda, documenting many situations of potential environmental risk around the country, many of which turned into emergency situations in the following weeks.

On the internal communication front, in 2011 Telecom Italia launched a sustainability training plan. Based on an e-learning platform accessible via the Internet and on virtual classes providing a more in-depth analysis of specific topics, the training plan will initially be available to Italian employees and will subsequently be extended to Brazil and Argentina.

...

At Telecom Argentina too, the employees sustainability awareness-building campaign is considered essential to forming a common and responsible attitude towards issues of major interest and is implemented by making targeted information available on the intranet and in the company's magazines.

Solar-Wind Power Generation Project (Telecom Italia web site/Sustainability: Our Stakeholders/Environment/Case Studies)²⁰⁶

A total of 13 Base Stations (BS) of Telecom Italia’s mobile network which are powered using hybrid solar-wind power generation systems are being progressively put into service. Such BS’s are built in sites which

²⁰⁶ Please, see the following web site:

<http://www.telecomitalia.com/tit/en/sustainability/stakeholders/environment/case-studies.html>

exhibit favourable weather conditions in terms of exposure to solar radiation and wind presence and speed. Such sites have been identified via a comprehensive measurement campaign which has been carried on a number of potentially suitable locations using weather stations specifically designed and built in Telecom Italia's laboratories; such stations are equipped with both an anemometer and a solar radiation sensor, and carry on board a data logger for data storage and a GSM modem to transmit data to the control centre (Telecom Italia Lab, in Turin).

One of such stations (see photograph below) has been built in a place called Località Monte Spada (1,050 metres above sea level), in the province of Nuoro, Sardinia. At this site the average measured annual wind speed is 5.1 m/sec (at 10 metres above ground level) and the average measured annual solar irradiance is 4.63 kWh/square meter.

Such conditions make it possible to power the BS – whose annual power consumption is around 10,000 kWh - using a combination of a 3 kW wind turbine, that can generate up to 5,000 kWh/year, and a 7.1 kWp photovoltaic cell array, made of 42 modules, that can generate up to 7,800 kWh per year, thus delivering a total of 12,800 kWh per year. The system is also equipped with a set of backup batteries which guarantee up to 2.4 days of uninterrupted operation in case of failure of the primary power source.

[1] According to IEC 904-3 the amount of energy a solar cell generates in full sunlight is measured in kWp, or kilowatt peak.



Product responsibility (The Environment/2011 Telecom Italia Sustainability Report)²⁰⁷

To improve the product stewardship profile at the company level, products/services marketed by Telecom Italia S.p.A. are also examined under the following criteria:

- health and safety of consumers;
- labelling of products and services;
- marketing communications;
- respect for privacy;

²⁰⁷ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

- conformity with applicable regulations;
- environmental impact of the product.

Marketed products are subject to a technical test aimed at ensuring their conformity with European directives and national laws, in particular:

- the EU regulations on the protection and safety of customers in using the equipment;
- the RoHS regulation which prohibits the use of certain substances in electrical and electronic equipment;
- the WEEE regulation on the disposal of electrical and electronic products at the end of their life cycle;
- European regulations nos. 1275/2008 and 278/2009 which implement the EuP (Energy-using Products) directive for terminals and their respective external power supplies.

Development continued of the new range of "Telecom Italia Green" products launched in April 2011 with the new Wi-Fi modem for the provision of broadband services, half a million of which were sold bearing a specifically created logo.



Each product in the range is accompanied by an environmental declaration stating the improvements achieved in terms of energy efficiency and ecodesign, including, for example, the use of partly recycled materials and recourse to technical devices to improve energy efficiency. All the supporting documentation is available in the sustainability section of the telecomitalia.com website.

A further two broadband modem models were added to the range and the environmental declarations for the new Sirio Punto telephone and Cubovision multimedia box were finalised. These are expected to be marketed from the first few months of 2012 after various environmental aspects have been optimised in close cooperation with the supplier (energy consumption, choice of materials, disassembly methods, packaging).

Dialogue is continuing with the Electricity and Gas Regulator (AEEG) to formalise the application for energy efficiency certificates (white certificates) for the new generation modems. In fact these products conform to the Code of Conduct for Broadband Equipment, which allow energy savings to be made (by all suppliers) of more than 40% compared to the market average calculated for products currently on sale. On an annual basis, the energy benefit can be estimated to be around 33 kWh, corresponding to almost 40 GWh if projected on the 2011 supply volumes. For further information, make reference to: autorita.energia.it/it/docs/dc/10/044-10dco.jsp.

In the context of the Green Procurement Policy adopted by Telecom Italia to optimise procurement procedures, actions continued in 2011 to implement solutions to improve the environmental performance of products and services.

With regard to the adoption of voluntary tools for sustainability, responding to market expectations, Telecom Italia confirmed its subscription to the European Code of Conduct for Broadband Equipment, a document that establishes energy consumption targets for modems, home gateways and other domestic and access network appliances. Telecom Italia is the co-publisher of the new version 4, released at the beginning of 2011 for a period of three years, and has also played an active role in revising the Code of Conduct for Digital TV Systems (Set Top Box), which will be published at the beginning of 2012.

In defining the network architecture and the technical specifications of the equipment and passive components, work that started in 2010 to adopt criteria designed to minimise the environmental impact (e.g. consumption, bulk, noise and battery use) continued in 2011. These prerequisites are included in the Requests for Quotation (documents drawn up of the technical lines to clarify the specifications of the products to be procured) compatible with the requirements of service and costs.

Smart Services

In the context of services aimed at the public sector, in 2011 Telecom Italia continued to implement its Smart Services, a family of services intended to provide a global response to local and urban requirements for the purpose of improving quality of life. They are intended to promote the "smart cities" model through the development of innovative digital services that can improve key areas for municipalities, such as energy efficiency, environmental monitoring, security, public communication and tourism promotion.

Smart Town	Smart Building	Smart School	Smart Hospital
<p>Integrated management of local infrastructure networks.</p> <p>Enabled services:</p> <ul style="list-style-type: none"> • planning of electricity consumption and maintenance; • video surveillance; • digital communication with citizens and users in general (e.g. tourists); • Wi-Fi hot spots (broadband access); • remote management and monitoring of gas meters; • planning, management and monitoring of waste collection; • outsourcing of public lighting services provided by local authorities. 	<p>Smart management and automation of offices.</p> <p>Enabled services:</p> <ul style="list-style-type: none"> • monitoring and reduction of consumption (electricity, water, etc.), mainly for central government bodies; • video surveillance; • digital communication; • extension of the IT network (LAN) of buildings by using the electricity network via a device that connects to the power socket. 	<p>Management of school buildings.</p> <p>Enabled services:</p> <ul style="list-style-type: none"> • classroom computerisation with PCs for students connected to interactive smart boards; • extension of the building's LAN using low infrastructure impact technologies; • administrative and school management; • distance learning using web cams and microphones. Allows lessons to be attended remotely as well as recorded, filed and viewed later; • management of power consumption and monitoring of utilities in the school building. 	<p>Management of services and consumption in hospital buildings and care given to hospitalised patients. The services delivered are:</p> <ul style="list-style-type: none"> • monitoring of consumption, lighting systems, security and heating systems; • remote video calling services and Internet access for hospitalised patients; • healthcare services for nurses (video calling, video surveillance of patients and computerised management of clinical records).

The following protocols which Telecom Italia has signed with institutions for the purpose of launching research and practical field testing projects have been in force since 2010:

1. the memorandum of understanding with the Ministry of Public Administration and Innovation, the National Research Council for the creation of the Smart Services Cooperation Lab, which carries out research and development activities;
2. the memorandum of understanding with the Umbria Region, the Province of Terni, the Municipality of San Gemini for the creation of a Living Lab in order to test the smart city model in the field;
3. the memorandum of understanding for the launch of the Smart Cities Laboratory, signed with the National Association of Italian Municipalities (ANCI). Telecom Italia, as the technological partner, and ANCI as the supervisor and coordinator, will be working together with participating municipalities -

²⁰⁸ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

initially the municipalities of Piacenza and Prato - to identify innovative design solutions that can improve energy and environmental efficiency, promote local development and allow innovative services to be delivered to the community.

In 2011, Telecom Italia further strengthened its resolve in this respect, supporting a number of Italian Municipalities in their projects to create Smart Cities, in particular:

- a letter was addressed to the Municipality of Bari supporting the implementation of projects in the context of the "FP7 Energy Smart Cities 2012 - objective 8.8.1" European Call;
- a proposed protocol was submitted to the Municipality of Genoa for the joint implementation of Smart City initiatives, with particular reference to improving the energy efficiency of school buildings and digital education; this protocol has already been approved by the Municipal Council;
- cooperation has started with the Municipality of Turin for the planning of projects in the field of energy efficiency improvement and ITS - Intelligent Transport System²⁰⁹.

e-health Services

Telecom Italia is actively involved, either alone or in partnership with other companies and organisations, in devising and developing healthcare services at national, regional and local level. The services, which are directed at improving the quality and effectiveness of healthcare, with positive effects on the lives of individuals and environmental sustainability as a result of the reduction in local travel, allow doctors, nurses and patients to perform many different activities remotely.

The main applications already available or being developed include solutions for:

- the legal online storage of digital diagnostic images;
- the management of healthcare, administrative and logistical processes;
- the management and coordination of operational telephone exchanges dedicated to emergencies (118) and continuity of assistance;
- remote healthcare monitoring ("MyDoctor@Home" and "MuoviTI").

MYDoctor@Home

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 (health centres, pharmacies, doctors' surgeries 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 phone, they send the measurement automatically to the online platform.

On February 1, 2012, the service was launched for patients in the geriatrics department of the Molinette hospital (Turin) and patients being cared for at home. This service will gradually be extended to the cardiology, neurology and haematology departments and to a number of internal medical departments. The solution is also expected to be adopted by other hospitals in the Piedmont Region, which will be able to monitor up to 5,000 patients in their homes.

²⁰⁹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/Institutions/SMART%20CITIES_2011_EN.pdf

MuoviTI

This is an experimental continuous remote monitoring application for people with motor problems. It allows healthcare staff to monitor the amount of movement made by patients even outside rehabilitation times and at home after they have been discharged. The assumption is that this will allow daily doses of medicine to be adapted and the frequency of hospital visits to be reduced.

The system uses sensors worn by the patient which process the data locally and send the results to a mobile phone. The mobile phone runs algorithms that estimate movement and recognise posture and the information regarding the patient's motor status are sent to the Telecom Italia remote monitoring platform to be read remotely by authorised personnel (doctors, relations, carers, etc.).

The application is based on the SPINE framework, an open source project managed by Telecom Italia and developed in association with the academic world, particularly the University of Calabria, the University of California in Berkeley and the University of Texas in Dallas.

Energy@home

The “Energy@home” system is a prototype solution that integrates and allows communication between smart household appliances and will eventually do this for all domestic electrical systems. It uses special sockets that monitor consumption and remotely control the power supply to the connected devices.

For consumers, the system consists of a kind of dashboard, a user interface available on any device, including a tablet, PC, smartphone or television or - in a few cases - the actual user interface on the household appliance. The dashboard provides consumers with a full picture of their electricity consumption and costs and the effect of their CO₂ emissions. The dashboard also makes suggestions that help consumers identify virtuous behaviour and respond semi-automatically to market events (multi-hour electricity rates) and system events (i.e. the need to reduce consumption peaks).

This is a joint project between Telecom Italia and other partners which aims to establish the rules for an ecosystem of connected electrical appliances, a system in which “smart” household appliances will be able to manage themselves, regulating the electricity consumption of the whole house, avoiding peaks and network overloads, without compromising user comfort. At the end of 2011, an experimental phase was launched to test whether the solutions could be marketed on a large scale.

Research and Development (The Community/2011 Telecom Italia Sustainability Report)

Please, see what is reported within sub 2) “United Nations Goals and Issues” of this Communication On Progress.

Skill technological innovation laboratory (Telecom Italia website/Sustainability/Our Stakeholders/Focus on Customers/Innovating for Customers and the Environment/innovative Services)²¹⁰

The Semantics & Knowledge Innovation Lab, opened in April 2011, is part of the research hub of the regional capital of Trentino, named by the European Commission as an Italian centre of excellence for studies in the field of ICT. The purpose of the centre is to carry out advanced research and post-graduate studies in the field of semantic technologies, which allow information on the web or originating from other sources, such as the local area or environmental sensors, to be interpreted and enhanced.

The new Telecom Italia Lab is intended to provide a further boost to the research centre operating in the Autonomous Province of Trento, the only Italian facility to be a member of the ICT Knowledge Information Community (KIC) promoted by the European Institute of Innovation and Technology (EIT). Developed under the auspices of the European Commission, this project makes use of a number of communities of excellence based in a selected number of university facilities, real European centres of reference for post-graduate training, advanced research and industrial innovation in the Information Communication Technology sector.

²¹⁰ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/Skill%20technologica%20laboratory.pdf>

The aim is to achieve a strong integration between the world of research and industry in order to increase innovation capacity at European level. In particular, the Trento centre will be required to promote study and experimentation in the field of ICT, within the various subject areas identified by the EIT, including health care and quality of life, web 3.0, digital cities, smart management of energy and transport, smart spaces.

Drawing on the experience and know-how gained by Telecom Italia, the laboratory will develop a cognitive model based on semantic analysis mechanisms that allow textual and audiovisual content to be interpreted and enriched and relate them to each other so that they can be enhanced and used. The first to benefit from the results of this research will be the people and area of Trentino, which will therefore become an important focal point for experimenting the innovative service and technology.

