SUSTAINABILITY REPORT 2012

TELECOM ITALIA

Sustainability Report 2012

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Chairman's Letter

In 2012, the sharp decline in domestic consumption led to a more than 2% reduction in Italian Gross Domestic Product. The worsening of the international macroeconomic situation also had repercussions in Argentina and Brazil, which experienced a significant slowdown in growth rates.

At such a difficult time for the national and international economy, sustainable businesses are those that are able to cope with the crisis by improving their efficiency and productivity while at the same time having a positive effect on the economic and social context in which they operate. This second aspect is all the more important when, as in the case of Telecom Italia, the bond and mutual influence between the business and its context are strong.

Telecom Italia has primarily had a positive impact on the economy through the investments it has made in developing broadband and ultra-broadband fixed and mobile networks. The recent launch of LTE services further improves the performance of the mobile network, allowing the range of mobile digital services to be greatly expanded.

In recent years, our work has been driven by the achievement of major objectives in terms of reducing debt, containing costs and relaunching competitiveness. At the same time, however, we have endeavoured to mitigate the social impact of the efficiency and rationalisation measures required through major training and retraining activities.

As a whole, in addition to improving the strength of our Group, our actions have had a positive effect on citizens and businesses, both by significantly reducing prices and ensuring a greater focus on service quality and by introducing innovative services, such as the cloud computing services known as Nuvola Italiana. In this context, Telecom Italia's offer is evolving towards solutions that combine economic benefits, flexibility and technological performance with guarantees in terms of data security and energy efficiency.

The sustainability report provides a detailed description of the main initiatives undertaken by our Group over the past year. In particular, Telecom Italia signed an agreement with other major European telecommunications groups, known as the JAC (Joint Audit Cooperation), to improve the general standard of sustainability regarding environmental protection, human rights and workers' rights. With regard to energy efficiency, considering that the Telecom Italia Group is Italy's second biggest electricity consumer, we achieved equally

significant and important results by cutting our electricity consumption and carbon dioxide emissions by over 14%.

In an economic crisis, it is essential to support communities and particularly the weakest members of society. In this context, we continued to implement cultural, solidarity and environmental protection projects and activities, both directly and through the Telecom Italia Foundation.

Our commitment to supporting the values of sustainability and the initiatives carried out have won us major national and international recognition, including our continued 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.

Digital networks and services are an increasingly integral part of the social and economic context in which we live. For our Group, in the context of its activities, being sustainable is therefore even more important. Achieving ever better standards of sustainability is a journey made up of continuing headway towards increasingly ambitious targets, a journey to which Telecom Italia has always been and will always be committed, with all its professional resources and its technological skills.

Franco Bernabè
(Chairman & Ceo)

index

EXECUTIVE SUMMARY 7

Introduction

1. REFERENCES AND GOVERNANCE 17
2. CODES, CHARTERS AND VALUES 18
3. HOT TOPICS 20
4. PLACEMENT IN THE INDEXES 20
5. OTHER ACKNOWLEDGEMENTS 23
6. COMMUNICATION OF NON-FINANCIAL PERFORMANCE 23
7. REPORTING 24
8. 2012 RESULTS AND 2013 OBJECTIVES 27
9. SUSTAINABILITY MANAGEMENT 27
10. STAKEHOLDER INVOLVEMENT 28
11. ECONOMIC VALUE GENERATED AND DISTRIBUTED 32

External stakeholders

1. CUSTOMERS 37
1.1 STRATEGY 37
1.2 RELEVANT STAKEHOLDERS 37
1.3 QUALITY OF THE SERVICE 38
1.4 CUSTOMER SATISFACTION 39
1.5 CERTIFICATIONS 40
1.6 DIGITAL DIVIDE 41
1.7 INNOVATIVE SERVICES 42
1.8 CHILD PROTECTION 44
1.9 CONCILIATION PROCEDURES 45
1.10 SAFEGUARDING PRIVACY AND PERSONAL DATA PROTECTION 46

2. SUPPLIERS 49
2.1 STRATEGY 49
2.2 RELEVANT STAKEHOLDERS 49
2.3 GENERAL MATTERS 49
2.4 SUSTAINABILITY INITIATIVES 50
2.5 SUSTAINABILITY CHECKS 51
2.6 INVOLVEMENT INITIATIVES 52
2.7 2012 RESULTS AND 2013 COMMITMENTS 53

3. THE ENVIRONMENT 55
3.1 STRATEGY 56
3.2 RELEVANT STAKEHOLDERS 56
3.3 ENVIRONMENTAL PERFORMANCE 57
3.4 CLIMATE CHANGE 72
3.5 COMMUNICATING SUSTAINABILITY 74
3.6 PRODUCT RESPONSIBILITY 76

4. THE COMMUNITY 79
4.1 STRATEGY 79
4.2 RELEVANT STAKEHOLDERS 80
4.3 THE MEASUREMENT OF OUR CONTRIBUTION TO THE COMMUNITY 80
4.4 RESPONSES TO STAKEHOLDERS 81
4.5 RESEARCH AND DEVELOPMENT 88

Internal stakeholders

1. HUMAN RESOURCES 97
1.1 STRATEGY 97
1.2 RELEVANT STAKEHOLDERS 97
1.3 HEADCOUNT AND CHANGES 97
1.4 GENDER BALANCE 101
1.5 PEOPLE CARING 102
1.6 DEVELOPMENT 107
1.7 SELECTION 108
1.8 TRAINING 110
1.9 LISTENING ACTIVITIES AND PROJECTS 111
1.10 INTERNAL COMMUNICATION 112
1.11 HEALTH AND SAFETY 114
1.12 INDUSTRIAL RELATIONS 116
1.13 REMUNERATION POLICY 118

2. SHAREHOLDERS 121
2.1 STRATEGY 121
2.2 STAKEHOLDERS AND THEIR EXPECTATIONS 121
2.3 FINANCIAL COMMUNICATION 123
2.4 RISK MANAGEMENT 123
2.5 CORPORATE GOVERNANCE 124

Appendix

2011 AND 2012 RESULTS 147
2013 OBJECTIVES 150

Auditors'report

REPORT OF THE INDEPENDENT AUDITORS (PRICEWATERHOUSECOOPERS) 154

FACCIAMO
CIRCOLARE
IL FUTURO.
TELECOM
ITALIA

Executive Summary

GROUP STRUCTURE

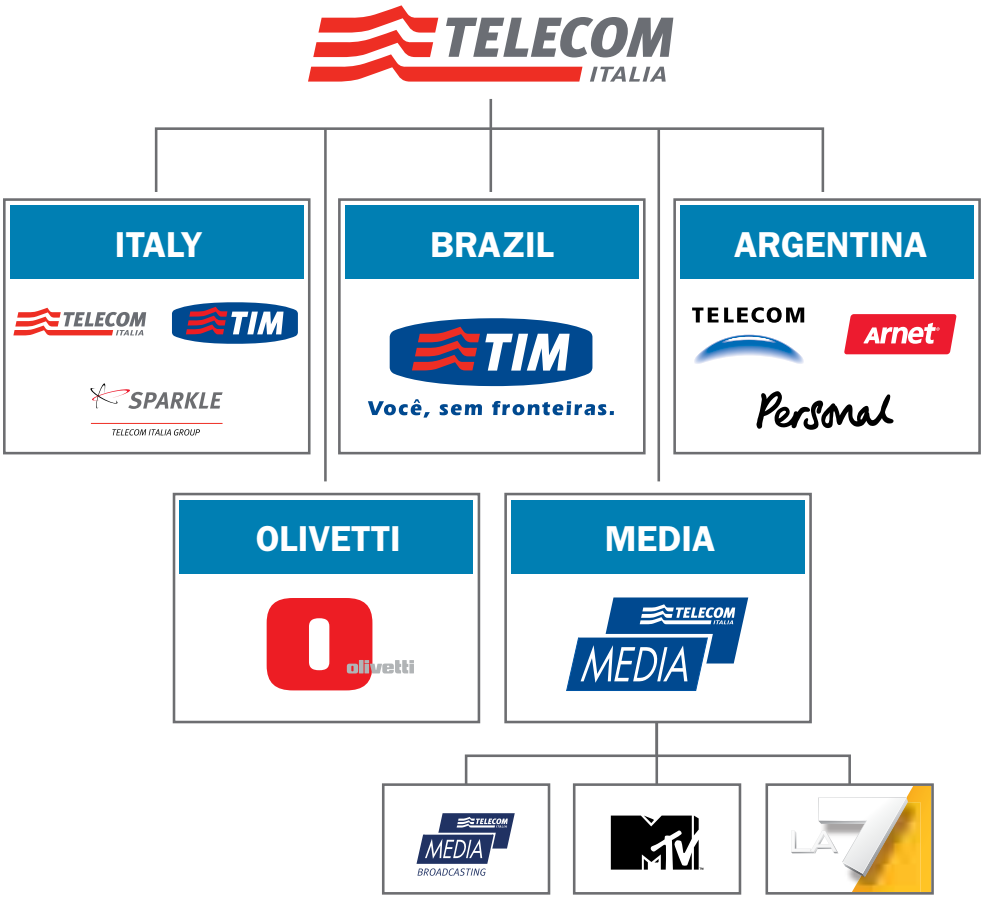
The Telecom Italia Group offers telecommunication services and state-of-the-art ICT and media solutions, contributing to the digitalization and development of the Countries in which it operates. In addition to its domestic leadership, the Group has a significant international presence in the South American market with the "Brazil" Business Unit and the "Argentina" Business Unit.

The Group operates in the following business sectors:

- 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 fibre optic networks for wholesale customers (in Europe, in the Mediterranean and in South America).
- The "Brazil" Business Unit (TIM Brasil Group) offers services using UMTS and GSM technologies. Moreover, with the acquisitions of Intelig telecomunicações, Tim Fiber RJ and Tim Fiber SP, the portfolio of services has been expanded by offering fibre optic data transmission and offering residential broadband services.
- The "Argentina" Business Unit (Sofora - Telecom Argentina Group) operates in Argentina and Paraguay. Specifically, in Argentina it operates in fixed telecommunications through the Company Telecom Argentina and in mobile telecommunications through the Company Telecom Personal and in Paraguay it operates in the mobile sector with the Company Nucleo and in the Broadband through the "Arnet" brand.
- Media operates in the business segments of television broadcasting through La7, La7d and the MTV Group, the production of multimedia music platforms and satellite channels and also the management of analogue and digital broadcasting networks as well as accessory services and additional radio signal broadcasting services.
- Olivetti operates in the sector of office products and services for Information Technology. It carries out Solution Provider activities to automate processes and business activities for

small and medium-size enterprises, large corporations and vertical markets. The reference market is focused mainly in Europe, Asia and South America.

- "Other Activities" includes the financial companies and other minor companies not strictly connected with the "core business" of the Telecom Italia Group and not included in the scope of the Sustainability Report.



MAIN ECONOMIC, FINANCIAL AND OPERATIONAL DATA

Telecom Italia Group – Main economic and financial consolidated data

	Revenues		EBITDA		EBIT		Industrial Investments		Headcount at the end of the period (units)	
(million euros)	2012	2011	2012	2011	2012	2011	2012	2011	12.31.2012	12.31.2011
Domestic	17,884	18,997	8,676	9,173	1,078	(1,996)	3,072	4,185	53,224	55,047
Brazil	7,477	7,343	1,996	1,990	966	984	1,500	1,290	11,622	10,539
Argentina	3,784	3,220	1,121	1,035	214	509	557	556	16,803	16,350
Media	222	238	(45)	27	(263)	(88)	57	61	735	765
Olivetti	280	343	(57)	(36)	(65)	(43)	3	5	778	1,075
Other activities	62	119	(37)	(17)	(3)	(37)	7	16	22	378
Adjustments and eliminations	(206)	(297)	(9)	(1)	(1)	(9)	-	(18)	-	-
Consolidated total	**29,503**	**29,957**	**11,645**	**12,171**	**1,926**	**(680)**	**5,196**	**6,095**	**83,184**	**84,154**

Telecom Italia Group – Other economic and financial consolidated data

	12.31.2012	12.31.2011
(million euros)		
Total equity	23,012	26,694
• attributable to owners of the Parent Company	19,378	22,790
• attributable to minority shareholdings	3,634	3,904
Profit (loss) for the financial year attributable to Parent Company Shareholders	(1,627)	(4,811)
Profit (loss) for the financial year attributable to Minority Shareholdings	350	445
Net financial accounting debt	29,053	30,819

Telecom Italia Group – Main operational data of the Business Units

	12.31.2012	12.31.2011
DOMESTIC FIXED		
Connections to the fixed network in Italy at year end (thousands)	21,153	21,712
Broadband connections in Italy at year end (thousands)	8,967	9,089
DOMESTIC MOBILE		
Number of lines at year end (thousands)	32,159	32,227
BRAZIL		
Number of lines at year end (thousands)	70,362	64,070
ARGENTINA		
Number of fixed lines at year end (thousands)	4,128	4,141
Number of broadband connections at year end (thousands)	1,629	1,550
MEDIA		
La7 audience share Free to Air (analogue mode) – (average for the year in %)	3.5	3.8
Gross advertising revenues (million euros)	225	242

BACKGROUND

Telecom Italia began to deal with sustainability in 1997 by creating a specific department and by publishing the first socio-environmental report. The document then evolved into the Sustainability Report and included an analysis of performance in respect of stakeholders with whom the Company interacts on a daily basis: the stakeholders.
As of 2003, the data and information regarding sustainability became part of the Report on Operations for the consolidated Financial Statements, thus confirming the Group's intention to present its financial data together with its non-financial data.
In 2002, Telecom Italia published the Group's first Code of Ethics and signed up to the Global Compact, the global pact by the UN to promote the protection of the environment, respect for human rights and working standards, and anti-corruption practices.
In 2003, a structured system for managing sustainability based on indicators (Key Performance Indicators) was implemented to measure the results achieved in respect of all stakeholders and allow appropriate improvement actions to be planned.
In 2007, Telecom Italia participated as co-leader in the laboratory set up in the context of the Alliance with the European Commission in March 2006 on the evaluation and communication of non-financial performance. The laboratory then drew up an original communication template (investorvalue.org) presented in Brussels in May 2010 during the Senior Leaders Forum of the Academy for Business in Society (ABIS).
Further development work is currently being carried out on the model devised in the context of a project moderated by ABIS and CSR Europe in which Telecom Italia continues to share a leadership role with other multinational companies.
At the end of 2008, sustainability was formally brought to the attention of the Board of Directors through the Control and Risk Committee, which performs a senior supervision function in this respect.
In 2009, the Sustainability Report was drawn up for the first time according to the principles of the AA1000 AccountAbility Principles Standard (APS), which are based on the involvement of stakeholders in the reporting and the underlying processes. This is the most advanced standard in this area.
As a confirmation of the results achieved, Telecom Italia was included in the most prestigious international sustainability indexes, including the Dow Jones Sustainability Indexes (DJSI) and the Financial Times Stock Exchange for Good (FTSE4Good).

THE MAIN SUSTAINABILITY CHALLENGES FOR TELECOM ITALIA

Focus on customers

The achievement of high standards of customer satisfaction is a priority for Telecom Italia. The listening system was further enhanced in 2012 to ensure more effective monitoring of the interaction with customers, analyse perception and identify areas of development for the services with a view to achieving ongoing improvements. Specific attention has also been paid to customer care, which provides for the use of social networks to ensure quick and effective interaction with operators. Customer satisfaction is taken into consideration in the manager and staff incentives system.
As a fundamental player in the broadband ecosystem, the Telecom Italia Group is responsible for ensuring that the technological development it brings by offering innovative services is always associated with the balanced development of the population in terms

of computer literacy, thus contributing to overcoming the socio-cultural barriers that can restrict the opportunity to participate in the information society and enjoy its benefits. Particular attention is therefore paid to customers with specific needs or belonging to the weakest layers of society, such as children, the elderly, the sick and the disabled. For example, the "Smart Inclusion" project, implemented in some Italian paediatric hospitals, provides a single technological platform allowing hospitalised children to participate actively in school lessons, communicate with their families and access various entertainment programmes, while allowing healthcare staff to view and update clinical patient documentation. As regards children, safe Internet browsing is a priority for Telecom Italia, which now provides various online protection and control tools. It has also launched a "Safe Browsing" (*Navigare Sicuri*) project aimed at teaching children, teenagers and adults (parents and teachers) to make an informed and responsible use of the Internet and digital technologies. For further information see § Customers, and The Community.

Closeness to our people

Telecom Italia confirms its care for the people who work in the Company.
The People Caring initiatives, implemented by listening to the needs of employees, are intended to improve the work life balance and to provide a concrete response to the requirements of daily life. Telecom Italia supports the involvement of employees in volunteering initiatives and pays specific attention to diversity within the Company. Talents are attracted and retained with specific initiatives, particularly by establishing direct links with universities and further education institutions.
With the "I care myself" project, for employees who have passed the required examinations, Telecom Italia covers tuition fees for a number of degree courses provided by the Uninettuno International Telematic University. Dialogue with employees takes place through various channels, including tools that promote bilateralism, exchange and discussion between members of the corporate community through such things as blogs, open virtual communities, climate analysis and the intranet portal. A training plan has been launched to inform and involve employees in matters related to sustainability using an e-learning platform and themed virtual classes. For further details of the initiatives taken regarding Telecom Italia personnel see § Human Resources.

Contribution to the Community

As a large Company, Telecom Italia has a major impact on the communities of the Countries in which it operates.
First of all it contributes to improving general well-being by distributing part of the value produced through salaries and wages, payments to suppliers and work providers, interest to capital investors and dividends to shareholders (see § Economic value produced and distributed). Furthermore, the investments made are of general benefit to the community in terms of infrastructure and services, while also promoting virtuous effects on the supply chain.
The Group's contribution to the community also includes products and services that improve people's quality of life by promoting new ways of learning, travelling, working and looking after oneself, reducing the need for travel and therefore increasing the amount of free time and improving quality of life in general.
One example is the Nuvola IT Home Doctor remote home monitoring service, operating in a number of Italian healthcare facilities, which allows patients suffering from a number of chronic diseases to be monitored remotely thanks to Telecom Italia's technologies. The service allows the quality of life of patients to be significantly improved as well as

allowing considerable savings to be made by the healthcare system on hospitalisation costs. By reducing the need to travel to the doctor, this service also allows carbon dioxide (CO_2) emissions generated by the means of transport to be reduced (see § Customers/ Innovative Services).
Finally, the Group's contribution to the community includes projects and initiatives for the general development of the community by means of cultural, solidarity and environmental protection activities carried out directly by Telecom Italia through the Foundation. These include, for example, the programme of activities launched with the Italian Dyslexia Association to combat this disorder in Italian schools (see § The Community/Responses to stakeholders).

Fighting climate change

This is one of the great challenges that humanity will have to deal with in the near future, mainly by reducing emissions of CO_2 and other greenhouse gases in order to limit the increase in the earth's temperature to levels that are deemed acceptable.
The Information and Communication Technology (ICT) industry can play a fundamental role in this respect, not only by limiting its emissions of CO_2 generated primarily by the high amount of energy required by transmission networks, but also by contributing to reducing emissions in other sectors by offering innovative services that promote different and more sustainable lifestyles in environmental terms such as video conferencing, teleworking, telemedicine and services that generally promote virtualisation of the economy, meaning replacement with lower impact alternatives in terms of CO_2 emissions (e-commerce, e-tourism, online billing and payments, etc.). ICT solutions allow intelligent buildings to be constructed in which technology combined with new materials considerably improves levels of energy consumption, comfort and safety. By using "smart grids" these solutions allow energy to be transferred from areas where there is a surplus to ones where there is a deficit, allowing considerable amounts of energy to be saved, with benefits for citizens and companies, contributing to the creation of more efficient and safer cities with lower CO_2 emissions. In this respect, Telecom Italia has launched the Smart Town offer, based on an integrated platform of services for "smart" cities which uses existing public lighting systems, integrated with telecommunication networks, to implement innovative environmental management, security and energy saving services for local authorities and the public. For further information see § Customers/Innovative Services and § The Environment/Climate change.

Supply Chain management

Managing the social and environmental aspects of the supply chain is strategically important for Telecom Italia considering the significant volumes and the diversity of procurement markets, particularly for purchases made in countries that require a greater degree of attention to be paid to specific social and environmental requirements.
Monitoring these requirements allows the risks associated with the supply process to be minimised, in terms of the impact on business activities and negative effects on the Company's image. It also allows opportunities to be maximised by establishing long-lasting cooperation that brings benefits in terms of improving efficiency, productivity, product quality and cost reduction in the context of the supply chain.
At the end of 2009, Telecom Italia contributed to setting up the JAC (Joint Audit Cooperation), together with other major European Tlc operators. The agreement assigns each member responsibility for managing audits of a limited number of common suppliers. These audits are carried out by third party companies with proven experience in the industry, selected

by competitive tender, based on the principles agreed between the JAC members. If non-conformities are found, a corrective action plan is drawn up and its progress monitored. The audit results are shared among all the members, who are completely free to take decisions independently and individually. The exchange of information is governed by confidentiality agreements signed by the JAC members and suppliers involved. For further information see § Suppliers.

MAIN RESULTS OF 2012

Results(*)	Reference to the chapters in the Report
4.37% reduction in the energy used for transport	The Environment/Environmental performance/ Energy
1.06% decrease in electricity consumption	The Environment/Environmental performance/ Energy
An increase of 14.52% in the eco-efficiency indicator	The Environment/Climate Change
3.04% reduction in CO_2 emissions	The Environment/Environmental performance/ Atmospheric emissions
7.19% reduction in paper purchased	The Environment/Environmental performance/ Paper
Confirmation of Telecom Italia's and TIM Brasil's ranking in all the leading international sustainability indexes	Introduction/Placement in the indexes
Social and environmental projects continue, including activities run by the Telecom Italia Foundation, amounting to a total investment in the Community of 36.4 million euros	The Community/Responses to stakeholders The Community/Measuring our contribution to the Community
The sustainability training plan aimed at all Group employees continues with the virtual classroom dedicated to climate change	The Environment/Communicating sustainability
Confirmation of the co-leadership role of Telecom Italia in the European project for communicating non-financial performance	Introduction/Communication of non-financial performance
Numerous awards received for design and communication activities related to sustainability	Introduction/Other acknowledgements
The "I care myself" project continues, allowing employees to enrol free of charge in a number of university faculties	Human Resources/Training
People caring activities continue in favour of employees and their families	Human Resources/People Caring

*

The percentage increases or decreases shown in the table are calculated in comparison to 2011 data. Unless otherwise stated all the information and data relate to Telecom Italia S.p.A.

Introduction

1. REFERENCES AND GOVERNANCE

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

In 2002, Telecom Italia subscribed to the principles of the main point of reference at the global level, that is, the Global Compact, which was launched in 2000 by the UN to promote the protection of the environment, respect for human rights and working standards, and anti-corruption practices.

THE SUSTAINABILITY MANAGEMENT SYSTEM TAKES INTO ACCOUNT THE MAIN INTERNATIONAL STANDARDS. IN 2002, TELECOM ITALIA SIGNED UP TO THE GLOBAL COMPACT

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.

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 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 Control and Risk Committee, 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.

2. CODES, CHARTERS AND VALUES

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 CODE OF ETHICS IS AT THE BASIS OF THE GROUP'S CORPORATE GOVERNANCE SYSTEM

The General Conditions of subscription and contract, which govern relations with subscribers and are additional to the Service Charters, are published on the following websites telecomitalia.it, tim.it, impresasemplice.it and nuvolaitaliana.it.

The General Conditions of subscription for fixed telephony are also published in telephone directories.

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

The other 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.
- "Green Procurement Policy", which is intended to minimise the environmental impact directly attributable to the Company and its suppliers in the context of the procurement process.
- "Telecom Italia Group Guidelines on Voluntary Contributions to the Community", which govern the ways in which the Group makes investments in favour of the communities in which it operates.
- "Code of conduct for the confidentiality of OLO (Other Licensed Operator) Data", which ensures the proper handling and confidentiality of data by the departments that supply services to other operators.
- "Telecom Italia Group Guidelines for Responsible Marketing", which outline the principles followed by the Group to ensure honest, transparent and fair business practices in addition to those contained in the Charters and Codes mentioned above.