The first applications will include that related to the weaker members of society. Social services will for example benefit from a remote smart monitoring system which, based on the analysis and interpretation of data gathered during the study, will be able to help and support elderly people without requiring them to leave their homes.

SKIL is housed in the buildings of the Trento RISE (Research, Innovation and Education System), the consortium comprised of the regional research, innovation and higher education system in the field of IT and telecommunication which has become a partner of the European Institute of Innovation and Technology (EIT).

Telecom Italia has underscored its commitment to the field of scientific development by establishing five doctorate scholarships for researchers who will be part of the Semantics & Knowledge Innovation Lab working team.

Pay-as-you-go Cloud storage for companies (Telecom Italia website/Sustainability/Our Stakeholders/Focus on Customers/Innovating for Customers and the Environment/innovative Services)²¹¹

In April 2011, Telecom Italia and EMC, a world leader in information management solutions and technologies, signed an agreement that makes an innovative "pay-as-you-go" Cloud Computing storage system available in the Italian marketplace for the first time. This new solution, which expands Telecom Italia's "Italian Cloud" offer, is both flexible and scalable, thus allowing companies to optimise their investments in IT.

Telecom Italia's Nuvola It Data Space service, based on the EMC Atmos platform, allows companies to buy the space they need to file and store their data, paying only for what they actually use, on a pay-as-you-go basis, with the option to vary the amount automatically as required.

Nuvola It Data Space allows companies to store their high security data without having to buy IT resources or dedicated space and know-how. Provided by the Telecom Italia Data Center, the service allows the data to be accessed from any PC with a broadband connection and will subsequently also be accessible on the move from a smartphone.

Access to the service is available via a web portal that allows customers to manage their data independently and keep a record of the use made of the service, even by several users within the same company. Via the portal and a dedicated toll free number, customers can also report any requests for support to the Telecom Italia Market Control Room facility that guarantees appropriate monitoring of the service delivered.

2011 Results (Appendix/2011 Telecom Italia Sustainability Report)²¹²

The 2011 Environment Results are reported in the chapter "Strategy, Governance and Engagement" (Other Stakeholders, TIM Brasil, Telecom Argentina) of this Communication On Progress.

²¹¹ Please, see the following web site:

<http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/stakeholders/customers/pay%20as%20you%20go.pdf>

²¹² Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

2012 Objectives (Appendix/2011 Telecom Italia Sustainability Report)²¹³

The 2012 Environment Objectives are reported in the chapter “Strategy, Governance and Engagement” (Other Stakeholders, TIM Brasil, Telecom Argentina) of this Communication On Progress.

²¹³ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

Anti-Corruption Implementation

Criterion 17: Robust *commitments, strategies or policies* in the area of anti-corruption.

Criterion 18: Effective *management systems* to integrate the anti-corruption principle.

Criterion 19: Effective *monitoring and evaluation mechanisms* for the integration of anti-corruption.

Criterion 20: Key *outcomes* of integration of the anti-corruption principle.

UN Global Compact 10th Principle: Business should work against all forms of corruption, including extortion and bribery.

Code of Ethics of the Telecom Italia Group (Telecom Italia web site/Sustainability/Codes and Policies/Code of Ethics)²¹⁴

Article 1 – Premise

...

- As persons to whom this Code is directed, the governing bodies of all Group companies, their managements and all those who work for them, as well as collaborators and third parties in business relationships with the Group, are required to observe this Code within the scope of their respective powers, functions and responsibilities.

Article 2 – Objectives and Values

...

Group companies:

- must be committed, as active and responsible members of the community, to observing and ensuring the observance of the laws in force in the countries in which they operate and the ethical principles commonly accepted according to international standards in the conduct of business: transparency, correctness and fairness;
- must reject and stigmatize recourse to illegal and improper conduct (vis-à-vis the community, public authorities, customers, workers, investors, suppliers and competitors) in order to achieve their business objectives, which they must pursue exclusively through the excellence of their products and services in terms of quality and cost-effectiveness, based on experience, customer care and innovation;
- must adopt organizational solutions serving to prevent violations of the law and the principles of transparency, correctness and fairness by their employees and collaborators and take steps to ensure they are applied and complied with in practice;
- must ensure, while safeguarding the competitive strengths of their businesses, that the market, investors and the public are fully informed about their actions;
- must make every effort to promote fair competition, which they believe to be in their own interest and in that of all the other firms operating in the market, their customers and their stakeholders;

²¹⁴ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Governance/en/codes_principles_procedures/Code_of_Ethics.pdf

- must pursue excellence and competition in the market and provide their customers with high quality products and services that meet their needs efficiently;
- must be aware of the strategic importance of the services they provide for the wellbeing and growth of the communities in which they operate;
- ...

Article 3 – Internal Control System

- An efficient and effective internal control system is a necessary condition for the conduct of business to conform with the rules and principles of this Code. In this context the internal control system is a process - made up of rules, procedures and organizational structures – designed to ensure: a) the efficiency of the management of corporate affairs and operations; b) the measurability and verifiability of this efficiency, including by means of the traceability of acts and operations; c) the reliability of accounting and management data; d) compliance with all applicable laws and regulations whatever their origin, and the safeguarding of the Company's assets, *inter alia* so as to prevent fraud at the expense of Telecom Italia Group companies and the financial market. All the persons to whom the Code is directed are therefore required to help ensure the system works properly.
- Especially important aspects of the internal control system are the correct specification of duties and responsibilities, with a consistent allocation of operational powers, and the reliability of accounting and management data.
- The collection, storage, processing, presentation and dissemination of accounting and management data according to the methods and time limits established by applicable laws and regulations and corporate operational procedures must be a priority objective for Group companies. Primary responsibility for the pursuit of this objective – which requires the cooperation of all the persons to whom the Code is directed – shall lie with the Chief Executive Officer, the Chief Financial Officer and the persons responsible for the preparation of the financial reports and operational control in each Group company.

....

Article 6 – Conduct of the Persons to whom the Code is directed

- The conduct and business relationships of the governing bodies of all Group companies, their managements and all those who work for them must be based on compliance with applicable laws and regulations, this Code and company procedures.
- The persons to whom the Code is directed may not:
 - the behaviour and activities, on the part of any recipient of the Code (therein including the senior management of the Parent Company and/or of the individual Group companies), that may be even abstractly of an illicit nature, even though it may be advantageous for the Group and/or realized exclusively in the interest or for the advantage of the individual Company or of the Group;
 - pursue their personal interest or the interest of third parties to the detriment of the interest of the company they work for;
 - improperly exploit, for personal interest or the interest of third parties, the name or reputation of the company they work for or of the Group or any information they acquire or business opportunities they learn of in the performance of their functions;
 - use company assets for purposes other than those for which they are intended.
- The persons to whom the Code is directed must refrain from activities (whether paid or not) and conduct incompatible with the obligations deriving from their relationship with the company they work for.
- Employees (collaborators) of Group companies are required to report any potential, direct or indirect, conflict of interest with respect to the company they work for to their immediate superiors (contact persons); reports must also be made in doubtful cases.
- The persons to whom the Code is directed must ensure the confidentiality of any information they acquire in performing their functions, in compliance with the rules set out in the internal procedure on the classification and management of information in terms of confidentiality. The handling of confidential information, with special reference to price sensitive information, must also be governed – in accordance with applicable laws and regulations – by the relevant internal procedures.

Article 7 – Compliance with the Code

- Group companies are committed to adopting the procedures, rules and instructions serving to ensure that the values embodied in the Code are reflected in the conduct of each company and in that of its employees and collaborators, with provision made, where appropriate and in accordance with applicable laws and regulations, for a system of sanctions for violations.
- Employees, collaborators, consultants and third parties having business relations with the Group must promptly inform the person in charge of internal control at the company they work for, directly or via their immediate superior, in the manner laid down in the relevant internal procedures and not using anonymous reports, of any:
 - violation or inducement to violate applicable laws and regulations, this Code or internal procedures;
 - irregularity or negligence in keeping accounting records, preserving the related documentation or fulfilling obligations with regard to financial or internal management reports;
 - requests for clarification regarding the assessment of the correctness of their own or others' conduct and any shortcomings in the Code or proposals for amendments or additions.
- The person in charge of internal control must verify any such reports to establish the facts and take appropriate action, including proposals to punish the culprits where this is provided for and in accordance with the procedures laid down in applicable laws and regulations, collective bargaining agreements or contracts.
- Persons who make a report in good faith must not suffer any adverse consequences. Their names must be kept confidential in accordance with the relevant internal procedures, except as provided for by law.
- The Committee for Internal Control and Corporate Governance and the Board of Statutory Auditors must be promptly informed of the reports received by the persons in charge of internal control and the consequent action taken.

Article 8 – Monitoring and Revision of the Code

The Code must be reviewed annually and revised as necessary by Telecom Italia's Board of Directors in the light of the recommendations of the Committee for Internal Control and Corporate Governance and after hearing the opinion of the Board of Statutory Auditors, which may also submit proposals to the Board of Directors.



References related to the 10th principle

- 2011 Telecom Italia Sustainability Report:
 - References and Governance (Introduction),
 - Risk Management (Shareholders),
 - Corporate Governance (Shareholders);
 - Reports to the Manager Responsible for the Internal Controls in Telecom Italia (Human Resources),
- 2011 Telecom Italia Annual Report:
 - Report of the Board of Statutory Auditors to the shareholders' meeting of Telecom Italia S.p.A. pursuant to article 153 of legislative decree 58/1998.

References and Governance (Introduction/2011 Telecom Italia Sustainability Report)²¹⁵

The Group's Corporate Governance system is founded on the central role of the Board of Directors and the independent administrators, the transparency of management decisions, the effectiveness of the Internal Control System and on the strict regulations on potential conflicts of interest. The Internal Control System

²¹⁵ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

includes the Organisational Model pursuant to Legislative Decree No. 231 of June 8, 2001, aimed at preventing offences such as corruption, extortion and corporate offences. Sustainability issues are subject to the supervision of the Committee for Internal Control and Corporate Governance, which performs guidance and control of sustainability activities in general, including projects conducted by the Telecom Italia Foundation, to ensure they are consistent with the Group's ethical values.

Risk Management (Shareholders/2011 Telecom Italia Sustainability Report)²¹⁶

In order to ensure a global approach to risk management, the Telecom Italia Group has adopted a process inspired by the Enterprise Risk Management (ERM) Framework²¹⁷. This is a corporate risk governance tool used to identify, assess and manage risks.

At the heart of the system is the Group Risk Management Committee which is chaired and coordinated by the head of the "Administration, Finance and Control & International Development" department and is made up of:

- the Managing Director Domestic or Director President TIM Brasil or Chief Executive Telecom Argentina or Vice President and Managing Director Telecom Italia Media, depending on the matters being dealt with;
- the heads of the Legal Affairs, Human Resources and Organization, Supply Chain & Real Estate, Security departments;
- the Group Compliance Officer;
- the head of the Risk Management department within Administration, Finance and Control & International Development.

The head of the Risk Management department coordinates the Committee. Heads of other departments are involved depending on the specific matters being dealt with.

The Committee meets every three months (or when specifically required) and is intended to govern the Group risk management process based on the ERM approach, which is designed to ensure the operational continuity of the company's business. This approach involves:

- an assessment of the risk profile by management, covering both business processes and strategic objectives;
- risk mapping with a specific focus on the ones deemed to be most significant;
- the establishment of inter-departmental working group defined by the Risk Management Committee for the implementation of dedicated mitigation action plans and control Key Risk Indicators.

The process is updated on an annual basis (or more frequently) at the discretion of the Risk Management Committee. During 2011:

- the stages required by the ERM 2010 cycle were completed, creating a more mature risk management process, defining action plans for the main risks and monitoring these using a quarterly risk dashboard;
- the 2011 ERM cycle was launched;
- the Group's 2011 corporate risk profile was defined (excluding Telecom Argentina) which involved completing the analysis phase and part of the evaluation phase (risk assessment and allocation). The subsequent phases are expected to be completed during 2012;
- in September, the Group Risk Management Committee approved the updated version of the "Telecom Italia Group Risk Management Guidelines" and the "Enterprise Risk Management in the Telecom Italia Group" organisational procedure, which are intended to provide Group companies with a reference tool for day-to-day risk management activities and to regulate the ERM process.

²¹⁶Please, see the following web site, related to the 2011 Telecom Italia Group Sustainability Report:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

²¹⁷Enterprise Risk Management, 2004 by the Committee of Sponsoring Organizations of the Treadway Commission.

Internal control and corporate governance committee*

“THE INTERNAL CONTROL AND CORPORATE GOVERNANCE COMMITTEE
OVERSEES CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES”

The Committee for internal control and corporate governance, present in the governance structure of the Company since 2000, has the following consultative and advisory functions. The Committee:

- assists the Board and, upon request, the Managing Directors in performing their duties related to the Company's internal control system;
- evaluates the work plan prepared by the internal control manager, who sends its periodic reports (on a quarterly basis, with updates each time with respect to the most significant results of the activities performed) to the Committee;
- assesses, together with the Company heads of administration and the executive in charge of preparing the company's accounting reports, having consulted the Statutory Auditor, the correct application of accounting principles and their consistent application within the Group for the purpose of preparing consolidated financial statements;
- evaluates the work plan submitted for review and the results described in the report and any letter of suggestion from the Statutory Auditor;
- reports to the Board on its activities at each following Board meeting, and on the adequacy of the internal control system upon approval of the annual financial statements and half-yearly report.

The Committee also,

- keeps a watch on the effectiveness of the statutory auditing process, on compliance with the procedure for carrying out transactions with related parties, and on the observance and periodic updating of the corporate governance rules;
- expresses its opinion on the appointment, revocation and conferment of powers to the internal control manager and the executive in charge of preparing company's accounting documents;
- defines the procedure and timing of the “board performance evaluation”;
- performs other duties assigned to it from time to time by the Board of Directors.

In particular the Board at its meeting following the Shareholders' Meeting of April 13, 2011 assigned to the Internal Control and Corporate Governance Committee the function of high-level supervision in the matter of corporate social responsibility.

The composition of the Committee, as well as information on its activities in 2011, can be found in the full text of the Report.

*...the process of bringing the internal Company rules into line with the amendments to the Self-Regulatory Code of Borsa Italiana, introduced on December 5, 2011, is in progress.

Director in charge of the internal control system

The Board of Directors at its meeting on April 13, 2011 conferred the proxy in respect of functionality of the internal control system on the Vice Chairman, who - according to the same logic as inspired the amendments made to the Self-Regulatory Code of Borsa Italiana in December 2011 - exercises it in terms of representing the Board of Directors in its entirety by means of this proxy.

²¹⁸Please, see the following web site, related to the 2011 Telecom Italia Group Sustainability Report:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

²¹⁹Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Governance/en/Self_regulatory_code_23.03.09.pdf

The institution and maintenance of the internal control system are assigned to the Executive directors, each with respect to the area delegated to him, and to the Executive in charge of drawing up the Company's accounting documents for this field of competence, so as to ensure the overall adequacy of the system and its practical functionality, in a risk-based perspective, which is also taken into account in determining the agenda for the Board's proceedings.

Manager responsible for internal control

In accordance with the Company's Self-regulatory Code (which is currently being updated in the light of the amendments to the Borsa Italiana code introduced in December 2011), in the exercise of its responsibility for the internal control system the Board makes use not only of the Committee for internal control and corporate governance, but also of a Manager who is given an adequate level of independence and suitable means for performing his function. The Manager is responsible for supporting the management and control boards in assessing the adequacy and effectiveness of the control system, and consequently for proposing corrective measures in case of irregularities, deficiencies and malfunctions.

In particular the Internal Control Manager:

- reports on his work to the Director delegated for this purpose, to the Committee for Internal Control and Corporate Governance and to the Board of Auditors. In particular, he reports on how risk is managed, as well as on compliance with established plans for risk containment, and expresses his assessment on the suitability of the internal control system for achieving an acceptable overall risk profile;
- he carries out checks, including at the request of the executive responsible for preparing the Company accounting documents;
- he has a role in ensuring respect for the principles and values expressed in the Code of Conduct and Ethics, by handling reports from employees, collaborators, consultants, employers and third parties in business relationships with the Group on violations of laws or regulations, of the Code itself, and of internal procedures, as well as irregularities or negligence (including accounting), and promoting the most appropriate resulting initiatives, including the proposal to impose sanctions.

Further information on contents, procedures and activities concerning the manager responsible for internal control can be found in the full text of the Report, as well as the description of the merger of Telecom Italia Audit & Compliance Services S.c. a r.l. into Telecom Italia S.p.A..

Organizational model pursuant to Legislative Decree 231/2001

“THE ORGANIZATIONAL MODEL 231 IS AIMED AT PREVENTING OFFENCES THAT CAN RESULT IN LIABILITY FOR THE COMPANY”

The internal control system is complemented by the so-called "Organizational Model 231", i.e. a model of organization and management adopted pursuant to Legislative Decree No. 231/2001, aimed at preventing offences that can result in liability for the Company. This Organizational Model is comprised of:

- the Code of Conduct and Ethics 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" tools to provide a guarantee with regard to the objectives of efficiency and operational effectiveness, reliability of financial and management information, compliance with laws and regulations, safeguarding of assets against possible fraud;
- the "principles of conduct", which consist of specific rules for relations with representatives of public administration and for all fulfilments and activities of a corporate nature, and
- the "internal control checklists" that describe business processes at risk of crime, any crimes committed in relation to them, the preventive control activities aimed at avoiding the related risks.

The internal control schemes have been compiled in accordance with the following basic principles: (i) the separation of roles in undertaking the principal activities involved in business processes; (ii) the traceability of decisions, to allow for identification of specific points of responsibility and the motivations for the decisions themselves; and (iii) the objectification of the decision-making processes, so that decisions are

not to be purely subjective considerations, but based on pre-established criteria.

The Organizational Model is a dynamic instrument, which affects the corporate operation, which in turn must be constantly checked and updated in the light of feedback, as well as the evolution of the regulatory framework. During 2011, it was therefore subject to updating and refinement; in particular, an internal control checklist was introduced aimed at preventing the "risk 231" resulting from the inclusion of environmental crimes in the category of offences relevant for the purposes of Organizational Model 231.

The amendments were drafted by a managerial committee called Steering Committee 231, and prepared by the Supervisory Board. The latter (supported in its activities by appropriate offices) oversees the operation and observance of the Organizational Model and reports on it to the Board, to the internal control and corporate governance Committee and the Board of Auditors.

About the composition of the Supervisory Board please refer to the full text of the Report that includes information about the following topics:

- Appointment of statutory auditors
- Executive responsible for preparing the corporate accounting documents
- Risk management and internal control system relating to the financial reporting process
- Interests of Directors and transactions with related parties.

Reports to the manager responsible for internal control in Telecom Italia (Human Resources/2011 Telecom Italia Sustainability Report)²²⁰

Pursuant to article 7 of the Code of Ethics and Conduct, the "Whistleblowing Procedure", published on the intranet and updated during 2010²²¹, is applicable to all Telecom Italia Group companies. Administered by the manager responsible for internal control in Telecom Italia, this procedure ensures the receipt, analysis and handling of reports on matters concerning the internal control system, company information, fraud and other matters (violations of the Code of Ethics, mobbing practices, theft, security etc.). Reports may be submitted in any form (in hard copy, electronically, by fax, etc.) by employees (including top management), associates, consultants, freelance workers, as well as third parties who have business relations with the Group. Each report is analysed and the outcomes of the proceedings are conveyed to the top management of the company, to the statutory control bodies and to the company departments concerned, ensuring complete confidentiality for the individuals making the reports.

Report of the Board of Statutory Auditors to the shareholders' meeting of Telecom Italia S.p.A. pursuant to article 153 of legislative decree 58/1998 (2011 Telecom Italia Annual Report)²²²

- ...
13. The internal control system is a set of rules, procedures and organizational structures that, through a process of identifying, measuring, managing and monitoring the principal risks, allows the sound, fair and consistent operation of the company in line with the pre-established objectives.

....

The oversight role of the internal control manager is directed towards expressing an assessment in terms of reasonable certainty about the capacity of the internal control system to impact on the actual achievement of the objectives assigned to individual company structures (effectiveness profile), taking account of the rational use of resources for their realization (efficiency profile) in the

²²⁰Please, see the following web site, related to the 2011 Telecom Italia Group Sustainability Report (chapter: Human Resources: Listening activities and projects/Reports to the manager responsible for internal control in Telecom Italia):

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

²²¹Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Governance/en/codes_principles_procedures/Procedura_gestione_segnaiazioni_ENG.pdf

²²²Please, see the following web site (page 445 and the "Section Two"/page 452):

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/investors/Annual_Reports/2011/TelecomItaliaGroupAnnualReport2011.pdf

light of the (qualitative/quantitative) risk factors present and the probability of their affecting the achievement of those objectives.

For the purposes of an overall assessment of the internal control system, the Manager takes as a methodological reference for his interventions the following components of the CoSo Report²²³:

- “Control environment” and “Information and Communication”, which have a significant impact on, inter alia, oversight of the compliance and auditing methodologies, dissemination of the control culture and consolidation of the ethical values of the business;
- “Risk assessment” and “Control activities”, which require a process of identifying and managing audit projects, as well as oversight of the compliance of processes and business operations with applicable laws and internal procedures of reference;
- “Monitoring”, which requires the continuous performance of activities to control the business areas at the greatest risk, aimed at determining the effective overcoming of the weaknesses reported.

The Board of Auditors closely supervised the internal control system adopted by the Company and the Group, evaluating its adequacy, also through periodic meetings with the Manager responsible for internal control and with the audit and compliance structures, the statutory auditor, interviews with management and with the head of Enterprise Risk Management, joint meetings or attendance at meetings of the Committee for Internal Control and Corporate Governance and by acquiring documentation.

Up until 31 December 2011 the role of internal control manager was assigned to Telecom Italia Audit & Compliance Services S.c.a r.l., represented by its Vice Chairman (ex Chairman) and General Manager, Federico Maurizio d’Andrea.

In August the Boards of Directors of Telecom Italia and Telecom Italia Audit & Compliance Services approved a plan for merger by incorporation of the latter into the former, in accordance with the policy of reviewing the control governance structures of the Group, which concentrates activities and expertise in the matter of internal controls in the Parent company. The process of incorporation of Telecom Italia Audit & Compliance Services concluded with the drafting of the deed of merger in December 2011 and the incorporation consequently took effect from 1 January 2012.

In its meeting on 1 December 2011, given this process of integration, and in substantial continuity with the pre-existing situation, the Board of Directors of Telecom Italia assigned the role of internal control manager to Mr. D’Andrea, as Manager of the Audit Division of the Company. Favourable opinions were expressed on this choice by the Board of Auditors and the Committee for Internal Control and Corporate Governance.

The Board of Auditors has monitored the activities of the internal control manager, noting a positive evolution (in the various contexts) of the elements that make up the internal control system, and the fact that most of the improvements identified have been implemented by the management within the timescales specified. In general, audits have found that the principal improvement processes have regarded projects on network quality, further strengthening the security of the systems and network, commercial processes and oversight of subsidiary companies. In addition the audits have triggered improvements in the Group procedures system. In this context the Board of Auditors has also noted the overall assessment of the internal control system expressed by the internal control manager, which is reported in full below: “With reference to the specific operational contexts analysed, and considering the system weaknesses of various intensity identified by the audits on the one hand, and the regular (and practically integral) implementation of the defined improvement actions on the other, I believe that the current internal control system, as a whole, has reduced risk profiles to a level that is physiologically acceptable for the correct functioning of the processes.

As part of the aforementioned activity to monitor the adequacy of the internal control system, the Board of Auditors has also arranged a series of specific and in-depth meetings with the manager of the audit department Brazilian subsidiary TIM Participações S.A.; moreover, again in the context of

²²³ Control model developed by the Committee of Sponsoring Organisations (CoSO) of the Treadway Commission.

monitoring the internal control system, the Board of Auditors has met with the Chairmen of the Boards of Auditors of the principal Italian subsidiaries and the Chairman of the Board of Auditors has met the Chairman of the Conselho Fiscal of Tim Participações, and the Chairman of the Comité de Auditoria of Telecom Argentina.

....



Section Two

In last year's Report to the Meeting of the Shareholders of Telecom Italia S.p.A. (the "2010 Report"), the Board of Auditors dedicated a special section to reporting the specific supervision and monitoring activities it carried out in relation to the project known as the Greenfield Project, which was a structured internal analysis undertaken by the top management of Telecom Italia with reference to some allegedly unlawful acts committed to the detriment of the Company and the Group in previous years, which involved four separate project streams (Telecom Italia Sparkle, Security, irregular registration of SIM cards, anomalous sales of products or services), and to expressing its views of the results of this Project.

Also referring to the 2010 Report on this matter, an update on the new events that have occurred and on the activities undertaken by the Control Body during 2011 for each topic of investigation is provided below, generally focused on the monitoring of interventions and improvements made to the internal control system and on checking any elements that support the institution of liability proceedings against the executive directors holding office at that time.

It should be noted that in carrying out its activities, the Board of Auditors obtained the legal advice of Professor Paolo Montalenti, for the civil law aspects, and Professor Alberto Alessandri, for the criminal law aspects.

1 The Sparkle case

The Board of Auditors continued to monitor the developments of this case which involved subsidiary Telecom Italia Sparkle S.p.A and the related criminal proceedings.

On this matter, taking account of the status of the latter proceedings and of the fact that no new elements have emerged that might change the assessments formulated in the 2010 Report, the Control Body confirms that, at present, no opinion has been expressed regarding any possible liability proceedings against the executive directors of Telecom Italia who held office at the time.

The Board of Auditors will continue to monitor the developments in this case very closely; in particular, it will ensure that the legal period within which such proceedings may be started (which ends on 3 December 2012) does not expire without having specifically assessed the opportunity of an application to suspend the expiry of the legal period.

2 The Security Department

In its 2010 Report the Board of Auditors had highlighted how the findings of the Deloitte Report confirm the shortcomings in the organisational structure of the Company, in particular in the internal control system and above all in the operational and control procedures of the Security Department and the in-depth analyses carried out in the Greenfield Project had determined that the internal control system had been modified at that time.

Moreover, with reference to the question of the feasibility of a liability action against the previous senior executives of the company, the Board had expressed the following considerations: *"Considering the many shortcomings reported in an area that is intrinsically delicate, the entity of the increase in costs, even if only budgeted costs, and the gravity of the episodes reported, it might be concluded that the preceding senior executives behaved in a negligent way, in the lateness of the start of interventions to correct the shortcomings in the internal control system after the emergence of anomaly indicators; however, given the extremely complex structure of the company, taking the circumstance that the internal control systems in a*

complex enterprise are subject to an essentially permanent “tuning” process into account, considering that reaction times can never be instantaneous, and that knowledge not so much of the system anomalies but of the underlying unlawful acts has not been proven, then the time that elapsed between the alarm signals and the start of the intervention process might not appear unreasonable. Considering all the elements indicated, and in particular the circumstance that in the light of the criminal proceedings – currently – it has not been proven that the senior executives were aware of the unlawful acts that underlay the organisational shortcomings, it may be hypothesised that non-compliances imputable to the executive directors - i.e. their negligent conduct - subsist, but since the issue is not an absence of corrective action to remedy the shortcomings in the internal control system but rather possible delays in this, then the question is open to considerable debate.