Further undertakings are contained in the "Self-regulation code for mobile services", the "Self-regulation code for TV and Children", the "Code of conduct for premium rate services", the "Self-regulation code for sports information", the "Self-regulation code on the reporting of legal disputes in radio and television programmes", the "Self-regulation code for commercial communication" and the codes relating to the protection of children and consumers.

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 of 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.

3. HOT TOPICS

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 also 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 (see § Stakeholder Involvement).

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) – (see § Reporting).

4. PLACEMENT IN THE INDEXES

Sustainability indexes are stock indexes in which securities are selected not only on the basis of economic-financial parameters but also in the light of social and environmental criteria. The selection process is carried out by specialised agencies that assess companies on the basis of publicly available information or questionnaires, taking account of opinions expressed by the media and stakeholders. Inclusion in these indexes is of strategic importance to companies because of the positive effects on their reputation and because, in addition to the pension funds and ethical funds, an ever increasing number of investors favour sustainable companies, considering them to be less risky and more promising in the medium to long term.
Taking part in the process of evaluation is, moreover, a timely moment for reflection within the Company on the results achieved. The suggestions of the rating agencies at the end of the process are taken into consideration when planning improvement actions in the future.

HOT TOPICS TABLE

Issues	Stakeholder	Telecom Italia Commitment	Reference
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.	Customers/Customer Satisfaction
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.	Customers/Innovative Services The Community/Responses to stakeholders
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.	The Environment/Climate Change
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.	Human Resources
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.	Suppliers/Sustainability Initiatives
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.	Customers/Safeguarding privacy and personal data protection
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.	Customers/Child protection
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 laboratory on the communication of non-financial performance.	Introduction/Communication of non-financial performance

In 2012, Telecom Italia's place was confirmed, for the ninth year running, in both the Dow Jones Sustainability indexes:

- the Dow Jones Sustainability World Index (DJSI World), which includes 340 components;
- the Dow Jones Sustainability Europe index (DJSI Europe), consisting of 166 European components, and the respective Eurozone sub-index.

Since the inception of the Financial Times Stock Exchange for Good (FTSE4Good) series, Telecom Italia has been present in all the major indexes:

- FTSE4Good Global, consisting of 723 components;
- FTSE4Good Europe, consisting of 282 components;
- FTSE4Good Environmental Leaders Europe, which includes 40 components selected from the FTSE4Good Europe on the basis of the results achieved on matters of environmental protection.

Telecom Italia is also included in the following indexes:

- Vigeo:
  - World 120, consisting of 120 components;
  - Europe 120, consisting of 120 components.

- Advanced Sustainable Performance Index (ASPI) Eurozone, consisting of 120 components.

- Ethibel Sustainability Indexes (ESI):
  - Excellence Europe, comprising 199 components;
  - Excellence Euro, consisting of 114 components;
  - Excellence Global, comprising 110 components.

- MSCI ESG Indexes:
  - MSCI WORLD ESG INDEX, consisting of 761 components;
  - MSCI WORLD formerly USA ESG INDEX, consisting of 452 components;
  - MSCI EAFE ESG INDEX, consisting of 413 components;
  - MSCI EUROPE ESG INDEX, consisting of 204 components.

- ECPI Indexes:
  - ECPI Ethical Global Equity, consisting of 300 components;
  - ECPI Ethical Euro Equity, consisting of 150 components;
  - ECPI Ethical EMU Equity, consisting of 150 components.

  Telecom Italia is also included in the FTSE-ECPI SRI Benchmark.

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

Tim Participações, the TIM Brasil Group's listed holding, had its position confirmed in the ISE (Índice de Sustentabilidade Empresarial) index managed by BM&F Bovespa (the São Paolo stock exchange), together with the Brazilian Environment Ministry and other financial and sustainability organisations. The index consists of 37 components that have achieved the highest sustainability scores, selected on the basis of a questionnaire submitted to the 183 most traded companies on the BM&F Bovespa.

5. OTHER ACKNOWLEDGEMENTS

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

- first place in the Italian and European "KWD Webranking 2012" for the best corporate communication on the web. The rankings drawn up by KWD, the digital division of Hallvarsson & Halvarsson, working with Lundquist, respectively considered the 102 biggest Italian companies and the 500 biggest European companies included in the FT Europe 500 index;
- second place in Italy among the 85 most highly capitalised companies in the FTSE Italia All Share index and second in Europe among the 100 companies in the FTSE Eurotop 100 index in the "CSR Online Awards 2012" online sustainability communication ranking drawn up by Lundquist;
- second place in Italy in the "Newsweek Green Ranking" drawn up by the Trucost and Sustainanalytics agencies, considering the top 500 companies in the world in terms of capitalisation, revenues and employees. The score is based on 3 parameters: total environmental impact generated by the business, management of this impact and transparency of the information published;
- second place in Europe and Italy for online employer branding communication in the Employer Branding Online Awards 2012 survey conducted by Lundquist considering a wide range of web and social media content and functionalities. The European survey analysed the top 100 companies included in the FTSE Eurotop 100 index, while the Italian edition examined the 100 top companies in terms of employees and turnover, including listed, private, public and foreign companies with registered offices in Italy;
- top position achieved by the People Caring campaign in the Areté 2012 awards for responsible communication, Internal Communication category, promoted by Nuvolaverde with Confindustria and ABI, and sponsored by numerous associations, foundations and institutions.

6. COMMUNICATION OF NON-FINANCIAL PERFORMANCE

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 evaluation" 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, The Community, Innovation, The 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 2012, the laboratory's work continued in the context of a project launched by CSR Europe and ABIS (Academy for Business in Society), in which Telecom Italia plays a leading role together with other big companies and international organisations.

The work is structured into 2 project categories with the following objectives:

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

The preliminary results of the first set of projects were presented in Brussels on November 29 last year.

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

7. REPORTING

Scope and criteria

In accordance with the principle of materiality, unless otherwise stated (see § Human Resources), 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 taken into consideration in the sustainability reporting.

In accordance with the triple bottom line[1] 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.

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

THE REPORTING IS CONSISTENT WITH THE TRIPLE BOTTOM LINE APPROACH

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 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;
- 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 16 years during which the Company has performed this activity.

The KPIs are managed on the CPM system, a dedicated application which also manages the financial data included in the Annual Report.

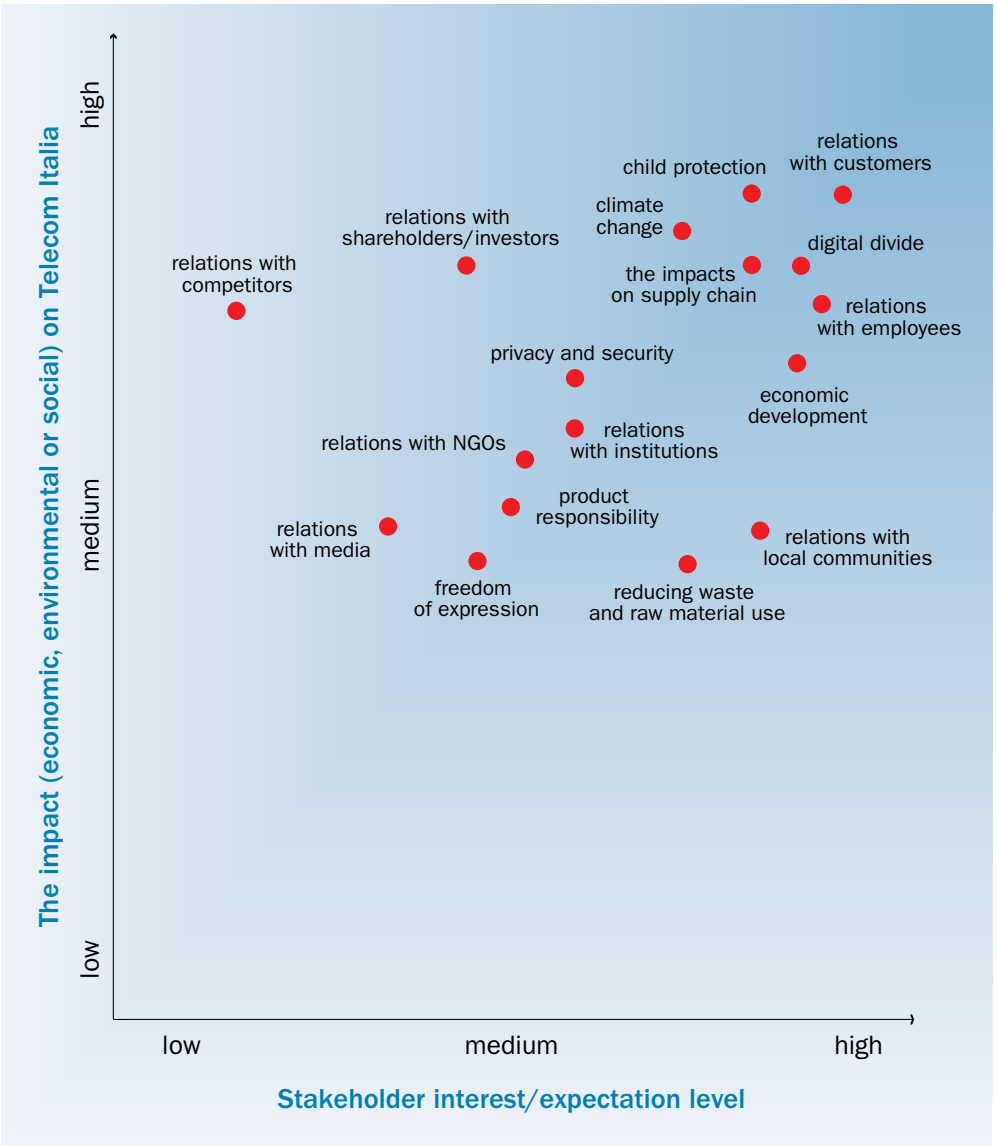
AccountAbility 1000 and Global Compact/GRI Cross Reference Table

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 (see § Independent Auditors' Report).

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



The following table gives indications of the chapters/paragraphs and pages which make direct or indirect reference to the principles of the Global Compact and the respective GRI indicators.

Global Compact (GC) Principles	GRI relevant indicators	Relevant chapter/ paragraphs	Page number
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	References and Governance, Codes, Charters and Values, Reporting, Stakeholder Involvement, Suppliers, The Community, Human Resources	17, 18, 24, 28, 49, 79, 97
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	17, 18, 49, 97
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	18, 24, 28, 97
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR1-3, HR7	Codes, Charters and Values, Suppliers, Human Resources	18, 49, 97
5. Businesses should uphold the effective abolition of child labour.	HR1-3, HR6	Codes, Charters and Values, Suppliers, Human Resources	18, 49, 97
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	18, 28, 49, 97
7. Businesses should support a precautionary approach to environmental challenges.	EC2, EN18, EN26	Hot Topics, Reporting, Stakeholder Involvement, Suppliers, The Environment, 2011 and 2012 Results, and 2013 Objectives in the Appendix	20, 24, 28, 49, 55, 147, 150
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, 2011 and 2012 Results, and 2013 Objectives in the Appendix	28, 49, 55, 147, 150
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN5-7, EN18, EN26	Hot Topics, Reporting, The Environment, The Community	20, 24, 55, 79
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	17, 18, 49, 121

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 Levels.

Since 2008, Telecom Italia has had an A+ GRI rating for its sustainability reporting.

8. 2012 RESULTS AND 2013 OBJECTIVES

These are shown in the Appendix to this Report.
The targets of a qualitative nature for suppliers are included in the respective chapter.

9. SUSTAINABILITY MANAGEMENT

Mission and structure

Sustainability management in Telecom Italia is ensured by the Group Sustainability departement, which performs 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.

The guidelines on which the sustainability management model is based are the following:

- 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 (see § Stakeholder Involvement);
- definition of quantitative objectives in line with the major sustainability issues (see Appendix);
- 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 and the respective Italian network;
- contribution to projects and initiatives on a national and international basis, including those implemented by industry organisations (see § Communication of non-financial performance and § The Environment/Environmental performance);
- adherence to the main international standards on matters of sustainability (see § References and Governance and § Reporting);
- 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 (see § The Environment/ Communicating sustainability).

10. STAKEHOLDER INVOLVEMENT

Stakeholder involvement, which includes listening to their requests, is one of the pillars of Telecom Italia's sustainability model.
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 2012, the groupsustainability@telecomitalia.it mailbox received around 350 emails, all of which were considered for the purpose of any response required.

In order to survey the opinions and expectations of the voluntary sector regarding Telecom Italia's sustainability initiatives and, more generally, its perception of the Company's brands, 4 focus group meetings were held involving 29 representatives of non-profit organisations out of the 40 invited to attend. The strengths identified by the focus groups were reliability, capacity to deliver and technological innovation. As areas for improvement, the focus groups identified the need to improve communication regarding social and environmental value and to ensure the greater involvement of non-profit associations in determining the sustainability strategy and the respective initiatives. These results were discussed with the people involved in the focus groups during a feedback event held in Rome in December.

The following table shows the main initiatives in which stakeholders were involved in Company processes, classified according to the guidelines recommended by AccountAbility (see § Reporting), except for the initiatives relating to Competitors and Institutions, details of which can be found in the sustainability section of the telecomitalia.com website.

STAKEHOLDER	INITIATIVES			
	INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
CUSTOMERS	Information on the Service Charters and General Conditions of Subscription via the Group's websites (Introduction/Codes, Charters and Values)	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)
			Use of web-based tools on social networks by customer care operators to talk to customers and share their knowledge. (Customers/Quality of service and at telecomitalia.com)	Partnership projects with institutions and other companies to test and create innovative services (Customers/Innovative services)
SUPPLIERS	Exchange of information and documentation with suppliers via the "Vendors hub" portal (Suppliers/Involvement initiatives)	Sixth 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)	JAC project which provides for CSR audit activities conducted in the production plants of suppliers and sub-suppliers based on an agreement signed with other European Tlc operators (Suppliers/ Sustainability checks)
		Self-assessment questionnaire sent to the most risky suppliers in terms of sustainability (Suppliers/Involvement initiatives)		

STAKEHOLDER

	INITIATIVES			
	INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
THE ENVIRON-MENT	"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)	Working with the scientific association "Ornis italica", Telecom Italia has launched the "Falchi in città" (Hawks in the city) project to help preserve biodiversity in the urban environment (The Environment/ Communicating sustainability)
	External and internal sustainability communication initiatives carried out (The 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 Avoicomunicare integrated communication project encourages discussion about environmental and social topics (telecomitalia.com and avoicomunicare.it)	
THE COMMUNITY		Stakeholder consultation during the process of analysing and devising the social projects of Telecom Argentina (The Community/Responses to stakeholders)	The "Navigare Insieme" and "Navigare Sicuri" projects have involved young people, adults and elderly people in digital education and safe use of the Internet (The Community/ Responses to stakeholders)	Many projects carried out in partnership with companies, universities, research centres and non-governmental and civil society organisations. (The Community/ Responses to stakeholders, and Research and Development)

STAKEHOLDER	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/ Health and Safety)	Initiatives carried out by the People Caring Centre to fulfil the requirements of employees (Human Resources/People Caring)	Information and discussion sessions 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/Internal communication)
		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 experienced 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/ Health and Safety)		The "I care myself" project continued with the main trade unions, which allows employees to enroll free of charge with a number of different university faculties (Human Resources/ Training)
SHAREHOLD-ERS	The "TI Alw@ys ON" shareholders' club (telecomitaliaclub.it) provides important information to individual investors and the general public (Shareholders/ Financial reporting)		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 reporting)	Phase 2 of the sustainability performance assessment project moderated by CSR Europe and ABIS continues. Telecom Italia acts as co-leader with other multinational companies (Introduction/ Communicating non-financial performance)
	Online financial reporting (Shareholders/ Financial reporting)			

11. ECONOMIC VALUE GENERATED AND DISTRIBUTED

2
The value distributed to the Community stakeholder is not shown in the table. Please see the respective chapter.

The economic value generated and distributed to stakeholders is shown below[2]. Since 2008, the method of presentation recommended by the Global Reporting Initiative (GRI) has been adopted, with appropriate adaptation.

	2012	2011
(million euros)		
DIRECT ECONOMIC VALUE GENERATED		
A) TOTAL REVENUE AND OPERATING INCOME	29,801	30,256
B) INTEREST PAYABLE AND DIVIDENDS PAID	215	196
C) NET GAINS (LOSSES) ON DISPOSALS OF NON-CURRENT ASSETS	53	3
D) DIRECT ECONOMIC VALUE GENERATED (A+B+C)	**30,069**	**30,455**
ECONOMIC VALUE DISTRIBUTED		
E) OPERATING COSTS	13,845	13,744
F) EMPLOYEE COSTS	3,919	3,992
G) SHAREHOLDERS AND PROVIDERS OF CAPITAL	3,053	3,306
H) TAXES AND DUTIES	1,521	1,785
I) ECONOMIC VALUE DISTRIBUTED (E+F+G+H)	**22,338**	**22,827**
ECONOMIC VALUE RETAINED (D-I)	**7,731**	**7,628**

	2012	2011
(million euros)		
WAGES AND SALARIES	2,793	2,788
SOCIAL SECURITY COSTS	971	993
OTHER EXPENSES	155	211
EMPLOYEE COSTS	**3,919**	**3,992**

(million euros)	2012	2011
ACQUISITION OF EXTERNAL GOODS AND SERVICES	12,948	12,859
OTHER OPERATING COSTS(*)	1,490	1,510
CHANGE IN INVENTORIES	(12)	(56)
INTERNALLY GENERATED ASSETS	(581)	(569)
OPERATING COSTS	**13,845**	**13,744**

*
Mainly includes write-downs and charges connected to the management of non-financial credits of 548 million euros (533 million euros in 2011), accruals for risks of 214 million euros (128 million euros in 2011), and contributions and fees for the performance of Tlc activities of 621 million euros (675 million euros in 2011) net of "Other taxes and duties" of 391 million euros (349 million euros in 2011) included in the item "Taxes and duties".

(million euros)	2012	2011
DIVIDENDS DISTRIBUTED	991	1,257
INTEREST PAYABLE	2,062	2,049
SHAREHOLDERS AND PROVIDERS OF CAPITAL	**3,053**	**3,306**

(million euros)	2012	2011
INCOME TAXES	1,130	1,436
INDIRECT TAXES AND DUTIES	391	349
TAXES AND DUTIES	**1,521**	**1,785**
REGARDING ITALIAN ACTIVITIES	791	1,148
REGARDING ACTIVITIES ABROAD	730	637

External Stakeholders

Offering innovative services

improving people's quality of life

1. CUSTOMERS

1.1 STRATEGY

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

1.2 RELEVANT STAKEHOLDERS

The relevant stakeholders are:

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

1.3 QUALITY OF THE SERVICE

The listening system has been further improved by applying Customer Experience Management, a system that allows interaction with customers to be monitored more effectively, analysing their perception compared to expectations and identifying any room for improvement to the standard of service, with a view to ensuring ongoing improvement.

For information about the main activities carried out in 2012 to improve the customer experience see the sustainability section of the telecomitalia.com website.

Top management manages the quality aspects of customer listening activities via the Steering Committee Quality Governance, which meets monthly and is chaired by the COO, with the aim of:

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

Since 2012, Telecom Italia has been monitoring "conversations" on the Web regarding quality in the telecommunication sector, relating to both fixed and mobile communication

Use of social networking in customer care

In 2010, Telecom Italia was the first Company in Italy to launch social caring, which provides direct customer support via social networks (Facebook and Twitter) allowing direct interaction with customers and a high speed of response. The number of reports increased significantly in 2012, confirming the degree of satisfaction among customers, who can also use this channel to access additional services, including the "top-up" service, which allows them to top up a TIM mobile at their choice directly via the Facebook page. The tool has been particularly useful for customer care operators as well, allowing them to share knowledge and disseminate it more quickly.
With a view to improving this process, a daily report has been set up that highlights the types of report received and the actions needed to resolve them. Furthermore, in order to ensure the greater availability of the 119 service at weekends and on public holidays, a Facebook tool is used (on Twitter the support process is already automated) that forwards reports directly to the caring support section, which takes charge of these reports and handles them in real time. Finally, a series of meetings has also begun to allow the same result to be achieved for the toll free 187 service. As of the end of 2012, the corporate properties (Telecom Italia, TIM, Impresa Semplice, Cubovision, Cubomusica, Working Capital, Serie A TIM) had 2,380,000 likers on Facebook and 422 thousand followers on Twitter.
In Brazil too, customers can contact the Company using not only the traditional channels but also social networks such as Twitter and Facebook. As of the end of 2012 there were 241 thousand followers and 400 thousand likers respectively.
For information about the social networking tools available to call centre operators (Campus and TUO), see the sustainability section of the telecomitalia.com website.

and the consumer and business segments. This monitoring takes place using a tool that performs a semantic search and analysis of the subjects most frequently discussed on the Internet and analyses the "tone" (web sentiment) of conversations about Telecom Italia and its competitors. The aim is to make a prompt assessment of how customers perceive offers and services and to gain a greater insight into specific issues to support the business.
Over 1.6 million documents from 19,500 sources were read and analysed during 2012.

1.4 CUSTOMER SATISFACTION

Customer listening at Telecom Italia

The customer listening system aimed at monitoring customer satisfaction covers the following areas:

- operational processes and events assessed on a "reactive" basis, i.e. immediately after a specific event (e.g. delivery, assurance, sale, sales support);
- customer contact channels (e.g. points of sale, customer care, web, billing);
- key products and services (e.g. fixed and mobile broadband, smartphones);
- life cycle monitored during the stages that characterise the customer's relationship with his/her operator;
- issues that have a cross-cutting impact on customer satisfaction (e.g. innovation);
- customer satisfaction assessed on a "reflective" basis, i.e. not in connection with a specific event, determined by the Customer Satisfaction Index - CSI - which adopts the international statistical survey standards (ACSI - American Customer Satisfaction Index model) to determine perceived quality in relation to the main satisfaction drivers for the various customer segments (fixed consumer, mobile consumer, fixed business, mobile business, top clients and public sector), particularly in comparison to similar services offered by the leading competitors. The CSI is certified in accordance with the UNI 11098:2003 standard (guidelines for determining customer satisfaction and for measuring the respective process indicators).

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

CUSTOMER SEGMENT(*)

	2012	2011
CONSUMER	74.93	74.24
BUSINESS	64.59	62.97(**)
TOP CLIENTS AND PUBLIC SECTOR	70.88	69.14(**)
TOTALS	**71.98**	**70.84(**)**

*
Average satisfaction is measured on a scale of 0-100, where 0 means "not at all satisfied" and 100 means "completely satisfied". The 2011 result has been recalculated based on the new top clients and public sector and business "go to market" model.

**
The 2011 result has been recalculated based on the new top clients and public sector and business "go to market" model.

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

TYPE OF CUSTOMER CARE CUSTOMER

	Overall satisfaction(*)	
	2012	2011
187 CONSUMER FIXED TELEPHONY	8.46	8.32
119 CONSUMER MOBILE TELEPHONY	8.69	8.56
191 BUSINESS FIXED TELEPHONY	8.10	7.06
191 BUSINESS MOBILE TELEPHONY	8.22	7.13

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

Customer satisfaction within incentives schemes

Telecom Italia's formal managerial incentive systems include many targets associated with customer satisfaction, in keeping with the business plan for the current period. These targets are measured using customer satisfaction indexes monitored by means of periodic surveys: the overall CSI for the Company and the specific customer satisfaction indicators per customer segment.
Additional specific targets associated with quality parameters and consistent with the criteria established for corporate and segment customer satisfaction indexes have been established for particularly critical processes and activities (commercial and technical front-end). Specific targets associated with customer satisfaction have also been established within the collective incentives scheme related to the employees of the Customer Operation and Open Access departments (canvass). For customer satisfaction data relating to Brazil and Argentina, see the sustainability section of the telecomitalia.com website.

1.5 CERTIFICATIONS

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

Specifically:
- care for the customer and the quality of the products and services offered is covered by the UNI EN ISO 9001:2008 standard;
- concern for environmental protection by the UNI EN ISO 14001:2004 standard;
- health and safety at work by the BS OHSAS 18001:2007 standard;
- protection of human capital by companies and their suppliers by the SA 8000 standard;
- data security by the ISO 27001:2005 standard;
- Information Technology services by 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 by 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.

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

1.6 DIGITAL DIVIDE

The spread of information and communication technology creates opportunities for progress. Telecom Italia is aware of the need to manage this development in the best possible way, helping to coordinate the actions of all the players in the broadband ecosystem, particularly in order to avoid exposing the community to technological and geographical divides.

Geographical Digital Divide

In order to deal with the digital divide that has arisen in the so-called marginal areas of Italy, which would otherwise remain excluded from the mainstream plans of telecommunication operators, owing to the low profitability of investments, between 2005 and 2012, Telecom Italia implemented a programme of extraordinary investments allowing ADSL coverage to be provided for approximately 3,800 new municipalities that account for over 11% of the population (over 6 million people).

At the end of 2012, Telecom Italia activated around 9,100 exchanges, over twice the 4,500 broadband enabled exchanges existing at the end of 2005. Alongside its plan to extend coverage, Telecom Italia has launched an additional plan to expand the active network where necessary to guarantee full usability of the service by customers and prevent the re-emergence of a digital divide. Launched at the end of 2010, the plan includes around 1,300 actions every year.

Telecom Italia's commitment has allowed ADSL broadband coverage to be provided to 98% of the population as of the end of 2012, which is close to achieving the objectives of the European Digital Agenda and promoted by the National Broadband Plan.

Telecom Italia cannot fail to get involved in joint "public-private" initiatives to achieve this objective and consequently cover the remaining geographical market failure areas.

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

- the first is a "central" approach that involves Infratel Italia S.p.A. (Infrastrutture e Telecomunicazioni per l'Italia)[3] as the public entity building broadband, organic and integrated infrastructure throughout the Country, with the aim of bridging the digital divide in the underdeveloped areas of the Country;
- the second is a "local" approach whereby regions promote projects aimed at bridging the digital divide, e.g. through forms of financing centred on public tenders using the so-called claw-back model, which provides for contributions to be paid to offset the lack of return on investments.

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

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

Socio-cultural Digital Divide

In a world in which technology facilitates contact between 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. The innovative services aimed at promoting the digitisation of important areas of activity (e.g. healthcare) include those listed in the following paragraph.

For information regarding the initiatives implemented by Telecom Italia for the social inclusion of customers with specific needs (hearing impaired, elderly, children, etc,) see § The Community in the sustainability section of the telecomitalia.com website.

1.7 INNOVATIVE SERVICES

Smart Services

Smart SERVICES

In the context of services aimed at the public sector, in 2012 Telecom Italia continued to consolidate and develop 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

Integrated management of local infrastructure networks. Enabled services:
- planning of electricity consumption and maintenance;
- video surveillance;
- digital communication with citizens and users in general (e.g. tourists);
- Wi-Fi hot spots (broadband access);
- smart management of local area through Wireless Patrol service, a suite of advanced ICT applications supporting police forces in monitoring security, preventing situations of degradation and ensuring respect for the highway code was presented. This allows the operations of personnel on the ground and in the back office to be optimised.

Smart Building

Smart management and automation of buildings. Enabled services:
- monitoring and reduction of consumption (electricity, water, etc.), mainly for Central Government Bodies;
- video surveillance;
- digital communication;
- extension of the IT network (LAN) of buildings by using the electricity network via a device that connects to the power socket.

Smart Hospital

Management of services and consumption in hospital buildings and care given to hospitalised patients.Enabled services:
- 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).

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

Innovative e-health services

Telecom Italia is actively involved, either alone or in partnership with external partners, in devising and developing healthcare services at national, regional and local level. Designed

to improve the Italian health service and the quality and effectiveness of healthcare, the services allow doctors, nurses and patients to carry out many activities remotely.

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

- value products and services for general practice, aimed at enabling new primary care models and proactive medical services (e.g. screening campaigns managed by general practitioners);
- legal archiving of digital diagnostic images on the network, ensuring the authenticity and integrity of documents;
- management of healthcare, administrative, logistical processes and a patient's healthcare information throughout the period of hospitalisation;
- the management and coordination of operational facilities dedicated to emergencies (118) and continuity of assistance;
- healthcare monitoring (Nuvola IT Home Doctor and Fisio@Home).

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

Nuvola IT Home Doctor

This allows patients suffering from chronic illnesses, or in post-hospital care, to monitor their physiological parameters (body weight, blood pressure, heart rate, blood oxygen levels, glycaemia, lung capacity, electrocardiogram, etc.) directly from their own homes or in properly equipped facilities (medical centres, medical practices etc.). The system consists of a technological platform and software configured on the patient's mobile phone (or alternatively a PC or tablet) and on the healthcare personnel's PC. Based on the plans established by the doctor, patients receive reminders on their mobile phones regarding the measurements to be taken, they take these measurements using portable electro-medical devices equipped with a Bluetooth interface and, using their mobile phone they send the measurement automatically to the online platform.
The service, the benefits of which include improving patient quality of life and optimising costs for the healthcare facility, is currently operational in several Italian healthcare facilities, including the Molinette and Regina Margherita hospitals in Piedmont and the Palermo and Rieti local health authorities.
In order to enhance the functionality of the service and increase Telecom Italia's presence in the social care solutions sector, experimental activities are under way in various areas:

- the introduction of new devices intended to increase the number of diseases that can be monitored (e.g. monitoring bed sores through superficial photographs of the skin);
- the use of new Internet-connected TVs to improve the usability of healthcare services using various ways of displaying measures and accessing services;
- prevention and wellness services aimed at providing solutions for healthy people to help them maintain, if not improve, their health, particularly in unconventional environments such as schools or workplaces;
- services to support mobility in patients with severe limitations who lose their way very easily and might find themselves in dangerous places, using tracking solutions and mechanisms for family members or Service Centres to provide assistance.

For further examples of the e-health services (e.g. preventing food-related disorders in school and geolocating people affected by certain medical conditions) see the sustainability section of the telecomitalia.com website.

1.8 CHILD PROTECTION

The Group's companies have undertaken numerous initiatives in order to protect children from content that may harm their psychological and physical development (for example, 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 purchased 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 self-regulatory codes signed by the Group, selective publication and filtering systems and procedures are implemented to prevent children from accessing adult content on all the Group's service platforms (IPTV, WEB TV, WAP services, broadcast TV, cubovision decoders).

- IPTV: access is only permitted to subscribers and the subscription can only be taken out by adults. The default setting does not allow adult content to be viewed and can only be changed using the PIN supplied to the adult subscriber. On demand adult content can only be accessed between 11.00 p.m. and 7.30 a.m.;
- WEB TV: no adult content is broadcast;
- WAP services: content from Telecom Italia and third party services is always moderated in advance by Telecom Italia, in order to verify compliance with the classification guidelines, and delivered by a centralised platform. The PIN for accessing adult content is supplied by text message, at the customer's request, after the person to whom the number is allocated is confirmed as being an adult;
- broadcast TVs: implementation of the self-regulatory code for the media and children (Codice di Autoregolamentazione Media e Minori) has been entrusted to a Committee consisting of fifteen regular members representing, in equal numbers, the television broadcasters who have signed up to the Code, Institutions and users. Watersheds are strictly complied with in the broadcasting of television content and advertising allowed by the Code as well as promotional messages (including cinema trailers or information programmes). Where necessary, warning labels are broadcast and a live announcement is made about any particular images, not only during transmission of the content itself but also during their promotion on the network;
- cubovision decoder: pay-per-view adult content, i.e. not included in the subscription, can only be viewed between 11.00 p.m. and 7.00 a.m. A parental control PIN, configured on registration, and a purchasing PIN are provided.

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

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 online child pornography and computer crime, from an organisational point of view, Telecom Italia has identified, within its Security department (Risk Prevention & IT Security Governance), the role of "Key contact for the Postal Police". This person manages relations, and the flow of information, with the Postal Police (CNCPO - National Centre for the Fight against Online Child Pornography, CNAIPIC – National Centre against Digital Crime for the Protection of Critical Infrastructure etc.) and the competent authorities, and has the task of coordinating, within the Telecom Italia Group, the process of abuse management, in accordance with the relevant legislative

framework. Furthermore, the Telecom Italia Group has adopted an organisational model in accordance with Legislative Decree 231/2001, which defines the tools required to oversee and anticipate offences, particularly the dissemination of child pornography, as well as to ensure the organisational/disciplinary management of computer crimes. For this purpose, Telecom Italia has fielded resources, technologies, processes and tools to prevent and combat "abuse", meaning any activity committed in violation of the rules of conduct and legislation that governs the use of network services, digital systems or means of communication in general. In this respect, information initiatives have been implemented, aimed at children, parents and teachers, on the risks connected with the new technologies and navigation on the Internet (chat lines, instant messaging, forums, communities etc.). 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.

Telecom Italia's commitment to disseminating the right cultural approach to the subject and preventing offences being committed translates into many initiatives, details of which can be found in the sustainability section of the telecomitalia.com website.

1.9 CONCILIATION PROCEDURES

The conciliation procedure between Telecom Italia and the Consumer Associations who signed the framework agreement for the out-of-court settlement of telephone disputes, was the first example of joint conciliation in Italy. Introduced on a trial basis in 1991 by SIP, it was implemented throughout the Country in 1993. In 1995 it was 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. Twenty Consumer Associations have signed up to the conciliation agreement to date.

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

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

The "single point of contact" model has so far allowed the undertakings given the AGCOM to be fulfilled and the expected qualitative and numerical results to be reached. The Co.Re.Com channel is in fact becoming increasingly popular compared to other channels. As regards the number of joint conciliation requests discussed in 2012, the falling trend recorded in the previous year was confirmed: requests fell from 5,862 to 5,664 (3.4% in percentage terms) and the number of requests that proceeded to conciliation was over 95% (the same percentage as in 2011). The number of requests discussed at Co.Re.Com and Chamber of Commerce offices increased by 10.2% compared to the previous year (up from 16,316 in 2011 to 17,977 in 2012) and the conciliation percentage was over 85% (87.5% in 2011).

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.

For information on the conciliation procedures used in Brazil and Argentina, see the sustainability section of the telecomitalia.com website.

1.10 SAFEGUARDING PRIVACY AND PERSONAL DATA PROTECTION

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 support required to identify and carry out the formalities required to comply with the relevant laws and regulations.
The adoption of legal measures and the instructions of the Privacy Guarantor for personal data protection is assured by constantly updating the Group regulations and policies. The "System of rules for the application of privacy regulations in the Telecom Italia Group" is particularly significant in this respect. It establishes the provisions and operating instructions needed to carry out the relevant formalities.
During 2012, Telecom Italia implemented the major changes introduced by national legislators in the Privacy Code since the end of 2011, with the aim of simplifying privacy legislation and transposing new European rules for the electronic communications sector aimed at strengthening personal data safeguards.
With a view to reducing the administrative costs for companies, Decree Law 201/2011 (known as the Saving Italy Decree), which became law at the end of 2011, removed the requirement to apply privacy rules to "legal persons, organisations and associations", with the exception of rules which the Privacy Code reserves for the electronic communications sector (e.g. relating to traffic and tracking data, automated promotional communications, lists of subscribers and the use of telemarketing) which continue to apply to these entities. This change required the wording of the privacy policy and privacy consent for Telecom Italia customers to be amended and a number of internal processes to be simplified, including those relating to promotional calls and preliminary checks made for contract activation and management purposes.
Furthermore, Decree Law 5/2012 (known as the "Simplifications Decree"), converted into Law 35/2012, amended the provisions of the Privacy Code regarding the minimum person-

al data protection measures, removing the duty to keep an up-to-date safety and security document or Documento Programmatico sulla Sicurezza (DPS). With a view to ensuring high standards of personal data protection, Telecom Italia has established that it will maintain a process for monitoring the minimum safety and security measures, as a tool for fulfilling the Data Controller's duty of supervision and complying with legal requirements, particularly by assessing risks and managing any action plans.
With regard to the transposition of European legislation, Legislative Decree 69/2012 amended the Privacy Code by implementing Directive 2009/136/EC which, in turn, had amended Directive 2002/58/EC (known as the e-Privacy Directive).
In particular, for electronic communication service providers only, a duty was introduced to inform the Italian data protection authority (Garante Privacy) and, where appropriate, the contracting party and other stakeholders, of any violation of personal data security in relation to electronic communication services. Telecom Italia has carried out the activities required to analyse its Company processes to identify events that might potentially be considered "personal data violations" associated with the provision of electronic communications services to its customers (e.g. telephone or Internet access service), and to establish internal procedures suited to managing any violations in accordance with the new provisions.

For information regarding privacy safeguards and personal data protection in Brazil and Argentina, see the sustainability section of the telecomitalia.com website.

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

sustainability requirements

2. SUPPLIERS

2.1 STRATEGY

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

2.2 RELEVANT STAKEHOLDERS

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

2.3 GENERAL MATTERS

The selection, assessment and control of the Telecom Italia Group's suppliers, for high risk procurement markets, involves a pre-contractual qualification stage in which the eco-

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

2.4 SUSTAINABILITY INITIATIVES

The main initiatives implemented in 2012 are listed below.

- The implementation of the new process that defines the activities aimed at improving the Corporate Social Responsibility (CSR) of the supply chain continued with a more comprehensive system of elements used to assess the sustainability of suppliers during the qualification stages, incoming quality and vendor rating.
  The most significant aspects of the process include:
  - the preparation of a self-assessment questionnaire to be given to new suppliers in the qualification phase and others annually. 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 experimental self-assessment questionnaire on sustainability sent out in 2011 to around 70 significant suppliers identified by the method described above, will be extended to all the major suppliers of those that had orders in 2012;
  - the classification of suppliers based on the potential risks associated with their sustainability performance, using a specific method that considers the social-environmental and business continuity aspects of the procurement markets they operate in. These markets are in fact classified based on parameters such as the geographical areas of reference, the potential impact of the suppliers' activities and of the products/services supplied throughout their entire life cycle on the environment and on the society, and the impact on the reputation of Telecom Italia as a customer. Furthermore, a matrix has been constructed that relates spending in the specific purchase market to the risk index calculated on the basis of the parameters described. This allowed the division of the procurement markets into four categories, identifying the most critical ones in terms of sustainability;
  - 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 to monitor the implementation of corrective actions and, if the results are positive, in order to verify that the standard of performance found is being maintained.
- In December 2012, the ISO 9001:2008 certificate of conformity of the "Quality Management System" was confirmed for all the Procurement departments under the responsi-

bility of the Business Support Officer, with specific recognition for the initiatives taken in the field of sustainability. This initiative has led to the mapping of 28 department processes with the identification of 149 performance indicators that permit the monitoring and improvement of the administration of services supplied to internal clients and suppliers.

- Furthermore, the ISO 14001 certification was confirmed for the service unit facility and real estate and infrastructure acquisitions activities.
- Application continued of the green procurement policy established in 2009, which contains guidelines for establishing the environmental requirements of products/services purchased. The policy covers all stages of the product life: design, production, use and end of life. Published on the "Vendors Hub" supplier portal of Telecom Italia and in the sustainability section of the telecomitalia.com website, the document helps to orient purchasing policies towards low environmental impact products and services. The policy is currently being updated to include the social aspects of the supply chain and therefore to progress from green procurement to the broader concept of sustainable procurement.
- 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 (see § Involvement initiatives).

2.5 SUSTAINABILITY CHECKS

CSR verification activities continued in respect of common suppliers and sub-suppliers, as required by the Memorandum of Understanding (MoU) signed by Telecom Italia S.p.A., France Telecom S.A. and Deutsche Telekom AG at the end of 2009. In 2011 Belgacom SA, KPN B.V., Swisscom Ltd. and Vodafone Group Services Limited, and in 2012 Telenor ASA and Teliasonera AB, 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 specific method developed by the JAC members themselves, who share the results of the verifications;
- to contribute to the increased sustainability of suppliers/sub-suppliers involved by 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.

JOINT AUDIT COOPERATION (JAC) IS AN AGREEMENT AIMED AT PROMOTING SUSTAINABILITY WITHIN THE SUPPLY CHAIN

Thanks to the increase in the number of members, JAC's area of influence now extends to 86 production sites (suppliers and sub-contractors) located in Asia, Central and South America, and Eastern Europe. During 2010/2012, 74 audits were carried out by specialised international companies, selected by competitive tender, covering approximately 360 thousand workers in total. The suppliers included in the audit campaign conducted in 2012 belonged to the user devices and appliances, network appliances and IT equipment production sectors.

Specific corrective action plans were drawn up for all the non-conformities encountered, establishing the resolution procedures and timetables. The implementation of these plans is monitored on a constant basis by the JAC members.

In total, the work allowed 59% of orders to be verified in the main procurement markets considered to be those with the greatest socio-environmental risk (see § Sustainability initiatives).

On January 11, 2012 the first "JAC CSR Forum" of suppliers was held in the city of Shenzhen (China) which was attended by around 150 guests representing Tlc operators, suppliers, organizations active in CSR and NGOs.
The theme was "Cooperation beyond competition - let's CSR together" and the goal was to expand and promote the JAC initiative and improve and enhance collaboration with the suppliers on CSR issues in the supply chain in order to jointly address the industrial challenges that it poses.
The level of satisfaction with the event, measured by a satisfaction survey sent to the participants after the meeting, was 91%.
A similar initiative was held on January 10, 2013 in Shanghai with the involvement of around 150 guests representing the different stakeholder categories.
The topic of the forum was: "Progress, perspectives and next steps" with the aim of highlighting the results obtained and the challenges to be faced.

2.6 INVOLVEMENT INITIATIVES

- During the year the suppliers' portal (Vendors Hub), launched at the end of 2011 and created to improve communication and optimise operational processes, was consolidated by applying social networking systems to the 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 portal 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.
- For the sixth consecutive year, the Group's main suppliers have been involved in the survey on satisfaction with the Purchasing department and, more generally, with Telecom Italia. The online questionnaire, consisting of 27 questions, remained active for 2 weeks. The survey involved 1,249 suppliers with access to the Vendors Hub with a 42.5% response rate. The overall assessment of the supply relationship with the Telecom Italia Group achieved a score of 75/100, 2 percentage points higher than that achieved in 2011, therefore consolidating the improved satisfaction trend already recorded in the previous surveys.
- 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 in order to:
  - integrate the best operational practices adopted in specific subject areas;
  - publish the results obtained, in terms of the environmental/social certifications and achievements attained;
  - support voting campaigns on various initiatives, for their assessment.

2.7 2012 RESULTS AND 2013 COMMITMENTS

Subject	2012 Commitments	Status	2013 Commitments
ISO 9001 ISO 14001 and ISO 50001 certifications	Maintaining the Purchasing department's ISO 9001 certifications and the ISO 14001 certification for infrastructural purchasing and the service unit facility, extended to the same department's real estate activities.	Achieved	Maintaining the Purchasing department's ISO 9001 certifications and the ISO 14001 certification for Infrastructure Purchasing and Facility Management, obtaining the extensions provided for.
	Obtaining the ISO 50001 certification for the Energy Purchasing & Management department.	Nearing completion. All the preliminary work to obtain the certification has been carried out. Certification audit scheduled for the first quarter of 2013.	Maintaining the ISO 50001 certification for the Energy Purchasing & Management department.
e-community project	Maintenance of active e-communities.	Achieved	Maintenance of active e-communities.
Green Procurement	Continue implementing the supply chain sustainability verification and improvement process, in order to progress from green procurement to the wider concept of sustainable procurement.	Achieved	Continued implementation of the supply chain sustainability verification and improvement process.
Controls on suppliers	Application of the self-assessment questionnaire for new suppliers (see § Sustainability initiatives).	In progress	Filling in of the self-assessment questionnaire by new suppliers.
	Continuation of audit activities in the production plants of suppliers located abroad in the context of the JAC (see § Sustainability checks).	Achieved	Continuation of audit activities in the production plants of suppliers located abroad in the context of the JAC.

Contributing to the creation of a better future through Information and Communication Technology solutions

3. THE ENVIRONMENT

Environmental protection, energy efficiency improvements and the provision of services that reduce emissions of greenhouse gases and other pollutants are the main intervention policies adopted by the Telecom Italia Group to promote sustainable development in its areas of influence. The specific actions consist of reducing environmental impacts and offering technological solutions aimed at individuals, businesses and public administration for the creation of a more inclusive and viable digital society (see § Climate change). The main indicators used to measure the Telecom Italia Group's environmental performance are the following:

INDICATOR	TREND
TOTAL ELECTRICITY PROCURED AND PRODUCED	DOWN
TOTAL ATMOSPHERIC EMISSIONS OF CO_2	DOWN
TOTAL WATER CONSUMPTION	UP SLIGHTLY
ECO-EFFICIENCY	UP

3.1 STRATEGY

The environmental strategy of the Group's companies is founded on the following principles:
- optimising the use of energy sources and other natural resources;
- constantly seeking to improve environmental performance by reducing negative impacts and increasing positive ones;
- adopting procurement policies that take environmental issues into account;
- disseminating a culture that promotes a correct approach to environmental issues.

In order to ensure the effective and sustainable management of operational processes which have particular environmental impacts, Telecom Italia has equipped itself with an Environmental Management System (*ESG*) which is ISO14001 certified.
In two call centres, the Environmental Management System has been integrated with the Safety Management System based on the OHSAS 18001 standard, both having achieved the respective certification.
Please go to our web site, telecomitalia.com, to find out more on this subject.

3.2 RELEVANT STAKEHOLDERS

Future generations, who are entitled to live in a world not compromised by the negative effects of the development of previous ones, represent the Environment stakeholder. The interests of this collective person are identified in the demands made by:
- national and international environmental organisations;
- national and supranational institutions;
- the community in general, particularly in the areas where Telecom Italia operates;
- industry associations and non-profit organisations dealing with issues relating to the environment. These include the following in particular: CSR Europe, Academy of Business in Society (ABIS), European Telecommunications Network Operators' Association (ETNO), European Telecommunications Standards Institute (ETSI), Global e-Sustainability Initiative (GeSI), Carbon Disclosure Project (CDP), European Round Table of Industrialists (ERT), International Telecommunication Union (ITU).

Telecom Italia is attentive to the requirements 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 Internet/Intranet 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.

3.3 ENVIRONMENTAL PERFORMANCE

The information regarding environmental performance has been drawn from management data, some of which is estimated.
The environmental performance data given below covers energy, GHG emissions to air, water consumption, paper, waste and electromagnetic emissions.

Energy

Energy consumption by Telecom Italia S.p.A. and the Group is presented according to the guidelines proposed by the Global Reporting Initiative (GRI – G3 Guidelines) regarding direct consumption for heating and transport (Scope1 according to the GreenHouse Gas Protocol[4]) and indirect consumption for the purchase and use of electricity (Scope2).

4
The GHG Protocol (Greenhouse Gas Protocol Initiative), established in 1998 by the World Resources Institute and the World Business Council for Sustainable Development, develops calculation methods and studies aimed at promoting innovation and assuming responsibility for climate change.