Identifying the legal causal nexus between damages and non-compliances is also uncertain, since whether or not prompter corrective actions would have led to the discovery of the unlawful activities is debatable. Furthermore, the analysis of the costs led to the emergence of a not always clearly identifiable linkage between the various “cost” items and the technical concept of the damages payable.

Finally, the Board of Auditors again asserts that the absence of information about criminal investigations to determine the positions of the senior executives means that – at present – no relevant elements have been found to demonstrate their involvement in the alleged facts.

In conclusion, the Board of Auditors considers that while liability proceedings against the prior senior executives of the company could be based on some elements, such action would be very uncertain in terms of the capacity to impute the shortcomings in the internal control system to them, or in terms of a causal nexus and, to a certain extent, to identify and quantify the damage payable and for these reasons pursuing such action is – at present - inadvisable.

Since the criminal proceedings in relation to this affair do not in any event appear to have been concluded, the Board of Auditors will monitor with the greatest attention the developments in the case, as well as the emergence of any relevant finding, so as to be able to promptly review or update its assessment if this should be necessary.

In any event, it emphasised that, for those executive directors hypothetically involved, the legal period within which proceedings may be started, five years after the director concerned ceased to hold office, has not yet expired (a period of time emphasised in the detail by the Company in the report on the Greenfield Project) and the Board of Auditors confirmed that it will not allow any period within which proceedings may be started to expire without having carefully evaluated any opportunity to take action that might arise in the meantime that could suspend the expiry of the legal period.”

As part of its activities to monitor the evolution of this case and the criminal proceedings underway, the Board of Directors examined the specific position of the ex-Chairman of the Board of Directors of the Company, Marco Tronchetti Provera, as the expiry of the period within which a liability action can be started against him approached (15 September 2011).

In this matter, since no fact or circumstance that could change the considerations outlined in the 2010 Report had been ascertained, the Control Body decided not to proceed with an initiative to suspend the expiration of the period within which a liability action against the preceding Senior Management of the company could be started.

Moreover, after the press reports that appeared in November 2011 – confirmed by searches conducted at the Company by the Milan Prosecutor’s Office in January 2012 – regarding the inclusion of Mr. Marco Tronchetti Provera in the register of subjects under investigation regarding some events that occurred prior to 2007 (the so-called Kroll affair and relations with the consultant Naji Nahas), the Board of Auditors noted the initiative of the Board of Directors of the Company to start an internal verification of the facts related to these investigations, concerning the part not already investigated in the Greenfield Project. At present the outcome of this verification has not yet been reported by the consultants: furthermore, the Company has announced that it will report the main results of this initiative, where they are already available, at the Shareholders’ Meeting.

The Board of Auditors is supervising the way in which the aforementioned internal verification is being carried out and will in general monitor the developments of the proceedings, and the emergence of any further relevant element, with the greatest attention: it will on the one hand ascertain any new scenarios that might emerge from the criminal investigations, also with reference to the preceding Senior Management, for which - on this specific topic - the terms within which a liability action could be brought could be reopened, and, on the other, it will not allow any deadline to expire without having also carefully assessed if it might still be appropriate to proceed to suspend the prescription period for the executive directors, for whom the period within which a liability action may be brought expires on 3 December 2012.

In coherence with the declarations made in the 2010 Report and at the Shareholders' Meeting of 12 April 2011, the Board of Auditors has monitored the initiatives undertaken and to be undertaken by the Company against third parties to reimburse the damages caused by activities that were extraneous to the interests of the company.

3 Prepaid Cards

With reference to the matter of the irregular registration of prepaid cards, the Board of Auditors has over time monitored the initiatives taken by the Company to neutralise this phenomenon, or at least contain it within minimum physiological limits (see the Company's comments in Note 24 to the consolidated financial statements) particularly closely: the number of prepaid cards activated without documentation of the purchaser, which at the date the rectification operations started totalled over 5.5 million, had been reduced to under five thousand at mid-March 2012 (over 183 thousand suspended in the post-sales period awaiting regularisation); for the newly activated cards, the problem has been reduced substantially.

The Board of Auditors has also monitored the evolution and developments in the criminal proceedings pending at the Milan Prosecutor's Office insofar as it has been able, given that the matter is still being investigated: currently, given the shortage of information obtained so far, the Board does not have elements that might allow it to formulate a definitive assessment of the merit of bringing a liability action against the executive directors of the Company at that time, the period within which such action can be brought expires on 3 December 2012. The Control Body will therefore continue to monitor the evolution of this matter with due attention.

Finally, the Board of Auditors has noted the position expressed by the Company regarding the notification of the notice concluding the preliminary investigations pursuant to article 415-bis of the Code of Criminal Procedure - notified on 21 March 2011, from which it emerged that the Company is being investigated by the Milan Prosecutor's Office pursuant to legislative decree no. 231/2001, for the offences of handling stolen goods (article 648 c.c.p.) and counterfeiting (art. 491-bis c.c.p.) committed, in the statement of charges, by fourteen employees of the so called "ethnic channel" of Telecom Italia, with the participation of a number of dealers. The Board of Auditors has only just acquired a copy of these charges and, reserving its right to express its views, will monitor the evolution of the situation with attention.

4 Anomalous/irregular sales

After the 2010 Report, the Board was informed of the pending criminal proceedings in the preliminary investigation phase at the Monza Public Prosecutor's Office against many subjects, including several employees of the Company, concerning some leased supply and/or sale of goods transactions which are alleged to constitute criminal offences committed to the detriment of the Company, among others. The Board of Auditors will monitor how the situation develops with attention.

7) Value Chain Implementation

Criterion 21: Implementation of the Global Compact principles in the value chain.
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The Code Of Ethics (Telecom Italia web site/Sustainability/Codes and Policies/Code of Ethics)²²⁴

...

Article 4 – Relations with Stakeholders

...

4.2 ter Suppliers

Group companies are committed to ensuring that purchasing procedures are directed to obtaining products and services at the best conditions available on the market, while simultaneously meeting quality, security and environmental requirements.

Suppliers Policy in the Purchasing Process of the Telecom Italia Group (Telecom Italia web site/Sustainability: Our vision/Codes and Policies/Environmental and Social Policies/Relations with Suppliers in Telecom Italia Group's purchasing processes)²²⁵

1. Introduction

The Purchasing process of the Telecom Italia Group ("Group") is aimed at the procurement of products/services allowing global cost optimization and meeting at the same time the Group's standard requirements of quality, safety and respect for the environment.

2. Ethical negotiation

...all Group's corporate processes are carried out in observance of the law of the Countries in which the Group's companies act and of the principles stated in the Code of Ethics.

The purchasing process is carried out in conformity of the following principles.

Transparency of rules and decisions

...

Besides a positive outcome concerning technical-organizational requirements, in order to take part in tenders potential suppliers must confirm in advance both their commitment and that of any authorized sub-supplier, subordinate or employee, in observance of the ethical behavioural principles of the Group's Code of Ethics; at the same time the supplier is requested to declare that there are no pending legal proceedings, protests or other prejudicial acts related to its company and/or to its Legal Representatives/Directors, serious administrative sanctions, included those on Accident Prevention and Sanitary Conditions in the workplace issued by the relevant Inspection Offices.

Consistently with the Organizational Model, a specific procedure disciplines the cases of exception to the principle of making a tender between qualified suppliers; these cases must be justified, documented and approved by the relevant organizational level.

Separation of roles

...

²²⁴Please, see the following web site: <http://www.telecomitalia.com/tit/en/corporate/sustainability/our-approach/codes-policies.html>

²²⁵ Please, see the following web site for the whole policy:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/Policies_ENG/Suppliers_EN_22.12.09.pdf

Fairness

The Group does not intend to obtain competitive advantages from suppliers deriving from irresponsible behaviour: its employees are requested to entertain relationships with suppliers on the basis of objective criteria and the Group is committed to promote the principles of legality, transparency, fairness and honesty.

Each Group's employee must separate its own interests from those of the Group; in particular it is prohibited to:

- ask, accept, offer or guarantee, directly or indirectly, a personal advantage related to the negotiation, assignation and execution of a supply contract,
- violate the secrecy of the information obtained by the suppliers for purposes that are not connected with one's duties,
- use any suppliers' confidential information to gain competitive advantages and use it in an opportunistic manner to maximize the results of the negotiations to one's advantage or to the advantage of a specific competitor,
- provide the other competitors with information about the identity of a tenderer or about the contents of its bid.

Tracking of purchasing acts

...

3. Commitment to sustainability

The Group commitment to promote the safeguarding of the environment, the respect of human rights and labour standards, as well as the fight against corruption is stated in the Code of Ethics and in the Organizational Model.

Coherently with these values, the Group promotes and asks its own suppliers and, through them, its sub-suppliers, to respect the following principles and laws in force in the Countries in which these Stakeholders operate.

Workers' rights

- child labour: the Group's companies do not employ nor provide any kind of support to the employment of people under the age of 18, with local exceptions to the rules. In any case no individual under 18 shall be employed in dangerous or night work.
- forced labour: all work or service not voluntary and extracted under the menace of any penalty or demanded as a means of repayment of a debt is forbidden; moreover, no personnel is requested to lodge a "deposit" upon commencing employment with the company.
- discrimination: the Group's companies shall not engage nor support discrimination in hiring, remuneration, access to training, promotion, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation or age. In compliance with laws in force the Group's companies shall not allow any behavior that is sexually coercive, threatening, abusive or exploitative.
- disciplinary procedures: concerning the hypothesis of disciplinary actions to be applied to personnel, the Group's companies shall not engage or support the use of corporal punishment, mental or physical coercion and verbal abuse.
- working hours: the organisation of working hours complies with laws in force and with agreements negotiated with the workers' Organisations on the subject, including the weekly day off and overtime.
- freedom of association and right of collective bargaining: all personnel - whatever the level/qualification - are entitled to form and join trade unions for the protection of individual and collective interests. The Group's companies acknowledge the role of union representatives, who are not subject to any discrimination, and ensure, for union activities, the appropriate retribution for leave of absence and the means to communicate with personnel in the workplace.
- remuneration: as far as minimum standards and payment modes are concerned, wages paid by the Group's companies to personnel meet collective bargaining provisions. Any deduction from wages due to disciplinary purposes is made in compliance with collective bargaining provisions. The wages sheet

delivered to personnel shall clearly detail all items composing remuneration. The Group's companies do not undertake contracting arrangements that are unlawful or avoid fulfilling obligations under applicable laws.

- health and safety: the Group's companies assure full compliance with law provisions concerning health and safety in the workplace, aimed at preventing possible accidents and injury to health arising out, of or associated with working activities.

The Group's companies, in compliance with laws in force, shall appoint special representatives responsible for health and safety and for the implementation of any measure needed to ensure them.

Upon employment all personnel receives an appropriate health and safety training.

The Group's companies ensure the observance of requisites concerning cleanliness and safety provided by laws in force.

- development and employability: Telecom Italia believes that developing people's skills and talents is good for both suppliers and buyers, and thus it recommends its suppliers to ensure the implementation of adequate initiatives for the development of their human resources. Telecom Italia requires total compliance with local labour laws and norms, as well as an approach to industrial relations based on the utmost respect of all involved social organizations. Finally, Telecom Italia believes that all enterprises, which are economical and occupational agents, have the possibility of contributing to the achievement of a high social welfare.

Protection of the environment

The Group uses suppliers that have demonstrated to respect the environmental provisions in force in the countries in which they act and, in particular, it excludes from its own Group Qualified Suppliers' List those who have been sanctioned from competent local authorities with reference to environmental issues.

The Group is committed to promote the environmental performance improvement of its own suppliers, as well as the adoption of solutions allowing the improvement of the environmental impact of the supplied products and services, among which: the optimization of energy consumption, the reduction of dangerous materials, the reduction of emissions, the increase of recycled or reused materials, the best waste management.

4. Control system

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With reference to the safeguarding of the environment and to health & safety in the workplace for national suppliers:

- during the controls linked to the suppliers' qualification phase, the Group systematically verifies whether the payments due to the welfare system (insurance, accident prevention, etc) have been made and a risk assessment has been provided and whether a Safety General Plan is in force. The supplier is also requested to declare the regularity of its own position regarding social security and health and safety law provisions, as well as sanctions coming from the Inspection Offices for the Prevention of Accidents and Sanitary Conditions in the workplace;
- concerning some types of companies implementing Tlc's network infrastructures and the related sub-suppliers, whenever the work involves greater risks (i.e. diggings, installations on pylons), thorough controls are carried out on the provisions related to the use of Healthy Devices, training to prevent accidents, medical controls to verify professional suitability and to waste disposal management;
- concerning high environmental risk companies (i.e. dischargers, scrappers), with reference to Legislative Decree 22/97 (so-called Ronchi decree and further amendments and/or integrations), the availability of the required institutional authorizations, of material in/out recordings (waste accounting books, waste identity forms) are controlled, as well as the percentage of recycled materials versus waste handed over to dumps.

Similar controls will be implemented concerning foreign suppliers, too.

...

According to a model of risk assessment, measured on the basis of specific drivers (i.e. technological complexity, innovation, safety purchasing volumes, safety, environmental impact), the supplies of products/services with greater risk are:

- accepted if the conformity controls carried out by the Group's staff yield positive outcomes;
- subjected to a monitoring of vendor rating evaluating the quality of the contractual relationship (technical commercial and administrative).