HEATING SYSTEMS

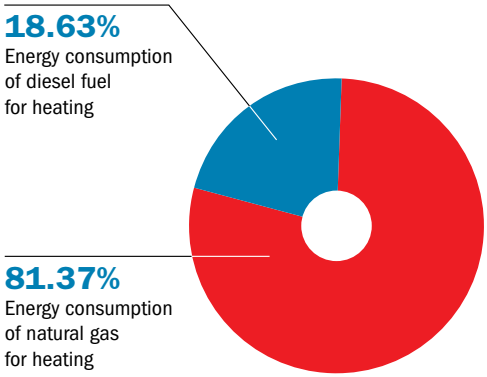
			Change %	
		Telecom Italia S.p.A. 2012	2012 vs 2011	2012 vs 2010
ENERGY CONSUMPTION OF DIESEL FUEL	MJ	103,416,900	(13.95)%	(11.26)%
ENERGY CONSUMPTION OF NATURAL GAS	MJ	451,776,000	3.31%	3.57%
TOTAL ENERGY FOR HEATING	MJ	**555,192,900**	**(0.41)%**	**0.45%**

HEATING SYSTEMS

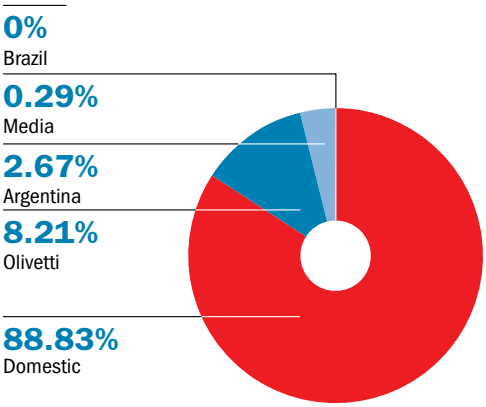
			TI Group breakdown by Business Unit (%)				
		TI Group 2012	Domestic	Brazil	Argentina	Media	Olivetti
TOTAL ENERGY FOR HEATING	MJ	**662,762,399**	**88.83%**	**0%**	**2.67%**	**0.29%**	**8.21%**

The data in the table relating to Telecom Italia S.p.A. show that consumption for heating purposes remained substantially unchanged compared to 2011 and 2010. We should point out that major cogeneration plants came into operation in a number of Data Processing Centres in 2009; 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 switched on for short periods of time and primarily in the coldest areas of the Country.

ENERGY CONSUMPTION FOR HEATING – CHANGE % TELECOM ITALIA S.p.A.



ENERGY CONSUMPTION FOR HEATING BREAKDOWN BY BU (%) - TELECOM ITALIA GROUP



VEHICLES

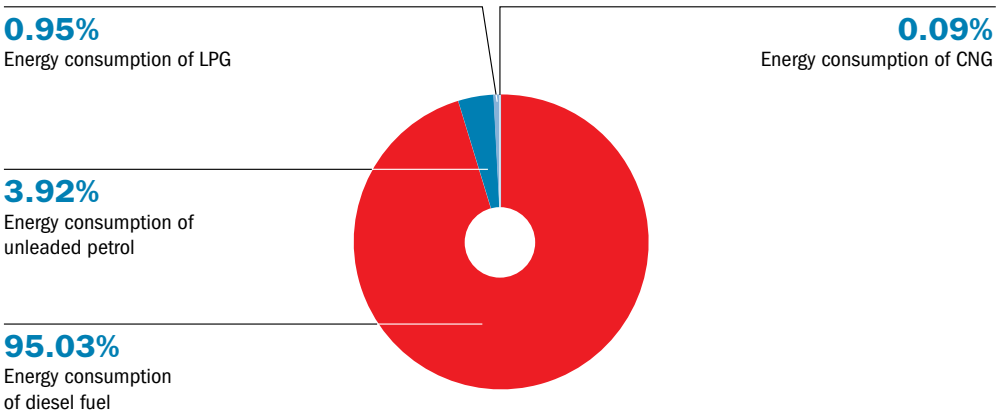
		Telecom Italia S.p.A. 2012			Change % 2012 vs 2011	Change % 2012 vs 2010
UNLEADED PETROL CONSUMPTION	l	815,038	MJ	26,228,749	(60.84)%	(78.86)%
DIESEL CONSUMPTION	l	17,817,062	MJ	635,374,233	1.66%	(0.76)%
LPG CONSUMPTION	l	212,989	MJ	6,383,286	(10.74)%	(*)
CNG CONSUMPTION	kg	12,981	MJ	631,562	(**)	(**)
TOTAL ENERGY FOR TRANSPORT(***)			MJ	**668,617,830**	**(4.37)%**	**(12.52)%**

*
The amount of LPG used in 2010 was negligible and was not recorded.

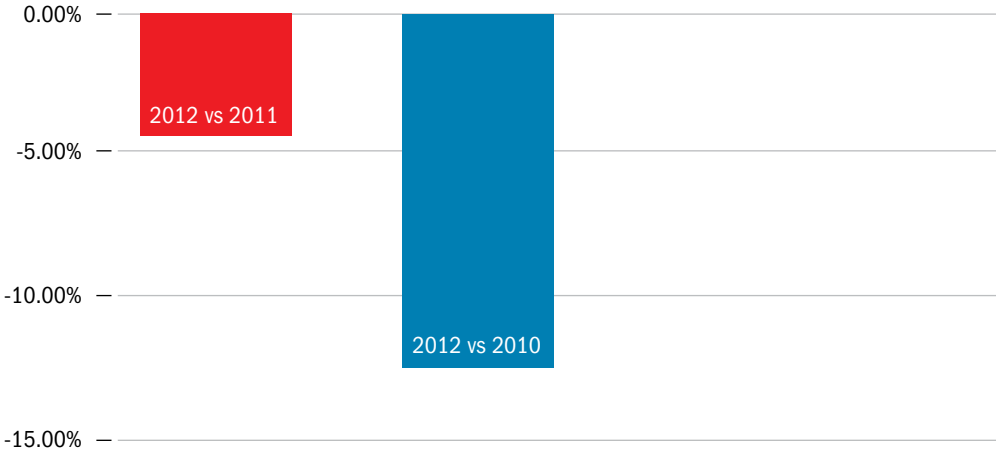
**
The amount of CNG (Compressed Natural Gas) for transport used in 2010 and 2011 was negligible and was not recorded.

***
Represents conversion into MegaJoules of the consumption of unleaded petrol, diesel and LPG (expressed in litres) and CNG (expressed in kg).

ENERGY CONSUMPTION FOR VEHICLES BREAKDOWN BY FUEL TYPE (%) - TELECOM ITALIA S.p.A.



ENERGY CONSUMPTION FOR VEHICLES – CHANGE % TELECOM ITALIA S.p.A.



NUMBER OF VEHICLES AND DISTANCE TRAVELLED(*)

		Telecom Italia S.p.A. 2012	Change % 2012 vs 2011	Change % 2012 vs 2010
TOTAL NUMBER OF COMPANY VEHICLE	no.	18,859	(2.00)%	(5.25)%
NUMBER OF LOW-EMISSION VEHICLES(**)	no.	18,584	(2.02)%	(5.30)%
TOTAL DISTANCE TRAVELLED	km	**296,048,469**	**(3.48)%**	**(7.49)%**

*
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 people), both owned and hired. The vehicles, consumption and distance travelled of vehicles owned or used by the sales force of TIM Brasil and Telecom Argentina have been included only where usage is significant and continuous.

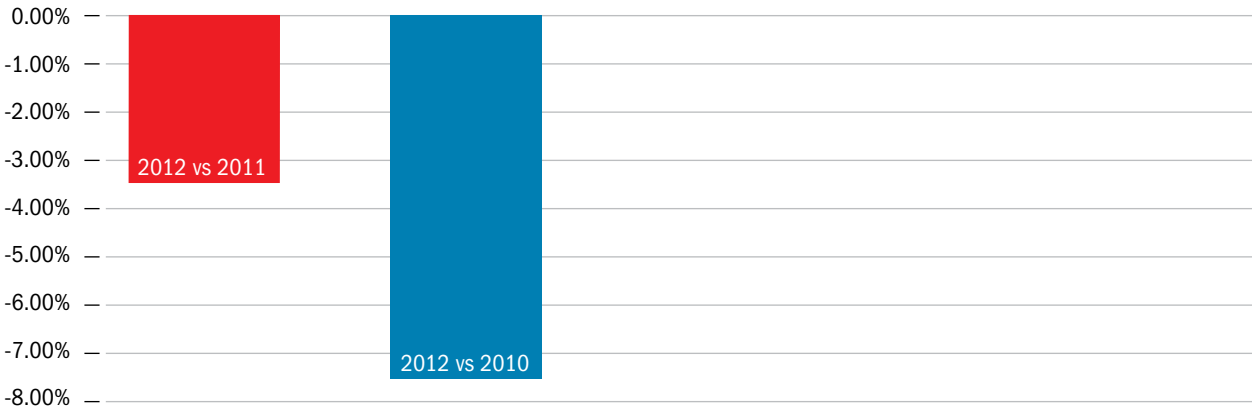
**
Euro4 or higher standard vehicles fuelled by unleaded petrol, diesel and LPG, electric vehicles or vehicles running on other fuels with comparable or lower emissions.

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.

NUMBER OF VEHICLES AND DISTANCE TRAVELLED

			TI Group breakdown by Business Unit (%)				
		TI Group 2012	Domestic	Brazil	Argentina	Media	Olivetti
TOTAL NUMBER OF VEHICLES	no.	23,538	80.97%	3.59%	14.15%	0.43%	0.86%
TOTAL ENERGY CONSUMED	MJ	930,792,058	72.81%	5.08%	19.82%	0.90%	1.39%
TOTAL DISTANCE TRAVELLED	km	**376,255,742**	**79.61%**	**3.83%**	**14.47%**	**0.94%**	**1.15%**

TOTAL DISTANCE TRAVELLED - CHANGE % TELECOM ITALIA S.p.A.



Consumption figures for electricity used to operate the telecommunication network and civil/industrial systems are shown below.

ELECTRICITY PROCURED AND PRODUCED

		Telecom Italia S.p.A. 2012	Change % 2012 vs 2011	Change % 2012 vs 2010
ELECTRICITY FROM MIXED SOURCES(*)	kWh	1,876,520,483	(1.06)%	(7.27)%
ELECTRICITY FROM RENEWABLE SOURCES	kWh	36,712,758	(0.86)%	(8.70)%
TOTAL ELECTRICITY	kWh	**1,913,233,241**	**(1.06)%**	**(7.30)%**

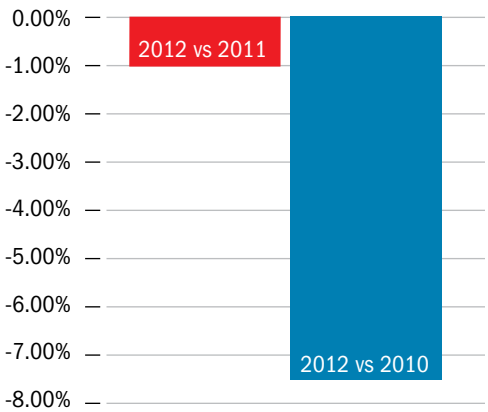
*

Electricity purchased from mixed sources is equal to 1,793 GWh approximately. Self-produced electricity from mixed sources is equal to 83 GWh approximately and refers to the co-generation plants, with an associated consumption equal to 21 million m3 of methane. The production of electricity from continuous diesel generators (not shown in the table) is estimated to be around 3 GWh.

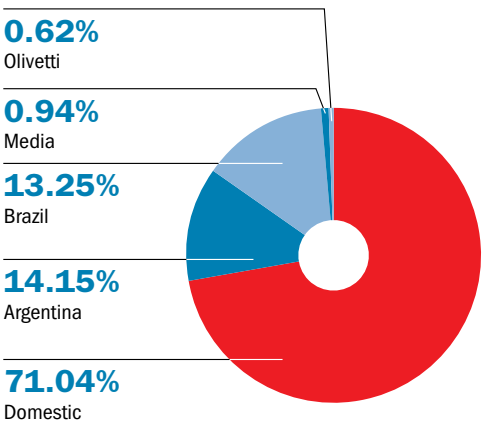
ELECTRICITY PROCURED AND PRODUCED

		TI Group 2012	TI Group breakdown by Business Unit (%) Domestic	Brazil	Argentina	Media	Olivetti
TOTAL ELECTRICITY	kWh	**2,753,536,413**	**71.04%**	**13.25%**	**14.15%**	**0.94%**	**0.62%**

ELECTRICITY PROCURED AND PRODUCED – (CHANGE %) TELECOM ITALIA S.p.A.



ELECTRICITY PROCURED AND PRODUCED BREAKDOWN BY BU (%) TELECOM ITALIA GROUP



There is a continuing downward trend in the amount of electricity procured and produced, despite the increase in traffic handled by the Group's transmission networks.
The following section details the actions that continued or were undertaken to improve energy efficiency, primarily aimed at reducing/optimising the power consumption of transmission devices and air conditioning systems:

MANY INITIATIVES FOR ENERGY EFFICIENCY CONTINUED OR HAVE BEEN IMPLEMENTED

- technological modernisation and streamlining of exchange and Radio Base Station (RBS) equipment, involving 877 power stations, 662 dedicated air conditioning systems and 2,450 batteries;
- optimisation of existing system usage and replacement of obsolete equipment in telephone exchanges;
- compacting of switching modules[5] and modernisation of mobile access network nodes, paying particular attention to energy efficiency and technological versatility when choosing the equipment to be introduced, which will affect future choices in terms of multi-operability. With regard to monitoring consumption in telephone exchanges and Company offices, new suppliers and detection systems to be included in the "Energreen" platform are currently being evaluated. For this purpose, a system for monitoring the power consumption of Radio Base Stations has been installed in the Torino Reiss Romoli and Torino Borgaro premises;
- replacement of fluorescent lamps with low energy consumption LED[6] lamps in offices and industrial sites, which has so far involved around 300,000 lamps (including 200,000 replaced in 2012) resulting in significant energy savings for lighting purposes. Additional benefits of the project include the longer life of LED lamps and the resulting reduction in scheduled maintenance activities, as well as the lower environmental impact due to the disposal of spent fluorescent tubes;
- timed lighting installations in 6 significantly sized office buildings;
- work in existing cogeneration plants to optimise operation and achieve optimum production potential;
- start of work to transform 5 micro-cogeneration plants into trigeneration plants[7], which is expected to be completed in 2013;
- installation of photovoltaic panels on 100 fixed network exchanges owned by the Company;
- remote powering of public telephone boxes from the telephone exchange: launched in October 2011, the project was completed in 2012, allowing around 24,000 power supply connections to be cut off. Remotely powered telephone boxes are lit by low energy consumption LED lamps controlled by motion detectors to vary the intensity of the lighting inside the box as a supplement to the courtesy light;
- energy audits in various types of buildings occupied by Telecom Italia, identified as being among the most energy-intensive, which allowed guidelines to be drawn up to be applied in future energy audits involving a significant number of the Company's sites (around 25) with the highest levels of electricity consumption;
- Company car park lighting management: around 160 lamp posts monitored via a "TI Green" platform were set up, allowing efficient remote management of operations, including all maintenance activities.

Activities were also carried out to develop renewable energy sources:

- performance monitoring activities were completed on the three geo-cooling[8] plants set up in the Pinerolo, Salò and Osio Sotto power plants for the air conditioning of equipment rooms. The trial that was performed with a view to making wider use of the technology across the Country showed that, in assessing the profitability of the necessary investments, close attention must be paid to soil conditions, to the potential presence and characteristics of ground water and to the condition of existing air conditioning systems;

5 These are modules installed in telephone exchanges that perform all the operations required to connect multiple points in a telecommunication system two by two.

6 LED stands for Light Emitting Diode, a solid state device that replaces conventional light sources, like standard incandescent filament or neon lamps, ensuring high luminous efficiency and reliability as well as low energy consumption.

7 System which simultaneously provides heating, cooling and electricity

8 This 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.

- a solar cooling system was installed in a medium-sized fixed network site for the production of chilled water for air conditioning by absorption of solar thermal energy;
- an experimental 5 kWp photovoltaic plant was activated to provide a DC power supply to the radio equipment installed in a RBS;
- qualification tests were completed positively for a new zero environmental impact lithium polymer battery (with zero emissions and 100% recyclable materials); a second testing phase was planned to verify the operation and performance of a system consisting of multiple batteries arranged in a series.

During 2012, Telecom Italia was awarded Energy Efficiency Credits (*EEC*) for 4 projects. These are the so-called "white certificates", introduced by the Ministerial Decree of July 20, 2004, issued by the *Autorità per l'Energia Elettrica e il Gas* (*AEEG*) (Italian energy regulator) to reward organisations that implement projects with quantifiable and measurable energy saving benefits.
In 2012, Telecom Italia launched internal mobile network energy efficiency assessment and optimisation activities aimed at achieving the energy saving targets of 10% over 5 years for infrastructure (energy and air-conditioning systems) and 20% for transmission equipment (radio access network). The documentation certifying achievement of these targets will allow the Company to benefit from a 3% discount on the cost of the Italian LTE licences, as provided for in the respective tender documents.

See the sustainability section of the telecomitalia.com website for further information about initiatives taken to reduce energy consumption, develop new mobile and fixed access technologies, save energy on mobile communication systems, ensure the efficiency of cabled network infrastructure and equipment and manage power consumption in domestic networks (Home networking).

The Smart Center

The Smart Center, a facility set up in compliance with the strictest eco-sustainability requirements, is the heart of Telecom Italia's energy consumption monitoring system. During 2012, a total network of around 28,000 nodes/sensors was installed in over 400 fixed network exchanges, 2,500 Radio Base Stations, 11 data processing centres, 10 shops and 25 offices. This allows around 50% of the TI Group's electricity use (over 1.3 TWh) to be monitored in real time, with samples taken every 3 minutes. Analysis of this consumption through clustering techniques[9], identifying points of excellence in uniform clusters and focusing analyses on the most energy-intensive sites, allowed actions to be taken to improve efficiency and take early action in abnormal consumption situations, while at the same time making continuous adjustments to the equipment operation.
Analysis of the data collected by sensors also allows energy use by customers who sign up to the Energy Management service to be monitored, taking advantage of the experience and skills gained.
The Smart Center also allows overall supervision of the preventive and corrective maintenance process, monitoring and testing of the infrastructure work management process, supervision of costs and all the activities and measures required to obtain tax benefits and incentives for renewable sources.

9
Clustering is an analysis method whereby a set of data/objects is divided into groups with similar characteristics, known as clusters.

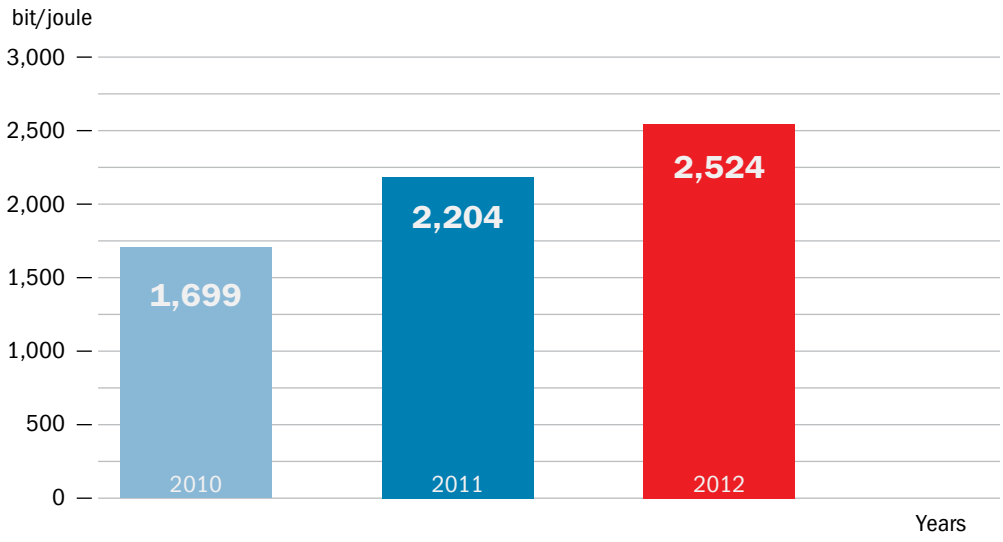
Eco-efficiency indicator

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 equipment and climate control in exchanges), domestic purposes (electricity for office use, air conditioning and heating in the offices) and vehicles. The following table and bar graph show the value of the eco-efficiency indicator over the past three years.

ECO-EFFICIENCY

		Telecom Italia S.p.A. 2012	Change % 2012 vs 2011	Change % 2012 vs 2010
ECO-EFFICIENCY INDICATOR	bit/Joule	2,524	14.52%	48.56%

ECO-EFFICIENCY INDICATOR - TELECOM ITALIA S.p.A.



In 2012, the indicator value exceeded expectations and work continues with an objective of 2,800 bit/Joule being set for 2013, an increase of +10.9% compared to the figure for 2012 (see § 2013 Objectives in the Appendix).

Atmospheric emissions

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 hydrochlorofluoro-

carbons and hydrofluorocarbons (HCFC and HFC) from air conditioning systems are also considered and converted into kg of CO_2 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 emission figures given in this Report have been calculated based on the updated coefficients made available by the GHG Protocol[10].

10
Emissions relating to the consumption of electricity purchased in the Italian market have been calculated by using the latest coefficient (2009) calculated by the GHG Protocol - which considers the national energy mix - equal to 386 grams of CO_2/kWh. For Argentina, the latest coefficient has been used (2011), as calculated and published by the Secretaría de Energía de la Nación Argentina (Ministry of Energy), of 539 grams of CO_2/kWh approximately. For Brazil, the average coefficient for 2012 has been used, as calculated and published by the Ministério da Ciência, Tecnologia e Inovação (Ministry of Science, Technology and Innovation), of 69 grams of CO_2/kWh approximately.

ATMOSPHERIC EMISSIONS

			Change %	
		Telecom Italia S.p.A. 2012	2012 vs 2011	2012 vs 2010
CO_2 EMISSIONS FROM TRANSPORT	kg	49,912,911	(4.05)%	(12.14)%
CO_2 EMISSIONS FROM HEATING	kg	32,266,307	(1.44)%	(0.43)%
EMISSIONS OF CO_2 EQUIVALENTS FOR HCFC/HFC(*) DISPERSALS	kg	9,407,820	(56.26)%	(64.92)%
CO_2 EMISSIONS FROM ELECTRICITY GENERATION BY COGENERATION	kg	39,951,727	(2.50)%	32.80%
CO_2 EMISSIONS FROM ELECTRICITY GENERATION USING DIESEL	kg	2,248,253	(0.57)%	(15.72)%
TOTAL DIRECT EMISSIONS OF CO_2 – UNDER SCOPE1 GRI	kg	**133,787,018**	**(10.51)%**	**(10.08)%**
CO_2 EMISSIONS FROM PURCHASES OF ELECTRICITY GENERATED BY MIXED SOURCES	kg	693,036,043	(1.07)%	(8.49)%
TOTAL INDIRECT EMISSIONS OF CO_2 – UNDER SCOPE2 GRI	kg	**693,036,043**	**(1.07)%**	**(8.49)%**
CO_2 EMISSIONS FROM WORK-HOME COMMUTING(**)	kg	52,110,745	(6.68)%	(13.04)%
CO_2 EMISSIONS FROM AIR TRAVEL(***)	kg	9,064,204	(8.83)%	(9.39)%
TOTAL OTHER INDIRECT EMISSIONS OF CO_2 – UNDER SCOPE3 GRI	kg	**61,174,949**	**(7.01)%**	**(12.52)%**
TOTAL CO_2 EMISSIONS	kg	**887,998,010**	**(3.04)%**	**(9.02)%**

*
Hydrochlorofluorocarbons (HCFC) and hydrofluorocarbons (HFC), in terms of equivalent CO_2 emissions are determined by reference to specific Global Warming Potential (GWP) parameters for the two gases: the index is based on a relative scale that compares the gas considered with an equal mass of carbon dioxide with a GWP of 1. The GWP of HCFC used was 1,780 and that of HFC was 1,300.

**
In determining the impact of home-work commuting, reference is made to statistical data produced on the Company's personnel.

***
Emissions due to air travel were calculated using the coefficients proposed by the GHG Protocol based on the number of journeys actually made, subdivided by the duration of each individual journey (short or long).

Atmospheric emissions by Telecom Italia S.p.A. are falling 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 CO_2 emissions, relating to the dispersal of HCFC and HFC used in air conditioning systems, due to the adoption of more meticulous 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 reduced consumption of purchased electricity;
- reduction of emissions from business air travel by employees due to a reduction in the number of trips, resulting in particular from the greater use of video conferencing.

For Telecom Italia S.p.A., an estimate was made of emissions under Scope3 associated with the supply chain according to the specifications of the Corporate Value Chain (Scope3) Accounting and Reporting Standard published by the Greenhouse Gas Protocol Initiative in 2011.
For information on the calculation method and estimated values for 2012 see the sustainability section of the telecomitalia.com website.

The following table shows the total CO_2 emissions of the Telecom Italia Group.

ATMOSPHERIC EMISSIONS

			TI Group breakdown by Business Unit (%)				
		TI Group 2012	Domestic	Brazil	Argentina	Media	Olivetti
TOTAL CO_2 EMISSIONS – UNDER SCOPE1 GRI	kg	160,489,454	84.97%	2.36%	9.70%	0.52%	2.45%
TOTAL CO_2 EMISSIONS – UNDER SCOPE2 GRI	kg	955,054,662	74.30%	2.62%	21.83%	1.04%	0.21%
TOTAL OTHER CO_2 EMISSIONS – UNDER SCOPE3 GRI	kg	97,065,805	71.93%	8.84%	17.44%	0.84%	0.95%
TOTAL CO_2 EMISSIONS	kg	**1,212,609,921**	**75.52%**	**3.08%**	**19.87%**	**0.96%**	**0.57%**

Water

WATER CONSUMPTION

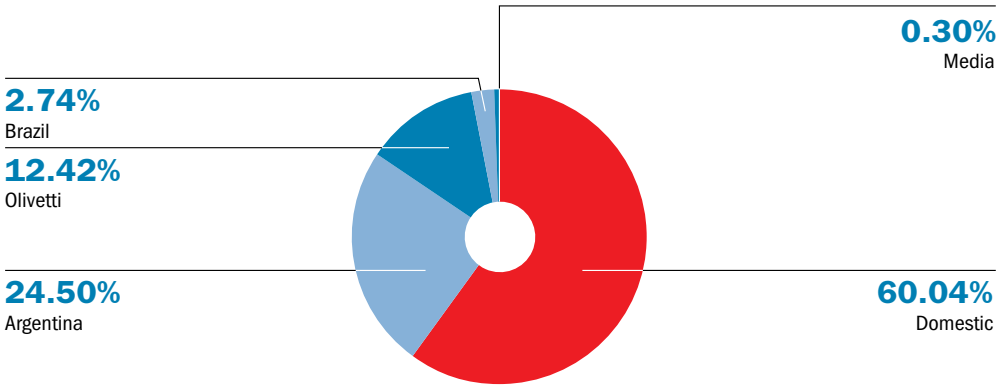
		Telecom Italia S.p.A. 2012	Change % 2012 vs 2011	Change % 2012 vs 2010
CONSUMPTION OF WATER DRAWN FROM ARTESIAN WELLS	m^3	50,000	(7.16)%	(26.20)%
CONSUMPTION OF WATER PROVIDED BY WATER SUPPLY COMPANIES	m^3	4,399,590	2.32%	1.33%
TOTAL WATER CONSUMPTION	m^3	**4,449,590**	**2.20%**	**0.90%**

WATER CONSUMPTION

			TI Group breakdown by Business Unit (%)				
		TI Group 2012	Domestic	Brazil	Argentina	Media	Olivetti
CONSUMPTION OF WATER DRAWN FROM ARTESIAN WELLS	m^3	973,384	5.14%	0%	0%	0.01%	94.85%
CONSUMPTION OF WATER DRAWN FROM SUPPLY COMPANIES	m^3	6,580,577	68.17%	3.15%	28.12%	0.34%	0.22%
TOTAL WATER CONSUMPTION(*)	m^3	**7,553,961**	**60.04%**	**2.74%**	**24.50%**	**0.30%**	**12.42%**

*
The significant impact of the Olivetti BU is due to drawings from artesian wells for industrial processes.

WATER CONSUMPTION - BREAKDOWN BY BU (%) TELECOM ITALIA GROUP



Paper

PAPER PURCHASED

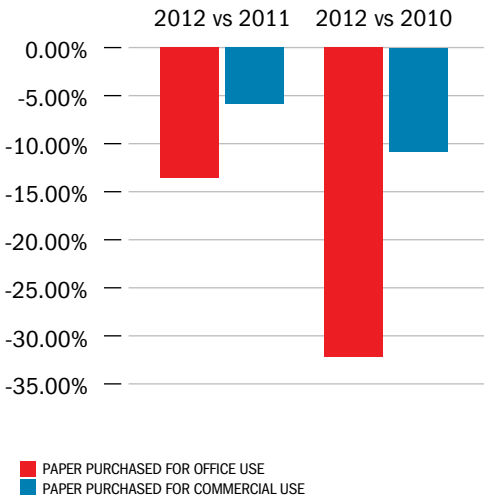
		Telecom Italia S.p.A. 2012	Change % 2012 vs 2011	Change % 2012 vs 2010
PAPER PURCHASED FOR OFFICE USE	kg	357,211	(13.63)%	(32.57)%
PAPER PURCHASED FOR COMMERCIAL USE	kg	1,466,234	(5.47)%	(10.78)%
TOTAL PAPER PURCHASED	kg	**1,823,445**	**(7.19)%**	**(16.09)%**

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 building awareness about the use of resources 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 around 85 tonnes of paper to be saved compared to 2011, as well as reducing the production of CO_2 associated with delivery of the packages.
The collection of sorted waste in offices, organised in all the Company's office premises, allowed more than 20 thousand tons of paper to be sent for recycling during 2012.
Telecom Argentina is also promoting digital 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.

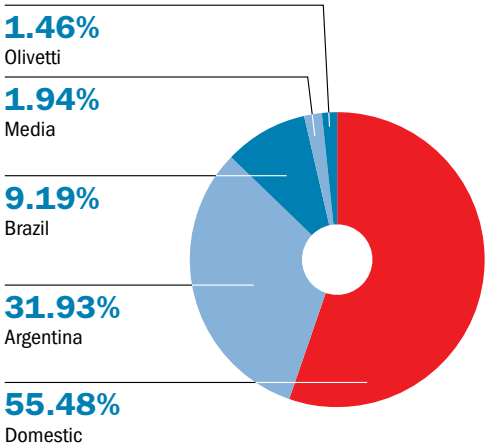
PAPER FOR OFFICE USE

		TI Group 2012	TI Group breakdown by Business Unit (%) Domestic	Brazil	Argentina	Media	Olivetti
NON-RECYCLED PAPER PURCHASED	kg	148,025	0.95%	2.51%	96.54%	0%	0%
RECYCLED PAPER PURCHASED	kg	53,043	0%	100%	0%	0%	0%
FSC CERTIFIED PAPER PURCHASED	kg	484,966	78.19%	1.30%	15.70%	2.75%	2.06%
TOTAL PAPER PURCHASED	kg	**686,034**	**55.48%**	**9.19%**	**31.93%**	**1.94%**	**1.46%**

PAPER PURCHASED – CHANGE % TELECOM ITALIA S.p.A.



PAPER PURCHASED FOR OFFICE USE BREAKDOWN BY BU (%) - TELECOM ITALIA GROUP



Waste

The data shown in the table refer to the quantity of waste consigned[11] and recorded by law[12].

11 "Waste consigned" refers to the waste delivered to carriers for recycling or reclamation or disposal.

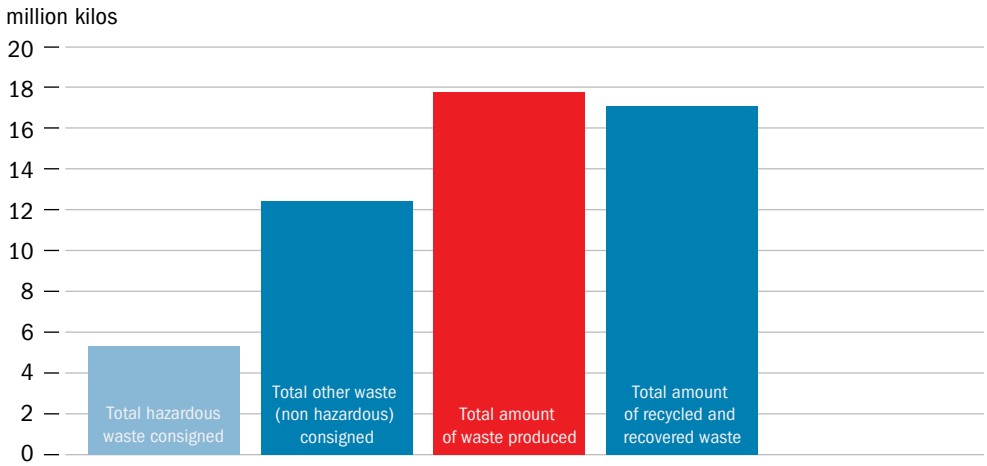
12 Slight variations compared to the situation on December 31 may occur until the end of March, because the source of the data is the records of waste loaded and unloaded, which are consolidated once the actual weight at destination has been verified. The information is supplied to the producer of the waste within 3 months of consignment, which is the reason for the potential variations in the data.

WASTE CONSIGNED[*]

			Change %	
		Telecom Italia S.p.A. 2012	2012 vs 2011	2012 vs 2010
HAZARDOUS WASTE	kg	5,286,859	(8.02)%	(2.27)%
NON-HAZARDOUS WASTE	kg	12,609,327	1.64%	14.12%
TOTAL WASTE CONSIGNED	kg	**17,896,186**	**(1.42)%**	**8.73%**
WASTE SENT FOR RECYCLING OR RECOVERY	kg	17,175,768	(0.98)%	14.03%
RATIO BETWEEN THE AMOUNT OF WASTE RECYCLED/RECOVERED AND THE TOTAL WASTE	%	95.97%	0.45%	4.87%

* 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 production and recovery companies, subject to the favourable opinion of the conference of State-Regions-Autonomous Provinces. In 2012, Telecom Italia decommissioned 173,329 poles weighing a total of 13,866,234 kg.

WASTE CONSIGNED FOR RECYCLE/RECOVERY TELECOM ITALIA S.p.A.

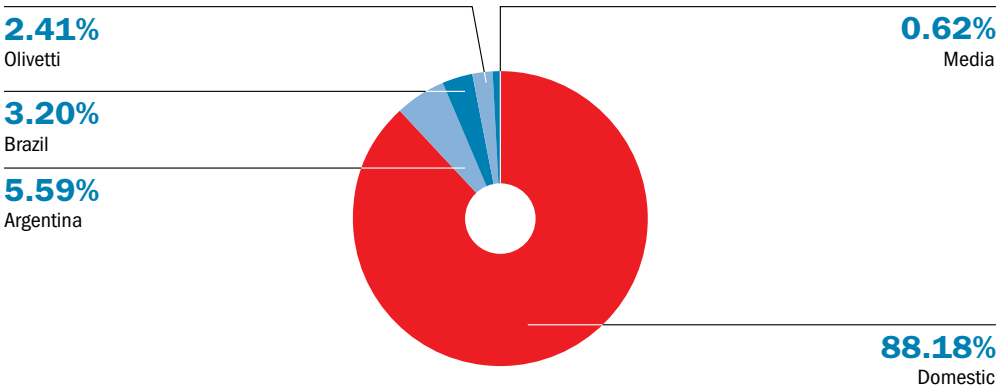


WASTE CONSIGNED

			TI Group breakdown by Business Unit (%)				
		TI Group 2012	Domestic	Brazil	Argentina	Media	Olivetti
TOTAL WASTE CONSIGNED(*)	kg	**20,469,422**	**88.18%**	**3.20%**	**5.59%**	**0.62%**	**2.41%**

*
In order to allow a more accurate comparison to be made between the various BUs, the data for the Argentina BU does not include decommissioned telephone poles although these were consigned and are not managed separately from other waste.

TOTAL WASTE CONSIGNED – BREAKDOWN BY BU (%) 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 sent for recycling/recovery, which has grown to a significant amount and has improved further compared to 2011.
Ministerial Decree No. 65 of March 8th, 2010 (published in the Gazzetta Ufficiale on May 10th, 2010) implemented the collection of Waste Electrical and Electronic Equipment (WEEE) by all Telecom Italia sales channels as of June 18th, 2010, resulting in the Company's registration as a "distributor" in the national Register of environmental managers.

In 2012, Telecom Italia regenerated a large amount of its technical equipment (8,058 data transmission devices, 20,485 voice products, 28,674 ISDN devices and 58,101 public telephony devices) and commercial equipment (including 84,124 modems and 12,570 other products). The purpose of this activity is twofold: contributing to a reduction in WEEE produced while at the same time generating a financial benefit resulting from the difference between the cost that would be incurred for the purchase of new equipment and the cost of regeneration.
Considering the increase in the prices of raw materials and the improvement of recovery technologies, as of April 2012, Telecom Italia signed contracts aimed at recovering end-of-life products and materials, aimed at allowing the recovery of components and raw materials. This allowed the landfill disposal of 1,142,473 products to be avoided and financial benefits to be gained from their recovery.

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 appliances to be recovered and re-introduced as materials in the production cycle under conditions that are completely safe for the environment.

Electromagnetic emissions

The actions of the Telecom Italia Group on the subject of electromagnetic emissions are essentially:

- careful management of its equipment during its entire life cycle and in compliance with current regulations and internal standards of efficiency and safety;
- deployment of, and constant research into, the latest technological instruments for checks and controls.

Systematic monitoring of the levels of electromagnetic emissions in the installations of La7, MTV and TI Media Broadcasting aims to ensure that legal limits are respected and high safety standards are maintained for workers and the general population. According to the checks carried out in Italy, the electromagnetic emissions generated by La7 and MTV are well within legal limits.
As part of the certification of mobile phones sold on the market under the TIM brand, TILab performs tests on all technologically innovative products to check the SAR (Specific Absorption Rate) declared by suppliers. This parameter estimates the quantity of electromagnetic energy per unit of body mass absorbed by the human body in the event of exposure to the electromagnetic field generated by mobile handsets. Telecom Italia certifies and sells through its sales network only mobile handsets with a SAR value lower than the limit set by European legislation. In determining the SAR compliance of mobile terminals Telecom Italia complies with the instructions given in the ICNIRP (International Commission on Non-Ionizing Radiation Protection) guidelines and subsequent declarations of conformity[13]. This qualification, which is carried out during the pre-marketing stage, when Telecom Italia

13
Guidelines for Limiting Exposure to Time-Varying Electric, Magnetic, and Electromagnetic Fields (up to 300 GHz). Health Physics 74 (4): 494-522; 1998; Statement on the "Guidelines for limiting exposure to time-varying electric, magnetic and electromagnetic fields (up to 300 GHz)". Health Physics 97(3):257-259; 2009.

does not often have the SAR value declared by the supplier, makes the test more valuable than a simple quality control check. Joint activities are also taking place with a number of ARPAs (regional environmental protection agencies) to assess the electromagnetic fields generated by RBSs, considering the actual power transmitted based on traffic and power control mechanisms, in accordance with changes to the Prime Ministerial Decree of 8/7/2003 contained in the Decree Law on Growth 179/2012. Similar attention is paid to the emissions from mobile handsets using the frequency bands operated by Telecom Italia: GSM 900 MHz, DCS 1800MHz and UMTS.
Some of the GSM network traffic takes place in half rate mode, which 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.
Telecom Argentina has signed an agreement with the Argentine Federation of Municipalities to respond to the growing need for information on ionising radiations. A continuous data monitoring and dissemination system has been inaugurated in 500 municipalities.

3.4 CLIMATE CHANGE

2012 was the year of the United Nations Conference on Sustainable Development, nicknamed Rio+20 as it was organised twenty years after the Conference on Environment and Development, also known as the Earth Summit. Although the demands made by civil society were not entirely accepted, the Conference marked a commitment by governments to work together to strengthen the process of implementing sustainable development, and redefining current policies by identifying a set of key universal Sustainable Development Goals.
In particular, the fundamental value of the Green Economy was recognised as the driving force behind sustainable development and poverty eradication. In this context, the Information and Communication Technology (ICT) industry can make a major contribution to economic development, to improving energy efficiency and to combating climate change.

THE FIGHT AGAINST CLIMATE CHANGE IS A CHALLENGE FOR HUMANITY

The SMARTer 2020 Report [14], published in December 2012 by the Global e-Sustainability Initiative, identifies a significant potential reduction in greenhouse gas emissions from the application of digital technologies of 9.1 Gt CO_2 eq., 16.5% of what the global emissions would be in 2020 if this potential were not used. Even though the ICT industry's carbon footprint in 2020 is expected to increase to 1.27 Gt CO_2 eq., the potential abatement is 7 times greater.

14
Il rapporto "GeSI SMARTer 2020: The Role of ICT in Driving a Sustainable Future" rappresenta l'aggiornamento del rapporto SMART2020 pubblicato nel 2008.

Telecom Italia is convinced that it can make a major contribution in this context. The Group's approach to the fight against climate change is based on three synergistic levels of action:
- reducing its own direct and indirect emissions of greenhouse gases;
- limiting the emissions of other sectors and customers in general by supporting virtualisation and the provisions of services that promote new ways of working, learning, travelling and living;
- contributing to disseminating a culture based on a correct approach to environmental issues inside and outside the Company.

Telecom Italia and the Ministry of the Environment have signed an agreement this year to promote projects that measure, contain and neutralise the Group's carbon footprint, i.e. its impact in terms of carbon dioxide emissions. Once it has identified the reference models for calculating emissions, the study project will develop 2 distinct strands of activity: as-

sessing the carbon footprint and how it changes as a result of customers using advanced ICT/Telecommunication services and measuring the benefits of adopting targeted energy efficiency action in the telecommunication sector.
The first strand of the study will assess a mix of ICT/Telecommunication services/products to enable effective teleworking. The benefits of this will be seen in the optimisation of energy consumption, as a result of the better use of physical and telecommunication infrastructure, and the environment, thanks to the reduction in travel required.
In order to assess the Company's carbon footprint, a decision was made to carry out an accurate analysis of a building in Bologna that includes both fixed and mobile equipment, offices and a work centre. The idea is to replicate the model in similar sites, with the results obtained being used to adopt measures aimed at reducing consumption and emissions by taking action to modify existing infrastructure and behaviour.

Reduction of emissions

The environmental impact of Telecom Italia in terms of CO_2 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.
For details of current activities aimed at reducing emissions see § The Environmental performance/Energy and Environmental performance/Emissions.

Telecom Italia as part of the solution

The ICT sector is required to play an important part in the fight against climate change by promoting the replacement of physical products and traditional services with digital products and processes (see § Customers/Innovative services) that can promote the virtualisation of the Companysociety by reducing the need for people and goods to travel[15]. In general:

- audio/video conferencing services and teleworking reduce the need for people to travel;
- on line invoicing and payments, in addition to saving paper and therefore the energy required to produce and transport it, eliminate the need for transport to make payments;
- telemedicine services reduce the need for doctors to meet patients in person;
- infomobility systems, using information obtained from mobile handsets, allow the optimisation of traffic flows, reducing travel times and the emission of greenhouse gases;
- systems for the monitoring and analysis of consumption allow the optimisation of the energy efficiency of offices and households.

ICT technologies can influence the price, efficiency and relative convenience of products and services, eventually affecting the demand for services and increasing the overall demand for energy.
They can also accelerate the obsolescence of products and require the resulting technological waste to be managed. It is the responsibility of the ICT sector, and therefore also of Telecom Italia, to consider these effects, focusing on research and development to create products with a low environmental impact throughout their entire life cycle (see § Product Responsibility).

ICT CAN CONTRIBUTE TO DRAMATIC REDUCTION OF CO_2 EMISSIONS

15
It has been estimated that 100 million audio-conferences in place of physical travel would save over 2 million tonnes of CO_2 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 CO_2 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 thousand tonnes of CO_2. The examples are indicative and are intended to give a concrete indication of the potential of telecommunication 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).

In 2012, Telecom Italia handled centrally around 1,300 audio conferences and over 4,600 video conferences between its offices in Rome and Milan. As a result of the introduction of a specific automatic booking portal for audio and video conferencing services, employees independently held over 18,687 video conferences (+168% compared to 2011) and 57,333 audio conferences (+55% compared to 2011). The use of these communication solutions has allowed a significant amount of carbon dioxide and other polluting emissions associated with the use of means of transport[16] to be avoided.

16
On average, around 10 people take part in each video conference and half of these would have travelled to take part in the meeting. It can be estimated, solely for video conferences carried out between the management offices in Rome and Milan, that there has been an overall reduction in emissions of 1,200 tons of carbon dioxide.

Cloud computing

Cloud computing allows processing and data management/archiving capacity to be transferred from individual computers to shared network structures in data centres, in which energy efficiency becomes a priority given the high amounts of energy they normally consume[17].
The preliminary results of a study[18] presented in 2012 in Shenzhen (People's Republic of China) at a forum organised by the Global e-Sustainability Initiative and Huawei, demonstrate the environmental benefits of cloud computing. This technology allows data to be stored on a server accessible from anywhere in the world simply by using a keyboard and monitor or tablet-type device, without having to use local terminals, thus improving the overall energy efficiency of the system and reducing the use of materials that are potentially harmful to the environment and require frequent maintenance and replacement.
For information regarding Nuvola Italiana, Telecom Italia's cloud computing solution, please visit telecomitalia.com.

17
In data centres, efficiency is normally measured by applying the Power Usage Effectiveness (PUE) concept, which determines what percentage of the total energy consumed is used to power the Information Technology equipment rather than the general support services (air conditioning, lighting, etc.). The Green Grid and EPA calculate the current average level of efficiency in the world to be 1.8 PUE, meaning that energy usage for non-processing purposes stands at around 80% of IT consumption. In a modern data centre, in which energy efficiency is considered to be a competitive factor and a strategic lever, the PUE is estimated to be around 1.2 and the virtualisation of infrastructure, e.g. loading multiple servers onto a single machine and sharing it effectively to maximise usage, is a necessary transition.

18
The Enabling Technologies of a Low-Carbon Economy - a Focus on Cloud Computing – see http://gesi.org/portfolio/project/2.

3.5 COMMUNICATING SUSTAINABILITY

Promoting the debate on sustainability, and communicating the relevant action taken in this respect, have an 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 carried out several communication initiatives in 2012:

- 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 big Company 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.

AVoiComunicare (avoicomunicare.it) is an integrated communication project of Telecom Italia that aims to maintain an ongoing open debate on matters of great importance, including sustainability and environmental issues. 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 change by making small changes to their behaviour. By answering a few questions on their lifestyle, people can calculate the CO_2 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.

On the internal communication front, at the end of 2011 Telecom Italia launched a sustainability training plan. Based on an e-learning platform accessible via the Internet and on virtual classrooms providing a more in-depth analysis of specific topics, the training plan was initially made available to Italian employees and was subsequently extended to Brazil and Argentina.

SUSTAINABILITY COMMUNICATION IS IMPORTANT FOR THE PROMOTION OF VIRTUOUS BEHAVIOURS INSIDE AND OUTSIDE THE COMPANY

Based on the preferences expressed by participants and considering the commitment made by the Company to reduce energy consumption and the resulting CO_2 emissions, the first virtual classroom was held in 2012 on the subject of climate change by Prof. Mario Tozzi, a prominent geologist, journalist and science writer. The speech, which can also be found at telecomitalia.com, dealt with the subject in a simple and effective way, emphasising corporate initiatives and the positive role the ICT industry as a whole can play (see § Climate change), not forgetting the important contribution that each one of us can make in or everyday actions.
For details about the internal communication activities carried out see § Human Resources/Internal communication.
At Telecom Argentina too, the employee 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.

Working with the scientific association "Ornis italica", Telecom Italia has launched the "Falchi in città" (Hawks in the city) project to help preserve biodiversity in the urban environment. Based on specific reports and direct observations, surveys were carried out in several Company premises to install nesting boxes on radio antennas and towers containing transmission equipment, with the aim of encouraging peregrine falcons to breed and allow researchers to collect data on the reproductive biology of this species. A webcam will be placed in some of the nests to allow non-experts also to follow the most interesting stages in the life of these birds on the web, without disturbing their reproductive activity. A similar initiative has already been implemented at the Via Oriolo Romano site in Rome and has resulted in the release of 10 young falcons over the past few years (for details go to birdcam.it).

3.6 PRODUCT RESPONSIBILITY

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;
- compliance 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.