Conformity controls, such as those included within vendor rating monitoring, also provide evidence on requirements connected to environmental protection (i.e. management and waste disposal of building yards) and to the job's health safety (i.e. adoption and observance of building yard Security Plans, correct use of Personal Security Devices); such evidence contribute to the overall supplier evaluation. Should the evaluation outcome be under preestablished thresholds, a contractual action (penalties, reduction of supply volumes) is taken, leading in very serious cases to the exclusion from the Group Qualified Suppliers' List.

Suppliers can signal any violations of the above mentioned principles and procedures; the **Statutory Auditors** of Telecom Italia is the competent company unit to receive such reports (email address: collegio.sindacale@telecomitalia.it or audit.committee@telecomitalia.it).

Communications will be dealt with due confidentiality; appropriate details and evidence are required on facts and persons involved.

Any data transmitted by suppliers and referring to identified or identifiable persons will be used by Telecom Italy only to answer to suppliers' enquiries and will be communicated to others only if necessary for that purpose.

Any treatments of transmitted data will however be carried out in observance to provisions of Legislative Decree 196/03 on the matter of personal data protection.

Green Procurement Policy (Telecom Italia web site/Sustainability: Our vision/Codes and Policies/Environmental and Social Policies)²²⁶

Introduction

In line with the strategy adopted by Telecom Italia at the end of the nineties on the subject of environmental, social and economic Sustainability, the current policy of Green Procurement has been defined in order to minimise any impact on the environment directly attributable to the company and to its suppliers, in the light of continuous improvement and alignment with best practice in the sector.

The document lays out the approach to be followed in the acquisition process, and has taken shape as the natural evolution of the choices the company made which have led to the attainment of the ISO 9001:2000 and ISO 14001 certificates within the Purchasing Department.

The current policy is the outcome of a series of initiatives launched with the Telecom Group's suppliers, through a process of stakeholder involvement, which have led to the definition of:

- the prerequisites of a social nature and of the ethics of negotiation in the supply chain, through the "Suppliers policy in the purchasing process of the Telecom Italia Group" (<https://suppliersportal.telecomitalia.it/AreaPubblica/pdf/SUPPLIERS%20POLICY.pdf>);
- the "Guidelines for the analysis of the life cycle of products" under which the evaluation of the environmental impact of specific categories of commodities is to be carried out (<https://suppliersportal.telecomitalia.it/AreaPubblica/pdf/SUPPLIERS%20POLICY.pdf>);
- the e-community of suppliers for the evaluation of the best initiatives in the area and for the definition and dissemination of operational best practices.

Applicability

This policy is to be applied to all acquisitions made by Telecom Italia SpA and TIM Brasil for the provision of commercial and non-commercial products/services (including network operations, support activities, logistics, maintenance, TLC equipment, etc.). It is addressed to direct suppliers who are also responsible for providing sub-suppliers and sub-contractors with proper information and controlling them.

²²⁶ Please, see the following web site, for the whole policy:

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/it/Politiche/Green_Procurement_policy.pdf

Methodology

The policy of Green Procurement is based on the Life Cycle Thinking approach, which provides for the evaluation and quantification of the energy and environmental burden of the impacts associated with a product, process or activity throughout the entire life cycle, from design to the end of its life.

This approach leads to the definition of guidelines regarding:

- Design;
- Production processes;
- Utilization phase;
- End of life.

Design

Telecom Italia undertakes to pursue the best “design for environment” solutions with specific reference to:

- Energy used;
- Use of natural resources (including raw materials and water);
- Alteration/contamination/depletion of the soil;
- Atmospheric emissions, in particular carbon dioxide (CO₂);
- Water emissions;
- Reduction, reuse and recycling of waste.

Other aspects that are relevant to the environment may be evaluated according to their characteristics under the product/service category.

Production processes

Telecom Italia positively values suppliers who possess environmental certification – such as ISO 14001 and EMAS – which constitute, in categories of major environmental risk, critical prerequisites to qualify for inclusion in the Supplier's Registry of Telecom Italia Group. Telecom Italia, furthermore, intends to favour suppliers who adopt production processes that are optimised with particular reference to:

- Energy used;
- Use of natural resources (including raw materials and water);
- Alteration/contamination/depletion of the soil;
- Atmospheric emissions, in particular carbon dioxide (CO₂);
- Water emissions;
- Reduction, reuse and recycling of waste.

Utilisation phase

The utilisation phase is assessed by Telecom Italia with consideration of environmental aspects such as:

1) Energy efficiency:

- prerequisites deriving from the codes of conduct for product categories and/or energy labelling programmes;
- where applicable, further criteria of energy efficiency and consumption reduction with regard to the various states of operation of the products.

2) Other environmental aspects:

- electromagnetic emissions;
- atmospheric emissions;
- acoustic emissions;
- other environmental aspects (for example, the visual impact).

End of life:

Telecom Italia undertakes to ensure the “end of life” of products favours the recovery of material (reusing and recycling products or their components) minimising the portion of waste to be sent for disposal at landfills.

Use of the policy in the process of the selection and control of suppliers

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Telecom Italia will carry out checks, directly or through outside bodies (including independent bodies), during the validation phase of the prototype and, on the basis of samples for productions of series, on the correspondence of the products/services acquired with this *Policy* and with the application procedures.

Should the checks not give positive confirmation, suitable corrective measures will be adopted according to the provisions of the contract.

Evaluation of Best Practice

Telecom Italia undertakes to encourage continuous research on the part of its suppliers into innovative technological solutions in the field of environmental sustainability, in addition to social and economic sustainability, publicising *Best Practice* and duly taking account of them in its Vendor Rating methodology.

Should the need arise, especially in cases in which difficulties are encountered in meeting the environmental prerequisites, Telecom Italia will carry out specific training activities and the joint management of the problems with the suppliers.



References related to the “Value Chain Implementation”

- 2011 Telecom Italia Sustainability Report/Suppliers:
 - Sustainability initiatives,
 - Involvement initiatives,
 - Sustainability checks,
- Telecom Italia web site/Sustainability:
 - Sustainability Controls (Our Stakeholders/Our Suppliers/Selection, Assessment and Controls).

Sustainability initiatives (Suppliers/2011 Telecom Italia Sustainability Report)²²⁷

The main initiatives implemented in 2011 are listed below.

- The process that establishes the activities aimed at improving the Corporate Social Responsibility (CSR) of the supply chain has been redesigned by introducing a more comprehensive system of elements used to assess the sustainability of suppliers during the qualification stages, incoming quality and vendor rating.

The most significant aspects of the process include:

- the creation of a self-assessment questionnaire for new suppliers during the qualification phase. The questionnaire was developed according to the main requirements contained in the relevant standards for responsible corporate management relating to respect for ethical values and to safeguarding the environment (including SA 8000, Global Compact and ISO 14000) and to the best industry practices. The questionnaire will be updated periodically to reflect the results and evolution of the qualification process;
- the classification of suppliers based on the potential risks associated with their sustainability performance, using a specific method which considers the socio-environmental and business continuity aspects associated with the purchase markets to which the suppliers belong, classified according to parameters such as relevant geographical area, potential impact on the environment and the company of suppliers activities and of the products/services supplied throughout their life cycle, impact on the reputation of Telecom Italia as a customer. A matrix has been constructed that relates the spending in the specific purchase market with the risk index calculated on the basis of the

²²⁷Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

parameters described, which has allowed purchase markets to be subdivided into four categories, identifying the most critical ones in terms of sustainability²²⁸.

Suppliers belonging to the most at risk categories will undergo CSR audits carried out by staff from the company or specialised third party companies. These audits will be repeated periodically, not only to monitor and ensure the implementation of corrective action, but also if results are positive, in order to verify that the standard of performance found by auditors is being maintained.

The activities described are intended to promote the improvement of sustainability performance throughout the supply chain and to identify a category of sustainable purchases (sustainable procurement).

The whole process is expected to come into full operation in 2012. For 2011, an experimental questionnaire was sent out to around 70 significant suppliers identified by the method described above, which allowed around 44% of orders made in 2011 by the Domestic Business Unit to be covered.

- In December 2011, the ISO 9001:2008 certificate of conformity of the "Quality Management System" was confirmed for the Group's entire SC&RE department, with specific recognition for the initiatives taken in the field of sustainability. The certification required 27 department processes to be mapped, identifying 155 performance indicators that allow the management of services supplied to internal clients and suppliers to be monitored and improved. Furthermore, the ISO 14001 certification was confirmed for the facility and real estate service unit and infrastructure purchases.
- Application continued of the green procurement policy established in 2009, which contains guidelines for establishing the environmental requirements of products/services purchased.

...

With a view to ensuring the ongoing improvement and greater involvement of suppliers, questions regarding the green procurement policy, and supplier adherence to the principles set out within it, have been included in the annual satisfaction survey.

Involvement initiatives (Suppliers/2011 Telecom Italia Sustainability Report)²²⁹

- The new suppliers' portal (Vendors Hub) was launched during the year to improve communication and optimise operational processes, applying social networking systems to a business context. Suppliers are able 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 transporting of documents. The Vendors Hub has also been used to manage the self-assessment questionnaire.
- For the fifth year in a row, the Group's main suppliers have been involved in satisfaction surveys regarding the Supply Chain & Real Estate department and, more generally, Telecom Italia. The online questionnaire, consisting of 27 questions, remained active for 3 weeks. The survey involved 1,132 suppliers with access to the Vendors Hub with a 48% response rate. The overall assessment of the supply relationship with the Telecom Italia Group achieved a score of 73/100, which is consistent with 2010 and shows a consolidation of the improvement recorded by the previous survey and the generally positive trend in the level of satisfaction recorded since 2008. The analysis of the distribution of satisfaction among the various classes shows an upward trend in the percentage of suppliers who state they are "satisfied" or "very satisfied".

²²⁸ The four categories are the following: AA = high ESG risk, high-spending, AB = high ESG risk, low-spending, BA = low ESG risk, high-spending, BB = low ESG risk, low-spending.

Please, see the following web site: <http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/suppliers/selection-assessment-controls.esg-risks.html>

²²⁹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

- The two e-communities set up in previous years for suppliers in the civil infrastructure and network operations sectors, aimed at improving dialogue mainly regarding social and environmental sustainability, remain active.

The activities of the e-communities mainly take place through a platform known as “TelecHome”. Developed in Web 2.0 logic, it contributes to the exchange of information and experiences within the e-community, in order to:

- integrate the best operational practices adopted in specific subject areas;
- publish the results obtained, in terms of the environmental/social certifications attained;
- support voting campaigns on various initiatives.

Breakdown of Telecom Italia Group procurements by Business Unit and product/service category (Telecom Italia web site/Sustainability: Our Stakeholders/Our Suppliers/Telecom Italia Group Procurements)²³⁰

million euros)	TI Group Total	Domestic/Olivetti/Media			Brazil			Argentina		
		Total	domestic suppliers (**)	suppliers abroad	Total	domestic suppliers (**)	suppliers abroad	Total	domestic suppliers (**)	suppliers abroad
Tlc Network	2,599	1,485	96.5%	3.5%	898	98.0%	2.0%	216	99.7%	0.3%
Tlc Products	2,544	1,543	67.9%	32.1%	977	100.0%	-	24	88.3%	11.7%
IT	1,315	955	90.1%	9.9%	273	91.0%	9.0%	87	80.9%	19.1%
Technical/Professional Services	1,818	1,118	97.0%	3.0%	532	100.0%	-	168	95.7%	4.3%
Energy (electricity, water and gas)	419	351	100.0%	-	47	99.0%	1.0%	21	100.0%	-
Other	2,361	1,255	89.5%	10.5%	150	100.0%	-	956	93.3%	6.7%
TOTAL	11,056	6,707	88.0%	12.0%	2,876	98.5%	2.0%	1,473	93.8%	6.2%

(*) Only includes procurements from third party suppliers enacted by the respective Purchasing Department. Therefore these figures do not include, for example, procurements related to interconnections and sales force and agents fees.
(**) "domestic suppliers" include procurements from multinational companies with offices in the country of the buying company.

Sustainability checks (Suppliers/2011 Telecom Italia Sustainability Report)²³¹

CSR verification activities continued in respect of common suppliers and sub-suppliers, as required by the Memorandum of Understanding (MOU) signed by Telecom Italia, France Telecom and Deutsche Telekom at the end of 2009. Belgacom, KPN, Swisscom and Vodafone have since also subsequently signed up to the Memorandum.

The objectives of the initiative, known as Joint Audit Cooperation (JAC), 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 the greatest socio-environmental risk. The verification is carried out by means of specific audits conducted by third parties using a method developed for this purpose by the JAC members themselves, who share the results of the verifications;
- to contribute to the increased sustainability of suppliers/sub-suppliers involved by identifying and implementing corrective actions and ongoing improvement programmes, establishing a long-lasting cooperation with reciprocal benefits in terms of efficiency, productivity and risk reduction in the context of the supply chain.