Telecom Italia Green

At the end of the 1990s, Telecom Italia launched a series of internal research and development activities to build terminals with a reduced environmental impact. In order to improve the environmental efficiency of products offered to private and business customers alike, attention has to be paid to their energy aspects, optimising consumption while meeting the needs of the services delivered and applying "Design For Environment" rules that reduce their environmental impact, particularly during the production phase and the end-of-life management of equipment.
Pursuing and expanding this logic, the Telecom Italia Green logo has been created to identify both Telecom Italia's "green" initiatives and projects and eco-friendly products.

For products and initiatives that bear this logo, information is provided about the features and specific solutions adopted, as a result of which their eco-friendliness and/or environmental benefit can be demonstrated. In the case of products, this information appears in the environmental statement contained in the packaging, drawn up in accordance with the UNI EN ISO 14021 standard, as well as in the sustainability section of the telecomitalia.com website, where information can also be found about the "eco-friendly" features of initiatives and projects.

The Green range includes a number of products developed with the assistance of suppliers and dedicated to business and consumer customers alike. These include two types of ADSL Wi-Fi modems which, compared to similar previous-generation products, allow considerable energy savings to be made (up to 46% of average annual use), are fitted with a high energy efficiency power supply (efficiency in the order of 78%) and are built in accordance with eco-design rules, as a result of which the weight of the plastic material used for the homogeneous, recyclable and halogen compound free case has been reduced by up to 70%. The case consists of a limited number of components and the time required for end-of-life disassembly has been reduced by 70% compared to previous models.
Energy use has been minimised according to the targets set by the European code of con-

duct for broadband equipment, voluntarily signed by Telecom Italia; the resulting emission reduction, based on 500 thousand items, is the equivalent of keeping 6,200 cars stationary for a year or planting a forest of 16,100 trees.
The Green range also includes the latest model of Cubovision Light, the equipment used to broadcast Telecom Italia's personal and interactive television service, the features of which, in environmental terms, are similar to those of the modems mentioned above. In this case, energy use has been optimised according to the operational mode objectives defined by the European Code of Conduct for Digital TV Services and is a step ahead of European Regulation No. 1275/2008 on OFF and STANDBY modes, due to come into force in 2013. The energy efficiency of the power supply supplied exceeds 84%.
The Green range also includes two fixed telephone models, one traditional (Sirio Punto) and one cordless (FACILE Gigaset E310) and tests are being carried out with a view to introducing additional products.
In order to assess the actual environmental benefits of the eco-design choices made for the various products, which is based on a Life Cycle Assessment approach, Telecom Italia worked with the Department of Applied Science and Technology of the Politecnico of Turin.

Furthermore, last July Telecom Italia added 10 electric vehicles (Citroën C-zero models) to its office car pools, making the Company one of the first in Italy to have a fleet of electric cars. These vehicles, which have a 64 bhp power rating, a 150 km range and a top speed of 130 km/h, are equipped with lithium ion batteries rechargeable within 6 hours using a 220 V power supply or in just 30 minutes if specific higher power sockets are used. The estimated life of a battery is around 200 thousand km with 1,500 recharging cycles.

As part of the "Centro di lavoro verde" (Green Work Centre) project, during 2013 a further 20 Citroën CØ cars are expected to be added to the Company's fleet in Italy's main cities, plus 25 Piaggio Porter electric vans and 15 Piaggio MP3 hybrid (petrol/electric) scooters in the smaller islands of southern Italy, where particular road and weather conditions make them particularly suitable for safe and environmentally efficient travel.

The role of a major Company in the Communities in which it operates

4. THE COMMUNITY

4.1 STRATEGY

The Group companies intend to contribute to the prosperity and growth of Communities by delivering efficient and technologically advanced services.
Consistent with these objectives, and their responsibilities towards the various stakeholders, the Group companies view research and innovation as priorities for growth and success.
As private entities requiring cost-effective management, Group companies take the social impact of 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.

The following table summarises the Group's Community investment strategy, which is also planned according to the inclusion and materiality principles of the AccountAbility 1000 standard (see § Introduction/Reporting):

Macro areas of intervention	Project identification	Project implementation
The two main areas of intervention as regards investment in the Community are the following: • voluntary activities consistent with the Group's core business, associated with the provision of ICT services(*); • activities aimed at the general development of the Community, mainly including the activities of the Telecom Italia Foundation.	Telecom Italia identifies the projects to be implemented by the following means: • consultation with the stakeholders and direct contact with civil society organisations; • partnership projects with stakeholders and associations; • benchmarking against the other European Tlc operators; • involvement in industry associations; • sharing knowledge of industry-related issues with the other Group departments; • external lobbying in response to social emergencies (e.g. earthquakes).	Each project is implemented in 4 stages: • planning: which identifies the objectives to be achieved, the beneficiaries of the project, the timescales of the individual activities, the overall duration of the initiative, the methods used to monitor the project and the budget. • selection: - through public tenders, as in the case of many projects pursued by the Telecom Italia Foundation; - by direct decision of the Company, following the stakeholder consultation process, consistent with the guidelines for voluntary contributions to the Community(**); • management: normally administered through partnerships or framework agreements. Sometimes cash disbursements are made, leaving the management of the activity to the beneficiary organisation/association. • control: takes place in different ways according to the specific features of the individual projects.

*
In this chapter, only those products/services provided at no charge are reported, while those which, although they have a significant impact on the Community, are provided for payment, are included in the § Customers.

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

4.2 RELEVANT STAKEHOLDERS

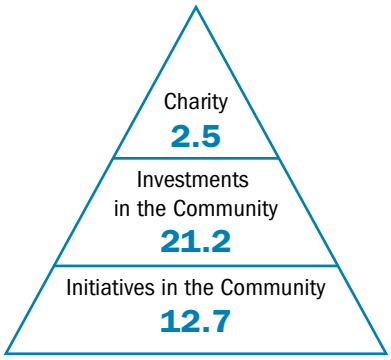
In the projects they implement with Communities, the Group companies interact with:

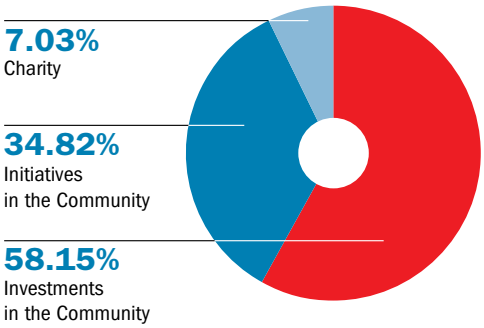
- civil society: all citizens and people with special needs (young people, elderly people, disabled people, etc.), their representative associations and non-profit organisations in general;
- institutions: local authorities and central, national and supranational institutions;
- university and research institutions;
- traditional media and social media.

4.3 THE MEASUREMENT OF OUR CONTRIBUTION TO THE COMMUNITY

The contribution made to the Community by the Telecom Italia Group, calculated according to the London Benchmarking Group (LBG) guidelines, amounted to 36.4 million euros in 2012 (30.7 million euros in 2011). The contribution has been calculated using management data partly based on estimates.

More than 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 in the Community), adopting the customary pyramid-shaped representation, which places initiatives of a charitable nature at the top and initiatives which in addition to being of benefit to the Community are in the commercial interest of the Company at the bottom. For further information regarding the LBG model and its investment classification criteria on the 3 levels, see the sustainability section of the telecomitalia.com website and the lbg-online.it website.





4.4 RESPONSES TO STAKEHOLDERS

Initiatives consistent with the core business

By way of example, here are some of the projects carried out in 2012 in response to the needs of the Community using the technologies that underlie the provision of services by Telecom Italia.

Fund raising

Fund raising is of particular importance, especially in dealing with emergencies. For over ten years, Telecom Italia has been a key player in the solidarity chain associated with humanitarian, scientific or environmental projects, which it supports by allowing people to make a donation of 1 or 2 euros by sending a text message and of 2, 5 or 10 euros by calling a dedicated free number from a land line.
The money raised is 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 zero-rated such operations for the purposes of VAT, nor by the Company for costs incurred. In 2012, 127 campaigns were run and over 27 million euros raised[19], an increase of around 22% on the previous year.

Telethoninweb

In 1990, Telethon, in partnership with the Company then known as SIP, launched a great

19
The amount collected is not directly attributable to the initiatives mentioned due to the time lag between invoicing and payment.

innovation in the Italian charitable sector: a television programme hosted by RAI that illustrated its mission while raising public awareness and funds through the telephone service partners. Alongside the traditional television marathon, as of 2012 Telethon and Telecom Italia have offered an innovative Internet format to engage the online world in the challenge posed by genetic diseases, raising awareness of the mission of Telethon and raising funds through innovative tools (Internet and mobile).
For this purpose, an ad hoc website (telethoninweb.telecomitalia.com) was created and operated between 13 November 2012 and 31 January 2013, using filmed interviews to tell the lives, stories, values and motivations of researchers, patients and supporters, also providing the option to make donations online.
Between 14 and 16 December 2012, the site also hosted the "Web Marathon", in which all the web channels related to Telecom Italia, websites and social media, were involved.

Surfing Together

2012 having been designated by the European Union as the "year for active ageing", Telecom Italia launched Navigare Insieme, a nation-wide digital inclusion project aimed at anyone over the age of 60 who is interested in discovering the world of the Web.
Through this initiative, Telecom Italia built on previous digital education projects for the elderly, including Internet Saloon and Telemouse, leveraging the format and tools and expanding involvement to the Web itself through a dedicated website (navigareinsieme.telecomitalia.it).
The first phase involved 12 Italian cities and the plan is to extend the project to a further 4, while also running a number of activities in other centres that are smaller in scale but equally relevant for the purposes of social inclusion.
The project takes place in schools (buildings equipped with digital laboratories, interactive multimedia boards and expert teachers) and in areas known as "digital exercise gyms" (schools, equipped centres for the elderly and premises made available by associations). Training is provided by selected and appropriately trained students. In addition to the two forms of training already provided (school lessons and exercise gyms activities), there is a third form of learning: an e-learning path using standalone modules resulting from a collaboration with web stars/bloggers and well-known personalities associated with the Internet. The project also allows the municipal authorities of the relevant cities to become formally involved by granting a Sponsorship and/or signing Memorandums of Understanding.
Since February 2012, 50,000 people over 60 have attended the courses, 1,500 people under 18 have been involved and 200,000 people have visited the dedicated website, with 26,000 Facebook fans, 10,000 twitter followers and 60,000 views on YouTube.

Safe surfing

The project aims to make 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 benefits from the collaboration and expertise, authoritativeness and reliability of the Fondazione Movimento Bambino, Save the Children and Atlantyca, copyright holder of the Geronimo Stilton character.
During the first phase of Navigare Sicuri, the project addressed the issues most frequently dealt with by experts from Save the Children: grooming, cyber-bullying and identity theft.
During the second phase, the awareness-building process was extended to 3 new areas that

are particularly relevant for teenagers: sexting (electronic sending of sexually explicit photos by picture messaging, email and social networks), Internet addiction disorder, piracy.
The plan is to expand the target audience by involving teenagers through a dedicated competition for secondary schools in which girls and boys will be asked to produce videos, viewable on the Internet, to tell a true story they or others have experienced that refers to one of the six areas covered by the programme.
Between 2010 and 2012, Navigare Sicuri toured 20 Italian regions in a specially equipped bus, visiting 80 schools and town squares in 40 cities, covering a distance of 15,000 km in Italy and involving over 100,000 young people. A further tour has been organised for the 2012-2013 academic year with 10 stops in as many Italian cities and involving meetings on school premises with young people, parents and teachers to illustrate the issues tackled by the Navigare Sicuri programme.

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 children hospitalised in cancer and haematology departments, 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. Children can also communicate with their loved ones by video calling 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 a number of hospitals in 6 Italian cities.

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.

The Telecom Italia Foundation

It was created in 2008 as an expression of Telecom Italia's corporate social responsibility, from which it has inherited its founding ethical principles of attention to local needs and a strong sense of responsibility towards the Community. Its specific aim is to develop ideas and projects within the society, focusing action on emerging needs that can be fulfilled preventively and promptly. The main guiding purpose is to promote the right to education, knowledge and culture, which is seen as key to enabling people and ensuring social inclusion. This approach is the result of a specific thought process aimed at determining how knowledge can help redesign social needs and spaces, as well as a tool for creating and developing new capabilities and opportunities, both by defining new educational processes and through the use of a sustainable technology model.
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 2012, it disbursed funds equalling 6.507 million euros.

The foundation's activities take place according to the following criteria.

TOOLS	• Partnerships with organisations, institutions and public and private entities.
GEOGRAPHICAL AREAS OF ACTION	• The whole Country.
STRATEGIC OBJECTIVES	• In the social field, developing educational and support projects dedicated to vulnerable and disadvantaged categories of the population; • Developing projects dedicated to education, training and scientific research; • Protecting artistic and historical heritage, through innovative ways and means of enjoying and disseminating knowledge.
PROJECT SELECTION AND MONITORING	• Projects are selected: › either by means of public competitive tenders published on the fondazionetelecomitalia.it website; › or directly, according to pre-established rules that are consistent with the aims of the Foundation, using the website to communicate with applicants. • The monitoring system is established according to the specific characteristics and objectives of each project. Monitoring is a requirement for all projects, whether selected by tender or directly. As well as being an eligibility requirement, it also provides an assessment parameter.

Dyslexia Project

Among its main projects, the Telecom Italia Foundation has been running an intensive programme of activities since 2009 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 operational projects aimed at:

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

For further information about the dyslexia project, work and social inclusion projects and other initiatives taken by the Foundation, visit the fondazionetelecomitalia.it website and the sustainability section of the telecomitalia.com website.

Tim Participações

The social investment strategy implemented by Tim Participações aims to promote the social inclusion of disadvantaged groups in Brazilian society, particularly children and teenagers, by running education programmes that support the corporate "without borders" concept even in the social sphere.
Starting from 2011, priority was given to investments in activities consistent with the core business, with a particular focus on digital inclusion. Nevertheless the companies also continue to promote and support other important initiatives not strictly connected to their activities.

TOOLS	• Partnerships with organisations, institutions and public and private entities.
GEOGRAPHICAL AREAS OF ACTION	• The whole Country.
STRATEGIC OBJECTIVES	• Implementation of educational projects for the social inclusion of young people and teenagers. • Implementation of training projects to encourage daily use of the Internet and mobile phones as tools for social development and inclusion.
PROJECT SELECTION AND MONITORING	• Projects are selected according to their relevance to the Company's strategies and requirements. • Initiatives are monitored and a final evaluation is carried out on completion. A report is drawn up for each project that provides a detailed description of the initiative and the results achieved, also in quantitative terms.

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 digital inclusion and education. The strategy was built by listening to local needs, formalised in a series of meetings. During 2011, 12 representatives of businesses, associations, public sector organisations and specialists were involved, while in 2012 a meeting was held with the representatives of a number of non-profit organizations. Also in 2012, a survey was carried out to determine the main requirements/expectations of the Community and stakeholders in general.
As of 2011, a number of recommendations made by Community stakeholders have been incorporated, based on which Telecom Argentina has developed a social investment matrix, the objectives and procedures of which are shown below.

TOOLS	• Projects run independently or in partnership (working with NGOs, government bodies, universities and other companies as strategic partners). • Technological partnerships: participating in projects run by others, providing support in the form of know-how and human resources from Telecom Argentina. • Support for publications, research, seminars connected with the Company's strategy and objectives, in order to disseminate knowledge. • Institutional collaborations: donations, sponsorships, events, dinners in support of the institutions with which relations are to be established.
GEOGRAPHICAL AREAS OF ACTION	• The whole Country, prioritising the regions in which the business is involved and there is greater network coverage (centre and north).
STRATEGIC OBJECTIVES	• Education and training (increasing the use of technology in education and computer literacy). • Promoting the social inclusion of vulnerable groups/people at risk of social exclusion (disabled people, isolated communities, the young unemployed, the elderly, etc.), increasing the use of technology.
PROJECT SELECTION AND MONITORING	• Selection is done by the CSR team based on the strategic objectives. Projects are implemented, monitored and assessed with other partners. • The final assessment is entrusted to an external body (universities or market research organisations).

TIM All Connected

This digital inclusion project is currently at an experimental stage. It aims to provide training courses and web applications for social well-being and mobility by creating opportunities for people on low incomes to work and earn money.
The project operates on two fronts: providing web-based services while also offering training activities in the poorest areas of the Country.
The web services currently delivered make it easier to match the supply of employment to demand by allowing people to post their CVs online (facilitating the recruitment of carpenters, labourers, decorators, etc.) and, by means of a specific application, seeking to ensure the best possible management of personal financial resources and budget allocation.
Training activities include the provision of courses in shanty towns and the poorest communities on the web applications mentioned above, as well as in the correct, safe and knowledgeable use of the Internet and mobile phones, showing how these tools can be used at school, work and home to improve people's quality of life.

TIM ArtEducation

Resulting from a partnership between Tim Participações 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 the social inclusion of young people through dance, theatre, capoeira, storytelling and other forms of artistic expression.
In 2012, around 4,360 young people from 12 cities in the state of Minas Gerais attended these lessons.

For further information about the Community support projects run by Tim Participações visit the tim.com.br website, Sustainability section, under Community.

Mobile Classroom

This is a training and social inclusion project that consists of installing IT workstations in a mobile classroom, allowing people in the most remote areas of the north of the Country to be reached and taught basic computer skills.

Mobile Awareness

This education initiative teaches people how to use their mobile phone correctly and responsibly. The awareness campaign covers three main aspects:

- correct use on the street and in public places, showing respect for others;
- safe driving, to increase awareness of the danger of using a mobile phone while driving;
- respect for the environment, by installing containers to collect used mobile phone batteries in various areas of Buenos Aires and the surrounding province.

For further information on the initiatives carried out by Telecom Argentina to the Community, see the Social Responsibility section of the telecom.com.ar website.

4.5 RESEARCH AND DEVELOPMENT

Research and development activities at Telecom Italia are carried out by the Information Technology, TILab and Innovation & Industry Relations departments, which oversee the analysis of new technologies and the development of the engineering activities supporting our offers to customers.
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 patent portfolio. 14 new applications for patents were filed during 2012.

The laboratory model has evolved over time, assuming an increasingly "integrated" role through national and international initiatives. Alongside the customary use of HW and SW design and testing environments, technological demonstration areas known as Innovation Labs and Wireless Innovation Labs have been created for the latest network and service solutions. Many of the laboratory services are furthermore recognised by the Italian accreditation body ACCREDIA and provide commercial services to other companies.

With a view to promoting an innovative system of relations between companies and universities, Telecom Italia has adopted the Joint Open Lab (JOL) model, consisting of joint laboratories where academic research and knowledge combine with industrial know-how and experience. During the first stage of the project, the universities involved were the Polytechnic of Turin, the Polytechnic of Milan, the Scuola Superiore Sant'Anna in Pisa, the University of Catania and the Polytechnic of Bari. Details on activities can be found on the telecomitalia.com website.

WORKING CAPITAL IS THE COMPANY'S INITIATIVE TO SUPPORT INNOVATIVE PROJECTS IN THE FIELD OF WEB 2.0

In order to support entrepreneurial and research projects in the Web 2.0 sector, Telecom Italia launched "Working Capital" in 2009, which has become a blueprint for initiatives to support innovation. The project intends to promote the development of a new generation of Italian entrepreneurs, providing them with financial support, skills, technologies and dedicated services. The plan for 2013 is to create 3 "accelerators" (one each in Milan, Rome and Catania), centres of excellence for innovation, providing places to study, test and implement projects.

At the end of 2012, the "Changemakers" project was launched to identify and support the development of 10 new entrepreneurial ideas presented by talented young people to improve the lives of at least 10 million citizens. The young people selected will be given the opportunity to join a management support process that will begin in March 2013 with an 8-week residential experience on a campus where participants will be shadowed by teachers and mentors with recognised expertise.

Relevant stakeholders

The relevant stakeholders for research and development are:

- the areas of the Company involved (e.g. Marketing and Purchasing);
- the suppliers, for the joint development of solutions in accordance with the technical requirements of Telecom Italia;
- research centres and universities, for cooperation and joint projects. 24 new cooperation agreements with Italian universities were launched in 2012 (joining the 13 that already existed at the beginning of 2011) on research topics relating to new technologies, coding algorithms, new communication services and paradigms; the standardisation bodies

and forums (including NGMN, OpenIPTV Forum, OMA, 3GPP, ETSI, TM Forum, W3C, ITU-T) in which Telecom Italia is actively involved;
- the Ministries (Ministry for Economic Development and Ministry of Education, Universities and Research), the European Union and public authorities (e.g. CNR and local authorities) for projects funded through participation in competitive tenders, and partnership initiatives;
- non-governmental organisations, associations, alliances and industry forums (e.g. GSMA, m-health, etc.) which bring together all the entities involved in the value chain of the specific market;
- international research and development organisations (e.g. EURESCOM and Joint Technology Initiative).

Relevant themes

The themes on which projects are developed are identified on the basis of the three-year technological plan, the reference document for the Group, which provides guidelines for the evolution of the network, platform and services.
Published annually, following a wide-ranging process involving all the areas of the Company involved, the Plan identifies the main external factors (regulations, standards, vendors, other market operators) that may influence the Company's strategies and highlights the emerging and cross-cutting technologies in other sectors that may be of interest to the Group.
Projects and initiatives in this field can be divided into 4 macro-areas:
- New generation network
- Future Internet applications
- Positive environmental impacts
- Positive social impacts

New generation network projects

- Electromagnetic compatibility analyses continued on the new generation wireless LTE (Long Term Evolution) networks currently being designed. The tests focused in particular on the interference issues associated with the proximity in the 800 MHz band spectrum between LTE channels and digital TV (DVB-T) channels and the issues arising from compliance with legal restrictions regarding emissions from the electromagnetic fields of antenna sites.
- A technical specification was drawn up for the creation of Telecom Italia Sparkle's new Pan European Backbone. This is a long distance transport network (transmission backbone) created using the latest optical interface technologies that provide high transmission speeds (up to 100 Gbit/s) and flexibility of operation with transmission flow reconfiguration carried out inside the new network equipment (Reconfigurable Optical Add-Drop Multiplexer and OTN Cross Connect).
- Live TV broadcast of the Turin Marathon for RAI achieved with an innovative architecture that uses the LTE network to receive live video signals from motorbikes and remote controlled drones. The initiative allowed production costs to be reduced and avoided the use of helicopters for radio bridging and filming, with positive environmental impacts in terms of a reduction in fuel consumption and therefore atmospheric emissions.
- Continuation of the EARTH (Energy Aware Radio and NeTwork TecHnologies) project, which began in January 2010 and is scheduled to last two and a half years. Funded by the European Union, the project addresses broad themes including:
  - the development of a new generation of devices and components, focusing in particular on mobile systems such as LTE and its evolutions (LTE-Advanced), while not excluding 3G technologies (UMTS, HSPA);

› the adoption of new network management system development strategies;
› the use of innovative algorithms for the efficient use of radio resources.

The project aims to reduce system energy use by a factor of more than 50%, with consequent benefits in terms of savings and lower emissions. A demonstrator was built at the Turin laboratories.

- During the last quarter of 2012, the METIS (Mobile and wireless communications Enablers for Twenty-twenty (2020) Information Society) project was launched, which will run for 30 months in total. European FP7 financing programme approved in the context of "Call 8". The project involves 29 partners, including the main equipment manufacturers, universities, research centres and operators, including Telecom Italia, with a significant amount of resources. The aim of the project is to set up the new radio system beyond LTE, working in a number of innovative design directions that focus in particular on communication between objects and equipment, with a view to achieving greater overall energy efficiency. As part of the Metis project, Telecom Italia is actively involved in establishing guidelines for designing the new system, as well as pursuing the specific subject of multi-node communication.
- The last quarter of 2012 also saw the launch of the iJOIN (Interworking and JOINt Design of an Open Access and Backhaul Network Architecture for Small Cells based on Cloud Networks) project funded by the European Union and lasting 30 months. The project introduces the concept of RAN-as-a-Service (RANaaS), i.e. a mobile network in which radio functions are managed flexibly and in a centralised way through an open IT platform based on a cloud infrastructure, allowing greater energy efficiency to be achieved.The project, in which Telecom is participating as the sole operator and with a leadership role in the coordination activities, will present solutions developed internally regarding the deployment of microcells with fibre backhauling and potential centralised control.

Future Internet application projects

- Telecom Italia has confirmed itself as a protagonist in the development of NFC (Near Field Communications), the technology that allows electronic transactions to be performed with a mobile phone. When it was previewed in Milan, during the Mobile Money Summit event organised by GSMA, a group of over 1,000 people tested the new NFC services around the city while going about their usual everyday activities. In particular, the system allowed them to pay for bus, tram, underground and train tickets, make purchases from around a thousand different stores using the credit card on the smartphone SIM card, use coupons and discount vouchers, all in full compliance with the requirements for the security and privacy of transactions. NFC technology is also used by employees working at Telecom Italia's 3 sites to access the Company's offices, pay for meals in the canteen, cafés, and make purchases from vending machines. It is also the basis for the "Share IT" service prototype for sustainable mobility, whereby an NFC smartphone can be used both to book a car and to access and use the car itself.

NFC (NEAR FIELD COMMUNICATION) TECHNOLOGY ENABLES INTERESTING APPLICATIONS TO CONDUCT TRANSACTIONS FROM MOBILE PHONES

- Over the past few years, the way in which we interact with the world around us and the objects within it has changed. The "Augmented Reality" project allows the outside world to be combined with digital information and content that is invisible to the human eye but visible to the watchful eye of the mobile phone. The technology used allows interactive objects to be superimposed on the screen, making reality "clickable and connected". There are dozens of potential applications: from searching for places of interest for tourism (including restaurants and museums) to social activities, "enhanced" reading of books/magazines, "seeing inside" objects and interacting with them, enhanced homes, 3D interaction and many more.

- A number of young researchers working at the CNR institute for computing and high performance networks, who set up the Eco4Cloud Company in 2010, have devised an Internet algorithm that allows an energy saving of up to around 35%, by observing the behaviour of ants. On average, only 30% of a computer's capacity is used. Rather than distributing the workload equally among all the computers connected to a network (1000 computers used at 50% capacity use more energy than 500 used at 100% capacity) half of them could be switched off or put into low energy hibernation. In November 2012, the project won the Working Capital special award, with which Telecom Italia has enhanced and supported new business ideas, and last July the algorithm was tested on 32 computers at the Company's data processing centre in Bari, confirming the specified energy saving.

Projects with positive environmental impacts

- In July 2012, Telecom Italia, Enel Distribuzione, Indesit Company and Electrolux Appliances set up the non-profit-making and legally recognised Energy@home association with the aim of using new computer and electronic technologies to redesign homes as ecosystems of intercommunicating devices: meter and electricity system, domestic appliances and broadband telecommunication network. Communication allows these systems to integrate smartly, becoming nodes in the Internet of Things in order to reduce waste, increase the reliability and security of the domestic energy system, but above all give consumers more information and choice, educating them in the virtuous use of products and encouraging sustainable lifestyles. The Association is the result of a collaborative project launched in 2009, which has already helped to create a prototype currently being tested by 10 Italian households. The Energy@home system allows power consumption to be monitored and displayed in real time remotely, producing cost information and detailed analysis reports for each individual domestic appliance.
- In the field of sustainable mobility, Telecom Italia is working with the Fiat Research Centre in the context of the "Connected Car" project to develop solutions that allow mobile terminals to integrate with units installed in vehicles, exchange data and share audio and video resources, thus enabling new services for passengers and drivers. The collaboration has led to the creation of an initial prototype in the laboratory which, once connected to a vehicle, allows fuel consumption and the condition of the vehicle to be monitored using the mobile phone in the car. Again in the context of ICT solutions applied to the world of transport, Telecom Italia is a long-standing member of the main industry associations (ERTICO, TTS Italia, GSMA CCF) and has been active at European level in the development of ITS (Intelligent Transport Systems) architectures and solutions and standardisation activities (ETSI TC ITS) supporting European legislation for the sector, in line with the ITS Action Plan published by the European Commission and currently being transposed by EU Member States. Information about the priorities identified by the ITS Action Plan and other sustainable mobility projects implemented by Telecom Italia can be found on the telecomitalia.com website.
- As part of the activities devoted to developing new mobile access technologies, tests are being carried out on "Active Antenna Systems" technology, based on a type of antenna that includes active elements and is normally linked by optical fibre to the connected part at the foot of the radio station. This solution, which involves the use of innovative algorithms for efficient use of radio resources, also allows the energy efficiency of the Radio Base Stations (RBS) to be improved by replacing coaxial cables with optical fibres in the aerial cable. Additional benefits are also expected, again in terms of consumption, as a result of the introduction of appropriate beamforming technologies (generating specific radiation patterns).

ACTIVE ANTENNA SYSTEMS TECHNOLOGY IMPROVES ENERGY EFFICIENCY AND RADIO RESOURCES

- Work continued on the ECONET (low Energy COnsumption NETworks) project lasting three years and officially launched in October 2010. Funded by the European Union, the project focuses on the energy used by systems constituting the fixed telecommunication network, for both operators and customers. ECONET, which brings together a consortium of 15 partners including industries, universities, research centres and SMEs from several European and non-European countries, aims to develop and test new integrated control technologies and mechanisms to enable energy saving by the dynamic adaptation of network capacity and resources according to the actual traffic load and requirements of users, while ensuring 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, based on an unchanged business scenario.
- Telecom Italia coordinated the specific activity relating to Common Power Supplies for fixed terminals in the context of the Home Gateway Initiative (HGI), the final document of which (published in April 2010) provided guidance for the transposition of this specification in the ETSI ATTM context. A number of single power supply prototypes were tested by TILab, which also carried out a comparative LCA (Life Cycle Assessment) of the HGI/ETSI solution compared to the power supplies previously used for the access gateways installed until 2009. With regard to common power supplies for mobile terminals, Telecom Italia worked with the ITU-T to review the L.1000 Recommendation regarding the Universal Mobile Charger, with the aim of reducing the cable and connector options as much as possible and thus converging towards a single power supply solution. For this purpose, the ITU-T issued a specific press release in which Telecom Italia is mentioned first in the list of companies involved in dealing with this issue.

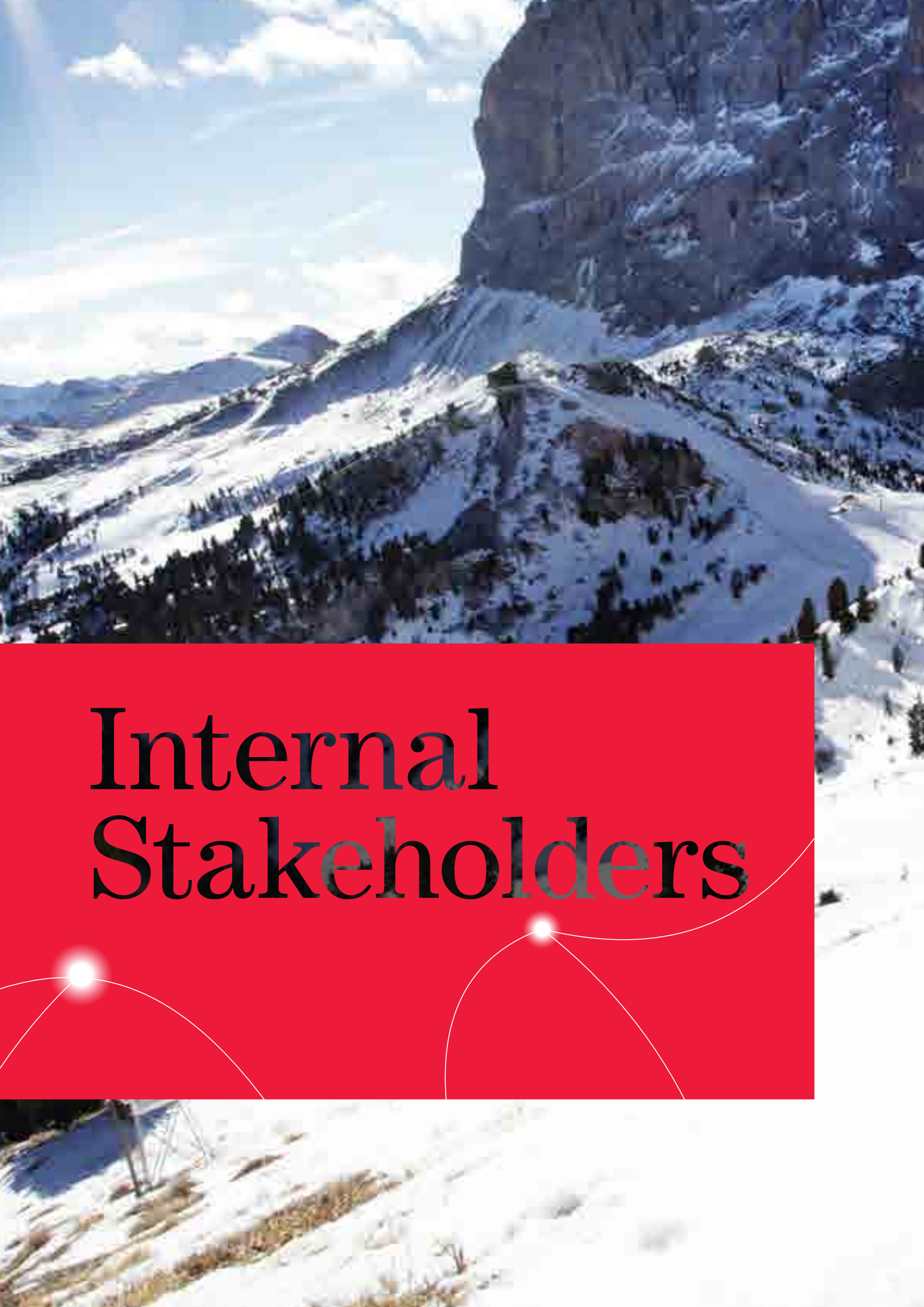
Projects with positive social impacts

- Telecom Italia has contributed with technological support to supplying networks, services and tutors in the context of the Working Capital programme for a project implemented by Compagnia di San Paolo in the field of Social Housing. The project concerned a building used temporarily in the area of Porta Palazzo in Turin, which has offered temporary users (university students, workers under mobility procedure, employees with no job security, young couples, people leaving sheltered communities) and city users (tourists) 28 apartments since 2012 for a total of 50/60 users. The objective has been to allow temporary and city users to share accommodation, telecommunication and ICT services, as well as "social" services including entertainment, tourism, training, etc. The project is of great social importance and significance in the urban environment as it promotes interaction among the temporary users and their integration in the social context of the city.
- A social reading tool called SOCIETY (SOCIal Ebook communiTY) was launched which provides a new way of teaching, promoting technological evolution in schools and integrating "traditional" teaching methods with the potential offered by new communication technologies. Social reading is an emerging technique for sharing the reading experience: the reader is no longer passive but becomes a contributor and to a certain extent the author of the book itself. In this new teaching context, new forms of learning can also develop: teachers can guide students in reading a passage, comment on it together with them, add notes, analyse them in class and set a reading/study task to be completed by students on their own at home.
- In the context of reading and social and collaborative teaching, Telecom Italia is also dealing with the subject of dyslexia, which is a growing phenomenon in schools (10-20% of the school age population have learning difficulties and in 2-5% of cases these are attributable to dyslexia-related disorders). The first stage of the project, carried out with the Turin-based Egò association, is intended to map the actual needs of the individual by

means of interviews with the people involved (psychologists, speech therapists, teachers, parents and young people affected by dyslexia). A number of joint initiatives are being launched at both European (EIT projects) and national level (e.g. projects with the ASPHI association and with the Universities of Modena and Reggio Emilia and Eastern Piedmont) to identify effective functions to support dyslexic people, both at school and at home, through an app installed on a tablet computer.

- Testing of the HELP telemedicine project has been launched at the Polytechnic of Palermo for patients suffering from Parkinson's disease, with the aim of improving their quality of life. Through a capsule inserted in a dental prosthesis for the gradual release of drugs and using mobile phones connected to the TIM network, doctors can interact with the equipment and monitor the clinical parameters of patients remotely. HELP was named winner of the AAL (Ambient Assisted Living Joint Programme) Award for 2012.
- With regard to telemedicine services (see also Clients/Innovative Services and the relevant section of the telecomitalia.com website), the most recent developments relate to the creation of:
- a Home Doctor prototype for TV that facilitates use of the service and allows alerts to be managed;
- a wound care service prototype, which allows the images of wounds to be gathered and managed, presented at two major events: the PA Forum (Rome, 16-19 May) and the 7th Health Risk Management Forum in (Arezzo, 20-23 November 2012);
- an evolutionary prototype of Home Doctor which simplifies use with devices and terminals compliant with the standard set by Continua Health Alliance, an organisation of which Telecom Italia is a member together with over 220 international companies in the technology and healthcare sectors, which aims to developed interoperable solutions for networked personal medical care. The prototype includes interfaces between personal devices and equipment that manage data aggregation. This data is sent to healthcare centres via telecommunication networks, while also enabling the interface with the health records;
- a prototype for continuous health status monitoring (healthcare dashboard);
- a prototype for prevention within the Company which uses the health kiosk: a station that can be installed in public areas or within companies to allow the main health parameters to be measured using sensors, providing access to information and services available online;
- testing was completed of the georeferencing service for patients suffering from Alzheimer's disease in a Misericordia nursing home.

THE TELEMEDICINE ALLOWS TO IMPROVE THE QUALITY OF LIFE OF PATIENTS WITH PARKINSON'S DISEASE



Internal Stakeholders

People as the Company's success factor

1. HUMAN RESOURCES

1.1 STRATEGY

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, while respecting diversity.

1.2 RELEVANT STAKEHOLDERS

The relevant stakeholders are the employees and trade unions.

1.3 HEADCOUNT AND CHANGES

Unless otherwise stated, the data shown in the tables contained in the Human Resources chapter relate to all the Telecom Italia Group companies (see § Reporting).

Headcount as of December 31, 2012 is as follows:

Telecom Italia Group

(units)	12.31.2012	12.31.2011	Changes
ITALY	54,380	56,838	(2,458)
ABROAD	28,761	27,274	1,487
TOTAL PERSONNEL ON PAYROLL	**83,141**	**84,112**	**(971)**
AGENCY CONTRACT WORKERS	43	42	1
TOTAL PERSONNEL	**83,184**	**84,154**	**(970)**
NON-CURRENT ASSETS HELD FOR SALE	-	-	-
TOTAL	**83,184**	**84,154**	**(970)**

Excluding agency contract workers, the Group's headcount has decreased by 971 units compared to December 31, 2011.
The changes can be itemised as follows:

- exit of the Company Matrix S.p.A. from the consolidation scope (253 people);
- net turnover down by 718 people, as detailed below by individual Business Unit:

(units)	Recruited	Departed	Net change
DOMESTIC	958	3,030	(2,072)
BRAZIL	5,793	4,710	1,083
ARGENTINA	1,340	889	451
OLIVETTI, MEDIA AND OTHERS	130	310	(180)
TURNOVER	**8,221**	**8,939**	**(718)**

Telecom Italia S.p.A.(*)

(units)	12.31.2012	12.31.2011	Changes
TOTAL PERSONNEL ON PAYROLL	**44,606**	**47,801**	**(3,195)**

*
In 2012, as in 2011, there were no agency contract workers.

As of December 31, 2012, Telecom Italia S.p.A. had 44,606 employees on its payroll. Compared to December 31, 2011, an overall reduction of 3,195 units was recorded, due to:

- departure of 1,177 employees due to the transfer of the Information Technology business unit to the Company SSC, renamed TI Information Technology;
- entry into the consolidation scope of 118 employees due to the merger with TI Audit;
- balance of 29 departures due to inter-Group transfers;
- net turnover down by 2,107, as detailed below:

(units)	Recruited	Departed	Net change
TELECOM ITALIA S.p.A. TURNOVER	**297**	**2,404**	**(2,107)**

Tim Brasil Group

(units)	12.31.2012	12.31.2011	Changes
TOTAL PERSONNEL ON PAYROLL	**11,622**	**10,539**	**1,083**

The headcount of TIM Brasil Group as of December 31st, 2012, was equal to 11,622 units. Compared to December 31, 2011, an increase of 1,083 units was recorded, due to:

- 17 incoming people from other Group companies;
- net turnover up by 1,066 people, as detailed below:

(units)	Recruited	Departed	Net change
TIM BRASIL GROUP TURNOVER	**5,776**	**4,710**	**1,066**

Telecom Argentina Group

(units)	12.31.2012	12.31.2011	Changes
TOTAL PERSONNEL ON PAYROLL	**16,800**	**16,349**	**451**

Excluding agency contract workers, the headcount of the Telecom Argentina Group as of December 31, 2012 was 16,800 employees.

Compared to December 31, 2011, an increase of 451 units was recorded, due to:

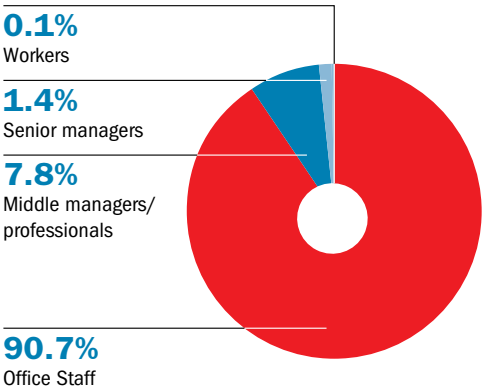
- net turnover up of 451 people as detailed below:

(units)	Recruited	Departed	Net change
TELECOM ARGENTINA GROUP TURNOVER	**1,340**	**889**	**451**

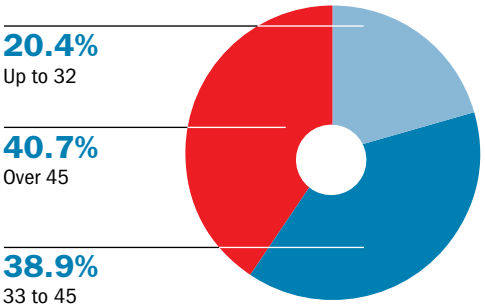
Characteristics of Telecom Italia Group personnel

Staff operating in the Telecom Italia Group, net of agency workers, have the following characteristics:

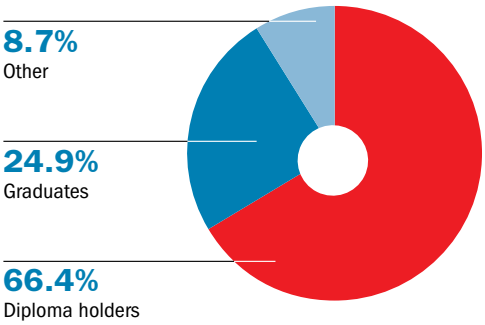
TELECOM ITALIA GROUP: EMPLOYEE BREAKDOWN BY JOB CATEGORY



TELECOM ITALIA GROUP: EMPLOYEE BREAKDOWN BY AGE BAND

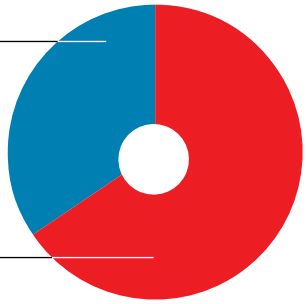


TELECOM ITALIA GROUP: EMPLOYEE BREAKDOWN BY ACADEMIC QUALIFICATION

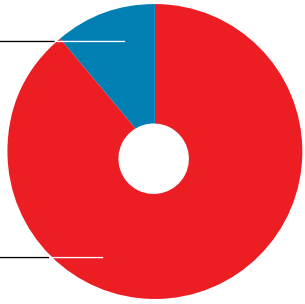


The geographical distribution and intake of personnel by the Group, excluding agency contract workers, are the following:

TELECOM ITALIA GROUP: EMPLOYEE BREAKDOWN BY GEOGRAPHICAL AREA



TELECOM ITALIA GROUP: RECRUITMENT BREAKDOWN BY GEOGRAPHICAL AREA



For further details about the characteristics of Telecom Italia Group personnel in the Business Units, see the sustainability section of the telecomitalia.com website.

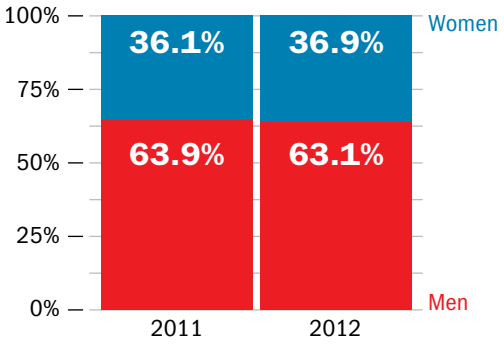
1.4 GENDER BALANCE

In 2012, the distribution of men and women in the Group was the following:

DISTRIBUTION MEN-WOMEN

(units)	12.31.2012	12.31.2011	Changes
MEN	52,493	53,741	(1,248)
WOMEN	30,648	30,371	277
TOTAL	**83,141**	**84,112**	**(971)**

DISTRIBUTION OF MEN AND WOMEN IN TELECOM ITALIA GROUP (2011-2012)



In 2012, the percentage of women holding senior management positions in the Telecom Italia Group was approximately 16% and, in middle management, the proportion of the total was 27%. For further information regarding the distribution of men and woman in the Business Units, see the sustainability section of the telecomitalia.com website.

1.5 PEOPLE CARING

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;
- support for volunteering initiatives by employees;
- promoting the forms of diversity that exist in the workplace through specific activities and projects.

The People Caring project was awarded the Best Internal Communication prize as part of the Culture Week promoted by Confindustria (see § Internal communication).

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

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 ten nurseries currently available at the Company's offices in Rome (3), Turin, Milan, Ancona, Florence, Naples, Catanzaro and Palermo, seven agreements have been signed with an equal number of external nurseries in Turin, Rome (5), and Padua. 396 children were registered in 2012-2013.
- Loans for mums and dads: 210 loans were granted to new parents with children under the age of three.

- Time saving:
  - handling of official formalities: 38 offices are available for this purpose at Company offices in Turin, Milan, Venice, Padua, Bologna, Florence, Rome, Naples, Bari, Cagliari and Genoa;
  - Wellness Area: available in a number of Company offices in Padua and Rome and an agreement has been signed with a gym in Palermo; a Wellness Area has been opened in Naples;
  - laundry/shoe repairs: operational in five offices in Milan and Rome (4);
  - newsagents: available in three offices in Rome;
  - discount agreements: 47 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: 68 loans granted for house purchase/building purposes, 102 for home renovation work, 393 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.

NUMEROUS INITIATIVES FOR EMPLOYEES AND THEIR FAMILIES HAVE BEEN CARRIED OUT

- Breaks:
  - traditional 15-day summer camps for children between the ages of 6 and 12 with 4,482 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 2,211 participants in 16 centres;
  - 14-day study holidays abroad for teenagers between the ages of 15 and 17 at five colleges in England (3), Ireland and Spain with 521 participants.
- Scholarships abroad: scholarships were provided for teenagers between the ages of 15 and 17 for 100 4/6-week stays abroad to learn other languages and cultures (Ireland, Finland, Spain, Latvia, China and Japan) and 20 stays lasting one academic year (Europe, United States, Canada, Honduras, Costarica, Argentina, Japan, Brazil, China, Hong Kong and India).
- Refund of university fees: 288 refunds were paid of first year university fees.
- Christmas Day: children up to the age of 10 visited their parents' offices on December 19
- In 60 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.

In Brazil

- Favourable terms for opening bank accounts, discount agreements and 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.

- "Food kit for children": all employees with children between the ages of 6 months and 2 years can request a kit provided free of charge by the Company that includes a number of specific foods. If prescribed by a doctor, the kit can also be requested for children under 6 months of age.