Thanks to the new members, JAC's area of influence now extends to 55 production sites located in Asia, Central and South America, North Africa and Eastern Europe. During 2010-2011, 33 audits were carried

²³⁰ Please, see the following web site:

<http://www.telecomitalia.com/tit/en/sustainability/stakeholders/suppliers/procurements-BU-commodity-category.html>

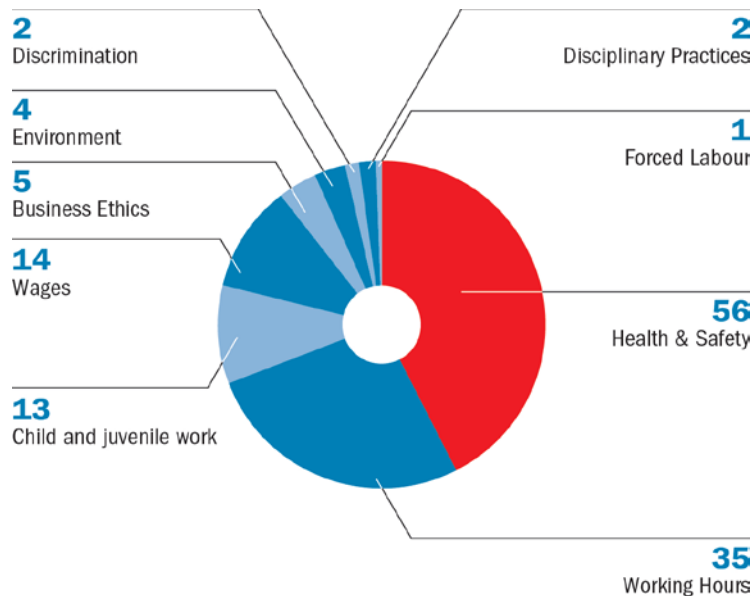
²³¹ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

out by specialised international companies, selected by competitive tender, covering approximately 155,000 workers in total.

The suppliers included in the audit campaign conducted in 2011 belonged to the user devices and appliances, network appliances and IT equipment production sectors.

TOTAL NON-CONFORMITIES DETECTED: 132



The most recurrent non-conformities relate to health and safety at work, working hours and remuneration. A corrective action plan was drawn up for all the non-conformities encountered, establishing the resolution procedures and timetables. The implementation of these procedures is monitored on a constant basis by the JAC members.

In total, the work allowed 57% of orders to be verified in the main areas of supply considered.

Sustainability Controls (Telecom Italia web site/Sustainability: Our Stakeholders/Our Suppliers/ Selection, Assessment and Controls)²³²

Suppliers are subject to a number of checks on their sustainability performance.

Some checks are carried out together with other general audits, for example:

- during the qualification stage, potential suppliers are subject to economic screening, product/service screening, but also to controls on compliance with environmental and labor norms, as well as on their position concerning Law 231 (on bribery and other offences). At this stage, the supplier must commit itself to the principles of the Code of Ethics of Telecom Italia;
- in the process of vendor rating, during and after delivery of service/product, aspects of health and safety and compliance with environmental norms are rigorously evaluated. This evaluation is then taken into account of in the supplier's overall rating. A low rating is contractually tied to penalties and may, in some cases, result in the termination of the contract.

²³² Please, see the following web site: <http://www.telecomitalia.com/content/tiportal/en/sustainability/stakeholders/suppliers/selection-assessment-controls.sustainability-controls.html>

Other controls are specific to certain aspects of sustainability:

- in the qualification phase the supplier is expected to answer a specific questionnaire on its sustainability performance;
- audits on Health and Safety and on Environment are carried out regularly (by Telecom Italia's department which is also responsible for Health, Safety and the Environment within Telecom Italia) on specific types of suppliers which are considered at risk (for example, network suppliers);
- specific environmental audits are carried out for suppliers involved in Telecom Italia's processes covered by the environmental certification;
- audits conducted within a project, of which Telecom Italia is a member and which includes several other European telephone operators (Joint Audit Committee), whose aim is to control suppliers operating in developing countries directly at their sites, on the management of social and environmental aspects.

In all cases, should the audit yield non-conformities, a process is run for the management of the non conformity, including a second audit to verify the closure or the mitigation of the non conformity.

8) Transparency and Verification

Criterion 22: Company's profile and context of operation.

Criterion 23: High standard of transparency and disclosure.

Criterion 24: Independently verified by a credible third party.

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References related to the "Transparency and Verification":

- 2011 Telecom Italia Sustainability Report/Executive Summary:
 - Group Structure,
- 2011 Telecom Italia Annual Report:
 - Form and content (Note 1 – Form, content and other general information),
 - Information for Investors,
 - Corporate Boards at December 31, 2011,
 - Consolidated Operating and Financial Data (Telecom Italia Group),
 - Consolidated Financial Position Data (Telecom Italia Group),
 - The Business Units of the Telecom Italia Group (Highlights),
- 2011 Telecom Italia Group Sustainability Report:
 - Economic value generated and distributed (Introduction),
 - Accountability 1000 and Global Compact GRI-Cross Reference Table (final part) (Introduction/Reporting),
 - Independent Report on the Limited Assurance Engagement of the Sustainability Report.

Group Structure (Executive Summary/2011 Telecom Italia Sustainability Report)²³³

The Telecom Italia Group offers telecommunication services and state-of-the-art ICT and media solutions, contributing to the digitalization and development of the country in which it operates. In addition to its domestic leadership, the Group has a significant international presence in the South American market with the "Brazil" Business Unit and the "Argentina" Business Unit.

...

²³³ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

The Group's main brands are listed below.



Main economic, financial and operational data

	Revenues		EBITDA		EBIT		Industrial Investments		Headcount at the end of the period (units)	
(million euros)	2011	2010	2011	2010	2011	2010	2011	2010	12.31.2011	12.31.2010
Domestic	19,032	20,068	9,243	9,393	(1,945)	5,162	4,200	3,106	55,389	56,530
Brazil	7,343	6,199	1,990	1,801	986	685	1,290	1,216	10,539	10,114
Argentina(*)	3,220	798	1,035	245	509	110	556	188	16,350	15,650
Media	238	258	28	13	(87)	(92)	61	67	765	777
Olivetti	343	391	(35)	(19)	(41)	(24)	5	5	1,075	1,090
Other activities	2	64	(15)	(21)	(15)	(38)	-	4	36	39
Adjustments and eliminations	(221)	(207)	-	-	(10)	15	(17)	(3)	-	-
Consolidated total	29,957	27,571	12,246	11,412	(603)	5,818	6,095	4,583	84,154	84,200

(*)The Argentina Business Unit has been included in the consolidation scope starting from October 13, 2010.

Form and content (Note 1 - Form, content and other general information/2011 Telecom Italia Annual Report)²³⁴

Telecom Italia (the “Parent”) and its subsidiaries form the “Telecom Italia Group” or the “Group”. Telecom Italia is a joint-stock company (S.p.A.) organized under the laws of the Republic of Italy. The registered offices of the Parent, Telecom Italia, are located in Milan, Italy at Piazza degli Affari 2. The duration of the Telecom Italia S.p.A., as stated in the company’s bylaws, extends to December 31, 2100.

....

Information for Investors (2011 Telecom Italia Annual Report)²³⁵

Shareholders

Composition of Telecom Italia S.p.A. shareholders according to the Shareholders Book at December 31, 2011, supplemented by communications received and other available sources of information (ordinary shares):

<i>Shareholders</i>	<i>%</i>
Foreign Institutional Companies	41.30
TELCO	22.39
Other Italian Shareholders	18.76
Italian Institutional Companies	10.45
Foreign Companies	4.87
Telecom Italia Group	1.21
Italian Companies	0.95
Other Foreign Shareholders	0.07
TOTAL	100.00

The shareholders of Telco (Generali Group: 30.58%; Mediobanca S.p.A.: 11.62%; Intesa Sanpaolo S.p.A.: 11.62%; Telefónica S.A.: 46.18%) signed a Shareholders’ Agreement, relevant for Telecom Italia pursuant to Legislative Decree 58/1998, art. 122.

The description of the basic contents of the agreement is contained in the Report on the Corporate Governance and Share Ownership Structure, posted on the website: telecomitalia.com²³⁶.

²³⁴ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/investors/Annual_Reports/2011/TelecomItaliaGroupAnnualReport2011.pdf

²³⁵ Please, see the following web site, page 100:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/investors/Annual_Reports/2011/TelecomItaliaGroupAnnualReport2011.pdf

²³⁶ **g) Shareholders’ Agreements**

...On 29 February 2012 the shareholders of Telco terminated the shareholders’ agreement initially made on 28 April 2007, and then amended on 25 October 2007, 19 November 2007, 28 October 2009, 11 January 2010 and 10 December 2010, and made a new shareholders’ agreement, on the same terms and conditions as the existing one, with a duration until 28 February 2015.

The agreement defines, among other things, the criteria for the composition of the slate of candidates for appointment to the Board of Directors of Telecom Italia:

- Telefónica, insofar as it holds at least 30% of Telco’s share capital, will be entitled to designate two candidates;
- the other shareholders of Telco, as they hold the absolute majority of its share capital, have the right to designate the other members on the slate, of whom three candidates unanimously and the others on a proportional basis.

The shareholders’ agreement provides that the Telecom Italia Group and the Telefónica Group are managed autonomously and independently. In particular, the Board members designated by Telefónica to serve in Telco and Telecom Italia are instructed by Telefónica not to attend or vote in board meetings that examine proposals and resolutions regarding the policies, management and operations of companies directly or indirectly controlled by Telecom Italia and that provide their services in countries where legal or regulatory restrictions or limitations concerning the exercise of voting rights by Telefónica are in force. In addition, specific provisions and prohibitions regarding Brazil and Argentina were altered to take account (i) of the prescriptions imposed by the Brazilian telecommunications authority (Anatel) and (ii) of the “Compromiso” signed before the Comisión Nacional de Defensa de Competencia of Argentina (CNDC) on 6 October 2010 by the contracting parties, by Telco and – as intervening parties in order to execute the obligations assumed – by Telecom Italia, Telecom Italia International N.V., Sofora Telecomunicaciones SA, Nortel Inversora SA, Telecom Argentina SA, Telecom Personal SA, Telefónica de Argentina SA, and Telefónica Moviles SA.

Major holdings in share capital

At December 31, 2011, taking into account the results in the Shareholders Book, communications sent to Consob and the Company pursuant to Legislative Decree 58 dated February 24, 1998, art. 120 and other sources of information, the principal shareholders of Telecom Italia S.p.A.'s ordinary share capital are as follows:

Holder	Type of ownership	% stake in ordinary share capital
Telco S.p.A.	Direct	22.39%
Findim Group S.A.	Direct	4.99%

Furthermore, the following companies, as investment advisory firms, notified Consob that they are in possession of Telecom Italia S.p.A. ordinary shares:

- Blackrock Inc.: on May 20, 2010, for a quantity of ordinary shares which at December 31, 2011 is equal to 2.89% of total Telecom Italia S.p.A. ordinary shares;
- Alliance Bernstein LP: on November 14, 2008, for a quantity of ordinary shares which at December 31, 2011 is equal to 2.06% of total Telecom Italia S.p.A. ordinary shares.

Common representatives

- The special meeting of the savings shareholders held on May 28, 2010 elected Emanuele Rimini as the common representative for three financial years (up to the approval of the financial statements for the year ended December 31, 2012).
- By decree of March 26, 2009, the Milan Court appointed Francesco Pensato as the common representative of the bondholders for the "Telecom Italia S.p.A. Euro 1,250,000,000 5.375 per cent. Notes due 2019" (with a mandate for the three-year period 2009-2011).
- By decree of March 7, 2011, the Milan Court appointed Enrico Cotta Ramusino as the common representative of the bondholders for the Telecom Italia S.p.A. 2002-2022 bonds at variable rates, open special series, reserved for subscription by employees of the Telecom Italia Group, in service or retired (with a mandate for the three-year period 2011-2013).

Consistently with the provisions of the agreement, board members Alierta and Linares undertook at the time of their appointment not to participate in the discussion and voting of the Board of Directors (as well as of the Executive Committee) of Telecom Italia when matters are proposed or discussed that relate to the activities of the Company and its subsidiaries in the telecommunications markets of Brazil and Argentina, as well as, in general, in all cases where there could be possible prejudice to the Telecom Italia Group.

As indicated above, the agreement between the Telco shareholders has a duration until 28 February 2015.

Each party

- may request the de-merger of Telco by sending a communication to the other parties between 1 August and 28 August 2014, with an obligation to give effect to the de-merger within the subsequent six months;
- may withdraw from the agreement and request the de-merger of Telco by sending a communication to the other parties in the period between 1 September and 28 September 2013, with an obligation to give effect to the de-merger within the subsequent six month.

At the same time as signing the new shareholders' agreement between the Telco shareholders, on 29 February 2012 Telco and Telefónica renewed and extended to 28 February 2015 the option to purchase shares in the Company initially agreed on 6 November 2007 and then amended on 28 October 2009. In accordance with the existing agreements, in the case of dissent by Telefónica from the decision by the Telco Board of Directors to transfer or set up encumbrances on the Telecom Italia shares in its portfolio, Telefónica could alternatively purchase the Telecom Italia shares from Telco at the same price and under the same conditions offered by a third party proposing to buy them, or require the de-merger of Telco.

Please, see the following web site:

[http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/governance/cg_annual_report/2011/Relazione-Corporate-Governance-FINALE-ENG\(p\).pdf](http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/governance/cg_annual_report/2011/Relazione-Corporate-Governance-FINALE-ENG(p).pdf)

Corporate Boards at December 31, 2011 (2011 Telecom Italia Annual Report)²³⁷

Board of Directors

The ordinary session of the shareholders' meeting held on April 12, 2011 appointed the new board of directors of the Company composed of 15 directors who will remain in office for three years until the approval of the financial statements for the year ended December 31, 2013.

On April 13, 2011, the board of directors appointed Franco Bernabè Executive Chairman, Aldo Minucci Deputy Chairman and Marco Patuano Managing Director and Chief Operating Officer.

On August 4, 2011, the board of directors coopted the director Lucia Calvosa to replace the director Ferdinando Falco Beccalli, who resigned on June 6, 2011.

On December 1, 2011, the board of directors coopted the director Massimo Egidi to replace the director Francesco Profumo, who resigned on November 16, 2011.

At December 31, 2011, the board of directors is therefore composed of 15 members, as follows:

Executive Chairman	Franco Bernabè
Deputy Chairman	Aldo Minucci
Managing Director and Chief Operating Officer	Marco Patuano
Directors	César Alierta Izuel
	Tarak Ben Ammar
	Lucia Calvosa (<i>independent</i>)
	Elio Cosimo Catania (<i>independent</i>)
	Massimo Egidi (<i>independent</i>)
	Jean Paul Fitoussi (<i>independent</i>)
	Gabriele Galateri di Genola
	Julio Linares López
	Gaetano Micciché
	Renato Pagliaro
	Mauro Sentinelli (<i>independent</i>)
	Luigi Zingales (<i>independent</i>)
Secretary to the Board	Antonino Cusimano

All the board members are domiciled for the positions they hold in Telecom Italia at the registered offices of the Company in Milan, Piazza degli Affari 2.

On April 13, 2011, the board of directors also appointed the members of the board Committees, which are now composed as follows:

- *Executive Committee* – Executive Chairman, Deputy Chairman, Managing Director, Directors Elio Cosimo Catania, Julio Linares López, Renato Pagliaro and Mauro Sentinelli *;
- *Committee for Internal Control and Corporate Governance* – Directors Elio Cosimo Catania (Chairman of the Committee), Jean Paul Fitoussi, Lucia Calvosa **, Mauro Sentinelli and Luigi Zingales;
- *Nomination and Remuneration Committee* - Directors Elio Cosimo Catania (Chairman of the Committee), Jean Paul Fitoussi, Gabriele Galateri di Genola and Massimo Egidi ***.

* The Committee had also included the director Ferdinando Falco Beccalli.

** On September 29, 2011, the board of directors, having taken note of the resignation of the director Francesco Profumo, appointed the director Lucia Calvosa to replace him. The Committee continues to be composed of only independent directors.

*** On January 19, 2012, the board of directors appointed the director Massimo Egidi to replace the director Francesco Profumo.

²³⁷ Please, see 2010 Telecom Italia Annual report, at the following web site (Chapter: Corporate Boards at December 31, 2011/Board of Directors): http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/investors/Annual_Reports/2011/TelecomItaliaGroupAnnualReport2011.pdf

In addition to the responsibilities of the internal Committees which remain those established by the Company's Self-regulatory Code, the following duties were also attributed to:

- the *Executive Committee*: responsibility for expressing a preliminary opinion on the transactions submitted for approval to the board of directors pursuant to point 3.2 of the Self-regulatory Code, that is, on the transactions which, by their nature, strategic importance, size or commitments which they may involve, have a significant impact on the operations of the Company and the Group;
- the *Committee for Internal Control and Corporate Governance*: responsibility over matters regarding transactions with related parties according to the specific Procedure on this subject and the task of high-level oversight regarding corporate social responsibility;
- the *Nomination and Remuneration Committee*: responsibility over matters regarding the executive management succession and replacement process, as well as the task of formulating the proposal for allocating the total compensation established by the shareholders' meeting among the entire board of directors.

Board of Statutory Auditors

The board of statutory auditors of Telecom Italia was elected by the shareholders' meeting held on April 8, 2009 and will remain in office until the approval of the 2011 annual financial statements.

The board of statutory auditors is composed as follows:

Chairman	Enrico Maria Bignami
Acting Auditors	Gianluca Ponzellini
	Lorenzo Pozza
	Salvatore Spiniello
	Ferdinando Superti Furga
Alternate Auditors	Silvano Corbella
	Maurizio Lauri
	Vittorio Giacomo Mariani
	Ugo Rock

Independent Auditors

The shareholders' meeting held on April 29, 2010 appointed the audit firm of PricewaterhouseCoopers S.p.A. to audit the Telecom Italia financial statements for the nine-year period 2010-2018.

Manager responsible for preparing the Company's financial reports

Andrea Mangoni (Head of the Group Administration, Finance and Control & International Development Function) is the manager responsible for preparing Telecom Italia's financial reports.

Consolidated Operating and Financial Data (Telecom Italia Group/2011 Telecom Italia Annual Report)²³⁸

(millions of euros)	2011	2010	2009
Revenues	29,957	27,571	26,894
EBITDA	12,246	11,412	11,115
EBIT before goodwill impairment loss	6,761	5,864	5,499
Goodwill impairment loss	(7,364)	(46)	(6)
EBIT	(603)	5,818	5,493
Profit (loss) before tax from continuing operations	(2,624)	4,132	3,339
Profit (loss) from continuing operations	(4,267)	3,582	2,218
Loss from Discontinued operations/Noncurrent assets held for sale	(13)	(7)	(622)
Profit (loss) for the year	(4,280)	3,575	1,596
Profit (loss) for the year attributable to owners of the Parent	(4,726)	3,121	1,581
Capital expenditures	6,095	4,583	4,543

Consolidated Financial Position Data (Telecom Italia Group/2011 Telecom Italia Annual Report)²³⁹

(millions of euros)	12/31/2011	12/31/2010	12/31/2009
Total assets	83,859	89,040	86,267
Total equity	26,695	32,555	27,120
- attributable to owners of the Parent	22,791	28,819	25,952
- attributable to non-controlling interests	3,904	3,736	1,168
Total liabilities	57,164	56,485	59,147
Total equity and liabilities	83,859	89,040	86,267
Share capital	10,604	10,600	10,585
Net financial debt carrying amount	30,819	32,087	34,747
Adjusted net financial debt	30,414	31,468	33,949
Adjusted net invested capital (*)	57,109	64,023	61,069
Debt Ratio (Adjusted net financial debt /Adjusted net invested capital)	53.3%	49.2%	55.6%

(*) Adjusted net invested capital = Total equity + Adjusted net financial debt.

The Business Units of the Telecom Italia Group (Highlights/2011 Telecom Italia Annual Report)

Domestic²⁴⁰

The Domestic Business Unit operates as the consolidated market leader in the sphere of voice and data services on fixed and mobile networks for final retail customers and other wholesale operators. In the international field, the Business Unit develops fiber optic networks for wholesale customers (in Europe, in the Mediterranean and in South America).

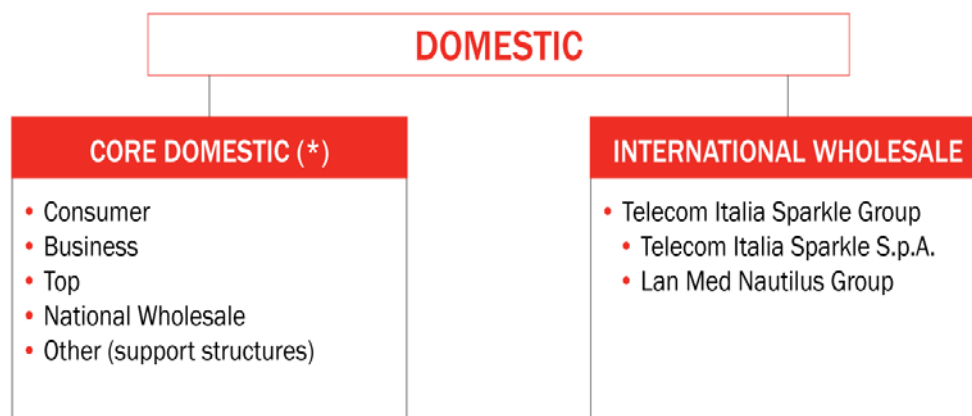
²³⁸ Please, see the following web site (chapter: Key Operating and Financial Data Telecom Italia Group/Consolidated Operating and Financial Data) : http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/investors/Annual_Reports/2011/TelecomItaliaGroupAnnualReport2011.pdf page 13.

²³⁹ Please, see 2011 Telecom Italia Annual report, at the following web site, page 13 (Chapter: Key Operating and Financial Data Telecom Italia Group/Consolidated Financial Position Data http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/investors/Annual_Reports/2011/TelecomItaliaGroupAnnualReport2011.pdf

²⁴⁰ Please, see the following web site, page 45): http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/investors/Annual_Reports/2011/TelecomItaliaGroupAnnualReport2011.pdf

The Structure of Business Unit

The Domestic Business Unit is organized as follows:



(*) Principal companies: Telecom Italia S.p.A., Matrix S.p.A., 4GH group, Telecontact Center S.p.A., Path.Net S.p.A., TelenergiaS.p.A., HR Services S.r.l. and Shared Service Center S.r.l.

The principal operating and financial data of the Domestic Business Unit are now reported according to two Cash-generating units (CGU):

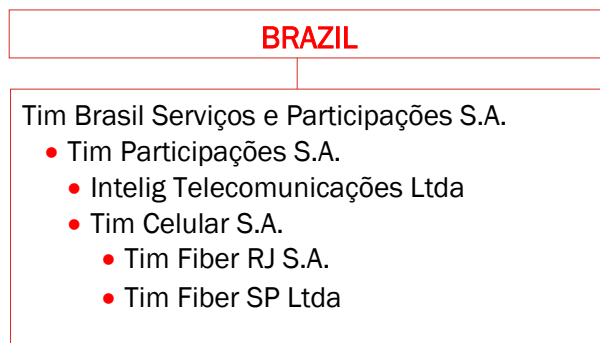
- **Core Domestic:** includes all telecommunications activities inherent to the Italian market. Revenues are broken down in the following tables according to the net contribution of each market segment to the CGU's results, excluding intrasegment transactions. The sales market segments defined on the basis of the "customer centric" organizational model are as follows:
 - **Consumer:** comprises the aggregate of voice and internet services and products managed and developed for persons and families in the fixed and mobile telecommunications markets, from public telephony to the web portal/services of the company Matrix;
 - **Business:** is constituted by the aggregate of voice, data, internet and ICT solutions services and products managed and developed for SMEs (small and medium enterprises) and SOHOs (Small Office Home Office) in the fixed and mobile telecommunications markets;
 - **Top:** comprises the aggregate of voice, data, internet and ICT solutions services and products managed and developed for Top, Public Sector, Large Account and Enterprise clientele in the fixed and mobile telecommunications markets;
 - **National Wholesale:** consists of the management and development of the portfolio of regulated and unregulated wholesale services for fixed and mobile telecommunications operators in the domestic market;
 - **Other (Support Structures):** includes:
 - Technology & IT: constitutes services related to the development, building and operation of network infrastructures, real estate properties and plant engineering, delivery processes and assurance regarding clientele services in addition to the development and operation of information services;
 - Staff & Other: services carried out by Staff functions and other support activities performed by minor companies of the Group also offered to the market and other Business Units;
- **International Wholesale:** International Wholesale includes the activities of the Telecom Italia Sparkle group which operates in the international voice, data and internet services market aimed at fixed and mobile telecommunications operators, ISPs/ASPs (Wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets.

Brazil²⁴¹

The Telecom Italia Group operates in the mobile and fixed telecommunications sector in Brazil through the Tim Brasil group which offers services using UMTS and GSM technologies. Moreover, through the subsidiary Intelig Telecomunicações, the Tim Brasil group completes its services portfolio by offering fiber-optic data transmission using full IP technology such as DWDM and MPLS. At the end of October 2011, the Tim Brasil group acquired control of two companies in the AES Atimusgroup which have been renamed Tim Fiber RJ and Tim Fiber SP. The companies will offer residential broadband services.

The structure of the Business Unit

The Tim Brasil group is organized as follows:



Argentina²⁴²

The Telecom Italia Group operates in Argentina and Paraguay through the Sofora - Telecom Argentina group. Specifically, in Argentina it operates in fixed telecommunications through the company Telecom Argentina and in mobile telecommunications through the company Telecom Personal (with the Personal brand), and in Paraguay it operates in mobile telecommunications with the company Núcleo.

The structure of the Business Unit

At December 31, 2011, the Argentina Business Unit is organized as follows:



(*) Non-operating companies

²⁴¹ Please, see the following web site, page 61):

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/investors/Annual_Reports/2011/TelecomItaliaGroupAnnualReport2011.pdf

²⁴² Please, see the following web site, page 65):

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/investors/Annual_Reports/2011/TelecomItaliaGroupAnnualReport2011.pdf

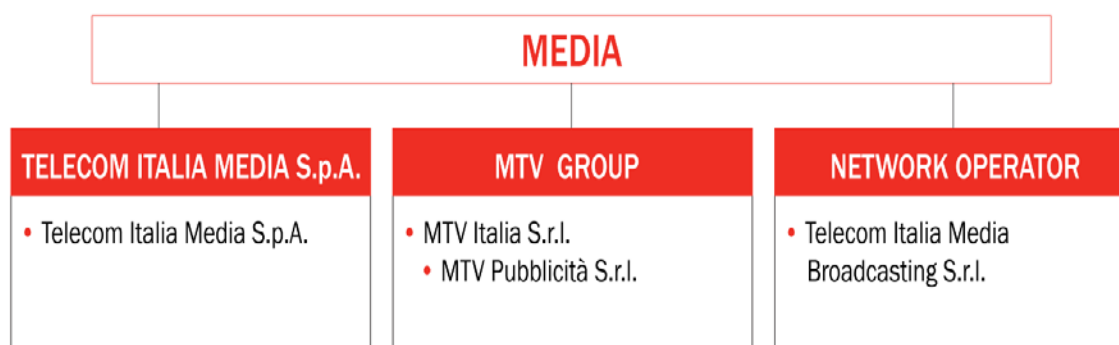
Media²⁴³

The Media Business Unit operates in the business segments TI Media – La7, MTV Group and Network Operator. In particular:

- **TI Media – La7:** includes activities carried out by the company relating to the television broadcasters La7 and La7d and those relating to the Multimedia/Web (La7.it and La7.tv) area. Up to September 30, 2011, the activities relating to digital content for the Telecom Italia Group had also been included; this activity ended on October 1, 2011 following the early termination of the contract with Telecom Italia;
- **MTV Group:** includes activities carried out by MTV Italia and its subsidiary MTV Pubblicità relating to the television broadcasters MTV and MTV Music, the 360° Playmaker production unit, the production of multimedia musical platforms and satellite channels, in addition to MTV Mobile and Digital (Web);
- **Network operator (TIMB):** includes activities conducted by Telecom Italia Media Broadcasting for the operation of the analog and digital broadcasting networks of La7 and MTV and the Digital Multiplex channels operated by the group, in addition to accessory services and radio and television broadcasting platforms offered to group companies and third parties.

The structure of the Business Unit

The Business Unit is organized as follows:



Olivetti²⁴⁴

The Olivetti group mainly operates in the sector of office products and services for Information Technology. Thanks to its vast offering of cutting-edge hardware and software, its solution provider activities offer solutions able to automate processes and business activities for small and medium enterprises, large corporations and vertical markets. The Group continues the process, begun during the last few years, of expanding and diversifying the offering by concentrating on both the development of software solutions and applications services for businesses and public administrations, and also specialized electronic devices. The market of the Business Unit is focused mainly in Europe, Asia and South America.

The structure of the Business Unit

The Business Unit is organized as follows (main companies only):

²⁴³ Please, see the following web site, page 70):

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/investors/Annual_Reports/2011/TelecomItaliaGroupAnnualReport2011.pdf

²⁴⁴ Please, see the following web site, page 70):

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/investors/Annual_Reports/2011/TelecomItaliaGroupAnnualReport2011.pdf



Economic value generated and distributed (Introduction/2011 Telecom Italia Sustainability Report)²⁴⁵

The economic value generated and distributed to stakeholders is shown below⁽²⁴⁶⁾. Since 2008, the method of presentation recommended by the Global Reporting Initiative (GRI) has been adopted, with appropriate adaptation.

(million euros)	2011	2010
DIRECT ECONOMIC VALUE GENERATED		
A) Total revenue and operating income	30,256	27,826
B) Interest payable and dividends paid	196	117
C) Net gains (losses) on disposals of non-current assets	3	11
D) Direct economic value generated (A+B+C)	30,455	27,954
ECONOMIC VALUE DISTRIBUTED		
E) Operating costs	13,744	12,193
F) Employee costs	3,917	4,021
G) Shareholders and providers of capital	3,305	3,206
H) Taxes and duties	1,814	1,458
I) Economic value distributed (e+f+g+h)	22,780	20,878
ECONOMIC VALUE RETAINED (D-I)	7,675	7,076

(million euros)	2011	2010
Wages and salaries	2,788	2,615
Social security costs	993	931
Provisions for employees' severance and retirement	(77)	52
Other expenses	213	423
EMPLOYEE COSTS	3,917	4,021

²⁴⁵ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

²⁴⁶ The value distributed to the Community stakeholder is not shown in the table. Please, see the chapter "United Nations Goals and Issues" of this Communication On Progress.

(million euros)	2011	2010
Acquisition of external goods and services	12,842	11,371
Other operating costs(*)	1,527	1,234
Change in inventories	(56)	135
Internally generated assets	(569)	(547)
OPERATING COSTS	13,744	12,193

(*) Mainly includes write-downs and charges connected to the management of non-financial credits of 533 million euros (478 million euros in 2010), accruals for risks of 128 million euros (80 million euros in 2010), and contributions and fees for the performance of Tlc activities of 675 million euros (484 million euros in 2010) net of "Other taxes and duties" of 349 million euros (200 million euros in 2010) included in the item "Taxes and duties".

(million euros)	2011	2010
Dividends distributed	1,257	1,064
Interest payable	2,048	2,142
SHAREHOLDERS AND PROVIDERS OF CAPITAL	3,305	3,206

(million euros)	2011	2010
Income taxes	1,465	1,258
Indirect taxes and duties	349	200
TAXES AND DUTIES	1,814	1,458
regarding Italian activities	1,177	1,240
regarding activities abroad	637	218

Accountability 1000 and Global Compact GRI-Cross Reference Table (final part)
(Introduction/Reporting/2011 Telecom Italia Sustainability Report)²⁴⁷

The following table gives indications of the chapters/paragraphs...which make direct or indirect reference to the principles of the Global Compact and the respective GRI indicators.

²⁴⁷ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSustainabilityENG.pdf

Global Compact (GC) Principles	GRI relevant indicators	Related chapters/paragraphs
1. Businesses should support and respect the protection of internationally proclaimed human rights in the areas of the respective spheres of influence.	HR1-7, LA4, LA7-9, LA13, PR1, PR8	Reference and Governance, Codes, Charters and Values, Reporting, Stakeholder Involvement, Suppliers, The Community, Human Resources
2. Businesses should make sure they are not complicit, even indirectly, in human rights abuses.	HR1-7	References and Governance, Codes, Charters and Values, Suppliers, Human Resources
3. Businesses should uphold the freedom of association of workers and the effective recognition of the right to collective bargaining.	HR1-3, HR5, LA4-5	Codes, Charters and Values, Reporting, Stakeholder Involvement, Human Resources
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR1-3, HR7	Codes, Charters and Values, Suppliers, Human Resources
5. Businesses should uphold the effective abolition of child labour.	HR1-3, HR6	Codes, Charters and Values, Suppliers, Human Resources
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	HR1-4, LA2, LA13	Codes, Charters and Values, Stakeholder Involvement, Suppliers, Human Resources
7. Businesses should support a precautionary approach to environmental challenges.	EC2, EN18, EN26	Hot Topics, Reporting, Stakeholder Involvement, Suppliers, The Environment, 2010 and 2011 Results, and 2012 Objectives in the Appendix
8. Business should undertake initiatives to promote greater environmental responsibility.	EN3, EN5-6, EN8, EN16-19, EN22-23, EN26-29, PR3	Stakeholder Involvement, Suppliers, The Environment, 2010 and 2011 Results, and 2012 Objectives in the Appendix
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN5-7, EN18, EN26	Hot Topics, Reporting, The Environment, The Community
10. Businesses should work against corruption in all its forms, including extortion and bribery.	SO2-4	References and Governance, Codes, Charters and Values, Suppliers, Shareholders

The Content Index, which is one of the documents according to which the Group is examined for the purpose of obtaining the rating, is available in the sustainability section of the telecomitalia.com website, as well as the Application Level Table which reports GRI requirements for the different Application Levels²⁴⁸.

Since 2008, Telecom Italia has had an A+ GRI rating for its sustainability reporting²⁴⁹.

²⁴⁸ Please, see also the following GRI (Global Reporting Initiative) web sites:

<https://www.globalreporting.org/reporting/reporting-support/reporting-resources/content-index-and-checklist/Pages/default.aspx>
<https://www.globalreporting.org/reporting/reporting-framework-overview/application-level-information/Pages/default.aspx>

²⁴⁹ Please, see also the following web site:

INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2011²⁵¹

To the Shareholders of
Telecom Italia SpA

1. We have carried out the limited assurance engagement of the Sustainability Report of the Telecom Italia Group (hereafter the “Group”) as of 31 December 2011 (hereafter the “Report”), following the verification procedures summarized in paragraph 3 to this Report. The Board of Directors of Telecom Italia SpA are responsible for the preparation of the Report in accordance with the Inclusivity, Materiality and Responsiveness principles included in *AA1000 AccountAbility Principles Standard (2008)* (AA1000APS - 2008), issued by AccountAbility (Institute of Social and Ethical Accountability), as described in the paragraph “Reporting”. The Board of Directors of Telecom Italia SpA are responsible for the definition of the Group objectives with regard to the sustainability performance and reporting results achieved. The Board of Directors are also responsible for the identification of the stakeholders and of the significant aspects to report, as well as for the implementation and maintenance of appropriate management and internal control processes concerning data and information included in the Report. We are responsible for the preparation of this Report on the basis of the work performed.
2. Our work has been conducted in accordance with the principles and guidelines established, for a limited assurance engagement, by the *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*. These principles require the compliance with applicable ethical principles (*Code of Ethics for Professional Accountants* of the *International Federation of Accountants*), including professional independence. It also requires that our work is planned and performed with the aim of obtaining a limited assurance, rather than a reasonable assurance, that the Report is free of material errors.

Furthermore, our work has been conducted taking into account, consistently with the *AA1000 AccountAbility Assurance Standard (2008)* (AA1000AS - 2008), those aspects relevant for the valuation of the reliability of data and information on sustainability performance detailed in Appendix 1.

A limited assurance engagement of the sustainability report consists in interviews, primarily with company’s personnel responsible for the preparation of the information included in the sustainability report, in the analysis of the sustainability report and in other verification procedures.

3. The verification procedures performed on the Report are summarized as follows:

[http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/approach/Telecom%20Italia%20\(A%2b\)%20English%20Statement%20\(2\).pdf](http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/approach/Telecom%20Italia%20(A%2b)%20English%20Statement%20(2).pdf)

http://www.telecomitalia.com/content/dam/telecomitalia/documents/Sostenibilita/en/approach/G3-Content%20Index_2011.pdf

²⁵⁰ Please, see the following web site:

http://www.telecomitalia.com/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2011/ReportSostenibilitaENG.pdf

²⁵¹ **PricewaterhouseCoopers Advisory SpA** Sede legale: Milano 20149 Via Monte Rosa 91 Tel. 02667201 Fax 0266720501 Cap. Soc. 1.800.000 Euro i.v. - C.F. e P.IVA e Iscrizione al Reg. Imp. Milano N. 03230150967 – Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640311 Fax 0805640349 - **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 Fax 0552482899 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873431 Fax 0498734399 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 0916256313 Fax 0917829221 - **Roma** 00154 Largo Fochetti 28 Tel. 06570831 Fax 06570832536 - **Torino** 10122 Corso Palestro 10 Tel. 0115773211 Fax 0115773299 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 Fax 0422696902 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 Fax 040364737.

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- comparison between the economic and financial information and data included in the Report with those included in the Group consolidated financial statements as of 31 December 2011;
- analysis of design and implementation of governance and management system of sustainability topics related to strategy and operation of Telecom Italia SpA, as well as of the processes and instruments used to identify the stakeholders and the most significant issues to them;
- analysis of the processes underlying the generation, recording and management of quantitative data included in the Report. In particular, we held meetings and discussions with Telecom Italia SpA, Telecom Italia Media SpA, TIM Participações SA, Telecom Argentina SA and HR Services Srl management representatives selected on the basis of a quantitative and qualitative risk analysis, in order to achieve a general understanding of the information, accounting and reporting system in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the department responsible for drawing it up;
- meetings and discussions with Telecom Italia SpA, Telecom Italia Media SpA., TIM Participações SA, Telecom Argentina SA and HR Services Srl management, in order to understand and evaluate the processes utilized to comply with the Inclusivity, Materiality and Responsiveness principles included in the AA1000APS – 2008 standard;
- analysis, on a sample basis, of the documentation supporting the Report in order to obtain the evidence of processes in place, confirm the reliability of data and information obtained in the above-mentioned meetings and discussions and regarding the sustainability performance, as included in Appendix 1;
- verification of the engagement of stakeholders, through:
 - analysis of the most relevant aspects arisen and documented in internal minutes and comparison with data and information included in the Report,
 - meetings and interviews with some employees to understand their awareness on the sustainability reporting process;
- obtaining a representation letter, signed by the legal representative of Telecom Italia SpA, relating to the completeness and reliability of the Report and of the information and data included in it, as well as to the compliance with the principles referred to in paragraph 1.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 and, as a consequence, it provides a lower level of assurance that we became aware of all the significant events and circumstances that a reasonable assurance engagement could have identified.

As far as data and information concerning the sustainability report of the prior year, presented for comparative purposes, are concerned, refer to the assurance statement we issued on 28 March 2011.

4. Based on the procedures carried out, nothing came to our attention that causes us to believe that the sustainability report of Telecom Italia Group as of 31 December 2011 is not in compliance, in all material respects, with *AA1000 AccountAbility Principles Standard (2008)*, as stated in the paragraph “Reporting” of the Report, and that the sustainability performance included in Appendix 1 is not reliable.

Turin, 16 April 2012

PricewaterhouseCoopers Advisory SpA

Paolo Bersani
(Partner)

This report has been translated from the original, which was issued in Italian.
We have not performed any control on the Sustainability Report 2011 translation.

Appendix 1 Data and information on sustainability performance

Area	Information/KPI	Page ²⁵²
Economic value	Economic value generated and distributed	32
Human Resources	Training Telecom Italia S.p.A.	103
Human Resources	Training TIM Brasil	133
Human Resources	Accidents Telecom Italia S.p.A	107
Human Resources	People caring	96
Human Resources	Turnover Telecom Italia SpA, Brasil, Argentina	92
Environment	Heating systems	56
Environment	Vehicles	58
Environment	Number of vehicles and distance travelled	59
Environment	Electricity procured and produced	60
Environment	Atmospheric emissions	62
Environment	Waste	67
Stakeholder Involvement	Stakeholder Involvement	28
Community	The measurement of our contribution to the Community	78
Community	Initiatives consistent with the core business	79
Community	Initiatives for general community development	80
Customers	Customer Satisfaction Index	39
Customers	Customer satisfaction concerning customer care	40
Customers	Geographical Digital Divide ADSL/broad band coverage	41
Customers	The conciliation procedures	45
Customers	Certifications	40
Suppliers	Sustainability checks	51
Shareholders	Financial communication	114
Shareholders	Risk Management	115
Shareholders	Corporate Governance	116

²⁵² The pages are related to the 2011 Telecom Italia Sustainability Report, paper version.