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 for which Telecom Argentina received the "Towards a family-friendly Company" (*Hacia una empresa familiarmente responsable*) award from the "Parents Project" (*Proyecto Padres*) are split into the following categories, which were supplemented by new initiatives in 2012:

Categories	Initiatives
Working hours and working patterns	· 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 · Flexible Friday · Flexitime (Horario flexible)
Internal communication and information policies	· Blog for "ambassadors" · Inclusion of articles about work/life balance in the internal bi-monthly magazine · Creation of the "Equilibrio en Accion" portal
Personal development	· Boosting of the volunteering programme · Launch of a free telephone service to support employees · Maternity coaching
Economic benefits	· Support for employees with disabled children · Discount agreements with travel agencies and universities for undergraduate and postgraduate courses
Family services	· Refund of nursery fees · Holiday stays · Provision of scholarships for the children of employees
Measurement and control systems	· Monitoring of the effectiveness of action taken in the context of corporate climate surveys
Other initiatives	· Promotion of the artistic activities and hobbies of employees · No meetings on Fridays after 2.00 pm · Careers advice · Counselling · Good practices in the management of personal finances

Support for volunteering initiatives by employees

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 2012, 30 employees spent two sessions volunteering at the facility, using 6/7 days of paid leave to cover the activities provided at the Camp.
- "Surfing Together" (*Navigare Insieme*): Internet browsing assistance activities for the over 60s run in computer training centres in 14 Italian cities (see § The Community). Employees who took part in the internal tender and worked with volunteers from the project's partner associations had 40 hours of paid leave over a period of four months, including travel.
- Telecom Italia's donors group: during the year, the Group organised 62 days at the offices in Bari, Milan, Naples, Palermo, Rome, Turin.
- Charity initiatives: 88 banquets were organised at various Company offices for charity initiatives.

In Brazil

With the "Citizen Without Borders" (*Cidadão Sem Fronteiras*) project, which attracted 55% more volunteers in 2012 compared to 2011 (a total of 358 volunteers), 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.

In Argentina

- The programme involving employees in voluntary activities (*Red de Voluntarios*) continued. Since 2009, the year it was launched, 1,319 volunteers have taken part in 135 projects in 10 cities (Buenos Aires, Córdoba, Salta, Rio Cuarto, Neuquén, Rosario, Resistencia, Corrientes, San Miguel de Tucumán and San Salvador de Jujuy) in 4 main areas:
  - one-off activities lasting 1 or 2 days;
  - fund raising activities within the Company: during 2012, 2 donation campaigns were carried out in support of good causes by withholding money from pay packets;
  - initiatives in which volunteers join in with programmes run by non-profit organisations;
  - initiatives run by non-profit organisations and presented by employees, which the Company decides to support with financial contributions and the involvement of volunteers, monitoring their progress.
- "Solidarity Initiatives Contest" (*Convocatoria de Iniciativas Solidarias*): the 3rd of these calls for solidarity initiatives took place in 2012 and involved the presentation of 39 projects by employees, 5 of which received a cash reward allowing them to be implemented. An Evaluation Committee was set up consisting of internal representatives working alongside an external consultant and a well-known expert from the social sector.

Boosting diversity at work through specific activities and projects

In Telecom Italia

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

- the activities of the Diversity Committee, which consists of 35 colleagues representing diversities of gender, religious, age, sexual orientation, disability and ethnicity, continued in 2012;
- a round table was organised under the heading "Diversity as an asset and opportunity",

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. Following a trial period conducted in 4 Italian regions, as of 2013 the service has been extended to the whole Country. The Centre was contacted by 142 employees: 102 counselling processes were started and 40 Company-related cases were handled to the full satisfaction of the employees involved.

involving the representatives of several organisations (Sodalitas, ASPHI, Parks, ValoreD) and the Jewish Community of Rome;

- a collaboration was launched with the ASPHI Foundation regarding the integration of people with disabilities in the Company;
- activities associated with the following projects continued in 2012:
  - "Back on track" (*Nuovamente in pista*): a model was devised to manage the return of employees after long absences for whatever reason (maternity, study, illness) in order to help improve the organisational climate. The pilot phase, run by the Elis Consortium, which relates to monitoring women's return to work from maternity leave, lasted until September 2012, involving 17 female colleagues, 15 of their managers and 11 key account managers, who completed online questionnaires. The final report is expected to be published in spring 2013;
  - "Women in Management" (*Direzione Donna*): is an initiative aimed at promoting female leadership, to increase the representation of female talent within Telecom Italia and support their involvement in the dynamics of the business through concrete action. 9 meeting were organised in as many Italian cities;
  - "Working Age": is the working group promoted by Sodalitas, involving Telecom Italia and other companies, to address the issue of how to manage and motivate employees of different ages, particularly in light of recent legal provisions regarding pensions;
  - the activities of a working group set up last year, within Telecom Italia's Human Resources & Organization department, to draw up proposals aimed at recognising the contribution of senior colleagues.

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

In Brazil

Tim ran a diversity promotion campaign using internal communication tools and other initiatives, including the Company's own version of the olympic games (Olimpìadas TIM 2012). Now in its third year, this is an internal championship involving 7 disciplines aimed at promoting integration as well as the Company's identity and values. 2,700 employees took part in the 2012 event.

In Argentina

- The activities of the Diversity Committee continued as part of the "Diversity and Inclusion Programme". Consisting of over 25 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

2012, the Committee held 7 meetings, 4 of which were dedicated to gender differences, during which lines of action were presented for the current year and assessments were made of the progress achieved in implementing the three-year development programme adopted the previous year.
- A university course on the subject of "Diversity and Inclusion" was launched for the employees of Telecom Argentina. This was split into 4 modules: "Towards a concept of diversity and its organisational management", "Generational Diversity", "Gender Diversity" and "Diversity and special abilities". Also in a university context, working with the Ana Frank centre, a workshop took place, divided into a series of meetings, to reflect on coexistence in diversity, identify personal and managerial experiences and create a space for cultural interchange, to rethink the way in which people work together and interrelate, in order to create a better working environment.

For information regarding the other activities for employees and their families of a cultural or recreational nature or relating to healthcare services and the refunds of medical expenses (CRALT, ASSILT, ASSIDA) see the sustainability section of the telecomitalia.com website.

1.6 DEVELOPMENT

In Telecom Italia

Human Capital Development is the new development system designed for the purpose of:
- making the most of the energy and talent of people, regardless of their age and position in the organisation;
- providing everyone with constant feedback on the value of their performance;
- allowing direct involvement in the development of one's career within the Company.

The new system consists of two new tools:
- "Individual Performance Feedback" is the new performance assessment tool aimed at promoting dialogue between manager and employee, more focused on feedback and qualitative assessment, with the aim of developing the person to improve his/her performance. The focus is on the employee's conduct, rather than the activities performed. Launched in mid-October, the process has involved over 49 thousand people in the Telecom Italia Group.
- "Participated Development", split into 4 sections:
  - "Talent Survey": each individual can name the colleagues and managers (including those working in other departments) they consider to be "talents", specifying characteristics by selecting distinctive forms of conduct observed in the field. The people identified as talents are then "certified" and involved in various kinds of activities to recognise their contribution;
  - "Succession Survey": all managers will be able to identify which non-managers, in their opinion, can be assigned to managerial roles and which managers of the same grade can undertake more complex roles. Managerial characteristics can be specified by selecting distinctive forms of conduct observed in the field. The individuals identified will then be "certified" and put forward for development programmes;
  - "Professional Identity": by completing their professional/personal profile on their personal Intranet page (as of January 2013) individuals can each present their skills, directly and without intermediaries, and make them available to the Company;
  - "Willingness to Change": individuals can each state their professional expectations and willingness to change job/workplace if actual opportunities should arise.

The "Talent Survey", "Succession Survey" and "Willingness to Change" stages of "Participated Development" were launched experimentally in December and involved around 10 thousand people.

Assessment activities at Group level continued in order to evaluate the potential of managers and employees. 45 sessions involving 256 people were carried out. The assessments, governed by specific guidelines, are entrusted to the HR Services S.r.l. Group, which achieved an ISO 9001 certification. The assessment process also continued for managers, in order to evaluate their readiness to take on positions involving a broader managerial role. 31 people were involved in 2012, covering 30% of managers in total.

In Brazil

Several online assessment systems have been developed in order to map the potential of all the Company's employees, identifying strengths and areas of improvement, and to provide guidance on development activities. For details of the assessment and development tools used, go to the telecomitalia.com website.
The "Talent without borders" programme launched last year to attract and retain the best talents continued. It is aimed at young, dynamic and creative professionals, who are given the opportunity to access accelerated and diverse professional career paths.

In Argentina

During the first half of 2012, a new more flexible and user-friendly platform was implemented for the "Performance Management" (*Gestión del Desempeño*) application.
The work plan for 2012 was based on the following actions:

- classroom training for level 2 executives;
- classroom training for key customers;
- e-learning for other assessors;
- communication activities (articles in internal magazines, information emails).

The "Talent Pool" (*Bacino di Talenti*) programme continued with the aim of identifying employees who can make a high quality contribution to the Company's business in the long term. In 2012, over 175 people were involved in individual assessment activities or in those run by the assessment centre.

1.7 SELECTION

In Telecom Italia

During 2012, Telecom Italia confirmed its presence at the main Italian Career Days, taking part in many meetings between companies and universities throughout the Country, as well as specific events held in the faculties of Italy's leading universities, in order to present its new labour market initiatives to recruit young people into the Company.
The following projects are taking place:

- "The Day Before" was launched in 2011, in agreement with the trade unions and under agreements signed with the relevant universities, with the aim of combining the achievement of a qualification with the start of a career for university students. The project provides for 200 undergraduates in technical and economic subjects to be recruited by the subsidiary Telecontac Center (TCC) and 200 undergraduates in technical subjects to be recruited by the Technology and Open Access department of Telecom Italia. Hired under

an 18-month apprenticeship contract, the young people take part in a training programme run by the Company to develop the skills needed to hold managerial posts in the future. At the end of the apprenticeship, Telecom Italia has undertaken to confirm the recruitment of 100 young people, who will be assigned to various different parts of the Group.

- By funding 95 research doctorate scholarships in the most prestigious educational establishments in the Country, Telecom Italia intends to contribute to maintaining a constructive and practical dialogue between the Company and universities. 27 industrial research programmes have so far been launched with university partners and the contribution of 66 young doctorate students. During the second half of the year, the assignment of a further 20 research projects to new university partners was completed and the remaining 29 scholarships were granted. At the end of the three-year course, in addition to having achieved a prestigious PhD, the young research students will have an opportunity to gain employment with the Company.
- The three Corporate Master courses for Engineers and Economists have entered the internship stage. They relate to:
  - Innovation and ICT, with a specific focus on designing and managing new generation services and cloud computing, working with the Federico II University of Naples;
  - Business Innovation & ICT Management at MIP, Polytechnic of Milan;
  - Innovation in ICT networks and services, working with the Polytechnic of Turin, now in its 6th edition.
- Numerous partnerships continued with prestigious universities through scholarships and internships related to innovation, ICT systems, the world of telecommunication and the media, antitrust, security, general management and labour law issues. During 2012, around 187 young people from leading Italian universities began an internship within the Group.
- The "Future Leader" (*Leader del Futuro*) project continued, working with The European House - Ambrosetti and the Federazione Nazionale Cavalieri del Lavoro, which provides for Telecom Italia to disburse 5 development and merit scholarships. In addition to attending training meetings and coaching sessions provided by Ambrosetti, two of the five scholarship holders gained experience through an internship with the Group.
- Internationally, working with the University of Trento, Telecom Italia assigned 6 doctorate scholarships for the study of human behaviour understanding from mobile phones data and web usage patterns.

IMPORTANT INITIATIVES HAVE BEEN CARRIED OUT FOR THE ENTRY OF QUALIFIED YOUNG PEOPLE IN THE COMPANY

In Brazil

The main selection programmes implemented in 2012 were:

- "Young Apprentice" (*Jovem Aprendiz*): 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 268 participants in 2012.
- "Talents without frontiers" (*Talentos sem Fronteiras*): intended to scout the market for young graduates in order to create a talented team of people who can be trained and developed to build the Company management team of the future. At the end of 2012, 18 young talented people were recruited in strategic areas of the business.
- "Internships without frontiers" (*Estágio sem Fronteiras*): intended 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 "Internships without frontiers" programme. TIM selected 256 young people in 2012.

In Argentina

At both Telecom Argentina and Telecom Personal, research tools for identifying external profiles were diversified and improved with the help of head hunters (30%) and dedicated staff within the Company (70%). During 2012, social networks and collaborations with universities continued to be used to contact the required profiles. The search and selection of candidates is made easier by the use of integrated software, the implementation of which began in the second half of 2011.

1.8 TRAINING

In 2012, around 2.2 million hours of training were carried out in the Company costing over 27 million euros in total. 75.5% of personnel participated in at least one training session. Summary data of the training provided by the Telecom Italia Group is shown below.

TRAINING BREAKDOWN BY JOB CATEGORY

	HOURS				
	Total hours (no.)	Hours per head (no.)	Participations (*) (no.)	Participants (no.)	Coverage (%) (**)
TOTAL	**2,276,006**	**27.4**	**356,858**	**62,760**	**75.5%**
SENIOR MANAGERS	45,563	37.9	4,618	1,029	85.5%
MIDDLE MANAGERS	151,305	23.3	16,266	4,482	69.0%
OFFICE STAFF/ WORKERS	2,079,138	27.6	335,974	57,249	75.9%

*
Shows the total number of participations in the various forms of training (classroom, online, on-the-job training).

**
Coverage refers to the percentage of participants compared to the total, i.e. the % of human resources who took part in at least one training session compared to the total number of human resources in each individual category (senior managers, middle managers, office staff/workers).

In Telecom Italia

In 2012, 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;
- professional retraining for the purpose of acquiring and reinforcing the strategic 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).

I care 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 Uninettuno 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 was remarkably successful, with 2,050 active participants in 2012, who can also interact via a blog dedicated to the project on the Company intranet.

For information on the main training activities implemented in Brazil and Argentina, go to the sustainability section of the telecomitalia.com website.

1.9 LISTENING ACTIVITIES AND PROJECTS

The instruments available to employees within the Company to have their voice heard, both in a formal and informal way, are numerous.
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.
In this respect, the Intranet and portal are fundamental tools as they allow everyone to get involved, provide information and implement formal and informal forms of "listening", such as climate surveys, blogs and open virtual communities. In this way, discussion and debate are encouraged on internal issues linked to the business and more general current topics, including environmental and social issues, making structured channels available for the purpose of collecting contributions and proposals. These include the Archimede project which, from 2008, rewards the most innovative and feasible ideas every year in or-

der to optimise the processes and services supplied, gathering proposals from the people directly involved in operational processes. As of 2012, the project has been extended from Open Access to the Company stores, fixed and mobile customer care, Network Operations and Technical Infrastructure departments, and a number of local road shows have taken place to improve knowledge of the project within the Company.

Reports to the manager responsible for internal control in Telecom Italia

Pursuant to article 7 of the Code of Ethics and Conduct, the "Whistleblowing Procedure", published on the intranet and updated during 2010, 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 Senior Executives), 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 Senior Executives of the Company, to the statutory control bodies and to the Company departments concerned, ensuring complete confidentiality for the individuals making the reports (for further information on activities carried out by the manager responsible for internal control see § Shareholders/Corporate Governance).

1.10 INTERNAL COMMUNICATION

In Telecom Italia

During the first half of the year, the climate survey in Italy was completed using an online questionnaire delivered to all the Group's human resources. A number of focus groups met involving a sample of employees, aimed at discussing the main results of the survey. 67% of employees participated in the Italian climate survey, an increase of 60.5% on the 2010 survey, from all the Group's departments and companies. General satisfaction on a scale of 1 to 10 stood at 7.25, substantially confirming the figure of 7.23 recorded for 2010 (again on a scale of 1 to 10). In addition to the existing ones, 8 new themed blogs were set up for individual functions, relating to projects open to all employees on subjects connected with the Company, testing, quality, research, photographic passion, social networks, diversity, long distance adoptions, giving blood and other subjects. These blogs were accessed 29,368 times by 2,920 single users.

THE SATISFACTION LEVEL MEASURED IN THE PREVIOUS CLIMATE SURVEY REMAINED UNCHANGED

In November, Telecom Italia received the best internal communication award for its People Caring activities, as part of the ninth Aretê Awards promoted by Nuvolaverde with Confindustria and ABI, and sponsored by numerous associations, foundations and institutions.
The event is open to companies, organisations and institutions, and rewards responsible communication activities and projects inspired by the values of transparency, fairness, sensitivity and attention to customers and users. The award was presented in Rome as part of Confindustria's Corporate Communication Week. Telecom Italia also won the Employer Branding Award 2012 for having achieved second place in the ranking drawn up by Lundquist, the Company that assesses online employer branding communication in Italy and Europe, analysing over 100 of the biggest listed and unlisted companies.
Multimedia conventions are now the established method for conducting internal meetings.

They involve a small number of people gathering in a physical space (auditorium or large meeting room) and interacting with a vast virtual audience of colleagues connected from their workstations by video-streaming. People taking part in these multimedia conventions submit their questions to speakers before and during the meeting, interact on the subjects and provide constructive feedback through blogs, forums and virtual networks.

USE OF MULTIMEDIA CONVENTIONS TO FAVOUR DIALOGUE IN THE COMPANY, REDUCING TRAVELS AND RESPECTIVE CO_2 EMISSIONS

This way of holding meetings is in keeping with the interaction and involvement experiences with which the Company is experimenting through an increasingly widespread social media presence. The on-line mode also allows the content to be used at a later date and contributes to minimising greenhouse gas emissions by avoiding the need for people to travel.
In particular, July saw the third Parli@mone e-convention, during which Senior Executives and Top Management held discussions with people from Telecom Italia. During the event, the results of the climate survey were presented in live video-streaming mode, for the first time, to everyone in the Company, by SDA Bocconi, which supported the survey process.
Two Twitter Time sessions were carried out with the COO, one on the new labour market initiatives and another on the agreement signed with the Ministry of the Environment to reduce the carbon footprint of Telecom Italia, which primarily consists of the greenhouse gas emissions generated by the use of electricity. Both sessions were broadcast live to everyone in the Company in video-streaming mode.
The Industrial Relations School continued its programme of activities, which includes training activities and an annual convention, the theme of which in 2012 was "Changing society. Transformations and how to manage them. The role of intermediate bodies" and three editions of the "Conversazioni" publication.

In Brazil

Internal communication activities dedicated to health and safety, the environment, volunteering activities and promoting internal integration were also promoted, including the Company's third internal olympic games (see § People Caring).

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. 3 new programmes were produced during 2012:

- "Leaders in Action" (*Líderes en Acción*), a programme about leadership, culture and communication;
- "Channel", the news magazine programme about human resources, containing a monthly round-up of activities in the sector;
- "Our people" (*Nuestra gente*) a docu-reality show starring the Company's employees with information about their hobbies and leisure activities.

Tecotwitt, a tool similar to Twitter, has continued to be developed to allow all employees to take part in discussions on issues of interest. WikiTeco, a 2.0 application similar to Wikipedia was developed, with original digital content of interest to the Group, as part of which a "Telecom Encyclopaedia" was developed that contains all the terminology used in the various business units. The content was created in a collective and collaborative way. Once this stage is over, a communication campaign will be launched for all the Group's employees, inviting them to use it and update it.

1.11 HEALTH AND SAFETY

In Telecom Italia

The following activities continued or were launched in 2012:

- assessment of work-related stress: the method used was updated and the involvement of the parties concerned was extended. Subsequently, the second preliminary assessment was carried out of uniform groups of workers. This showed that, in the majority of organisational contexts, risk levels are low, with the exception of Consumer and Business Customer Care staff and Technology technical staff, where medium risk situations were encountered. A new assessment was carried out in these specific areas, based on the latest INAIL procedure and with an even more extensive involvement of the parties concerned, including the coordinating doctor and all the workers' safety representatives working in the relevant organisational contexts.
- "Safety, now" (*Sicuri, adesso*): aimed at all Telecom Italia S.p.A. employees, was launched to disseminate knowledge and increase awareness of the subject. The campaign will run until the first quarter of 2013 and will include a number of different initiatives, some of them involving the family members of employees, given the importance of this matter in private life.

The main activities implemented included:

- a survey involving 25,000 colleagues to determine the level of initial awareness and possibly adjust future initiatives;
- a day dedicated to emergency evacuation drills, conducted in 9 Company offices across the Country, with the involvement of managers based in these offices;
- various sessions of the safe driving course, involving the employees who use Company cars most for work-related purposes (engineers and sales staff);
- child care courses, which are also open to employees' families;
- a new version of "Safety in your pocket" (*La sicurezza in tasca*), a safety handbook for employees which has been simplified since the 2008 edition and enhanced with a section on work-related stress.

In Brazil

At TIM Brasil, all newly hired employees receive training on health and safety in the Company. 10 Internal Commissions for the Prevention of Occupational Accidents (Cipas) were set up in the Group companies with over 50 dedicated employees. TIM has also assigned 26 people across Brazil to work on prevention activities.

In Argentina

With regard to safety at work, the new occupational risks plan for 2012/2013 was presented for operating units. The plan provides for checks in the field, conformity checks, incident investigations and internal safety committees for employees and contract staff. Call centre and road safety manuals were handed out. The programme of home visits to check the living conditions of teleworkers continued. A process began to measure physical parameters (noise, lighting, etc.) in the Company's main buildings, particularly in order to identify and map risks.

1.12 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. Additional education/training was provided in safe driving techniques. In 2012, this involved around 650 employees, thus raising the total number of employees trained in this field to over 3,000.

The accidents at work data for Telecom Italia S.p.A. are shown below

	12.31.2012	12.31.2011
NUMBER OF ACCIDENTS (EXCLUDING COMMUTING)	577	657
SEVERITY INDEX(*)	0.15	0.29
FREQUENCY RATE(*)	8.10	8.99
AVERAGE DURATION IN HOURS	97.46	114.14
UNPRODUCTIVITY INDEX(*)	0.94	1.25
ACCIDENTS PER 100 WORKERS	1.23	1.35

*

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 Group's focus on this subject resulted in a general improvement in the rate of accidents compared to the previous year.
See the telecomitalia.com website for the main indicators of accidents recorded across the Group in 2012.

1.13 INDUSTRIAL RELATIONS

In Telecom Italia

On February 1th, 2013, ASSTEL and the contracting trade unions signed a draft agreement for the renewal, applicable to the three-year period 2012-2014, of the National Collective Labour Agreement for the employees of telecommunication service companies.
The agreement will come into force after it has been approved by the workers' meetings, that is after the signatory unions have put aside their reservations.

On December 31st, 2011, the National Collective Labour Agreement for employees of telecommunication service operating companies expired. During the first half of 2012, negotiations were launched for the renewal of this contract, coordinated by the trade association ASSTEL.
During January, the minutes of the joint examination of changes to shifts in the Fixed Customer Operations Consumer - 187 Commercial Service were signed with the most representative trade unions. The agreed working hours, which include a number of improvements to benefit operators, are consistent with the caring model of the 187 business service aimed at improving customer satisfaction. During the same meeting, the parties signed an important agreement regarding well-being in call centres, aimed at people working in the Fixed Consumer Customer Operations department - 187 Commercial Service.
The parties planned a series of significant actions regarding the best use of resources, training staff and refreshing their knowledge, the work-life balance, the working environment and the organisation and pace of work. Specific attention was also paid to the needs of pregnant women, who will be granted more flexible working hours.

WELL-BEING IN CALL CENTRES WAS THE SUBJECT OF AN AGREEMENT REACHED WITH THE UNIONS

The Company also gave these employees the chance to benefit from parental leave (made up at a later date), raising the age limit of children to 11 (from the current 8).
Both agreements were reached following wide-ranging and detailed discussions, some of them held by specific joint committees, in which the Company and unions performed a broad assessment of the relevant proposals and initiatives which were subsequently agreed upon.
During the first half of 2012, numerous agreements were reached and signed with trade unions for training programmes. Training plays a constant and crucial role in the process of teaching new skills and preventing professional obsolescence and is a constant feature in the application of the guidelines established by the agreement of August 4th, 2010.

As part of "The Day Before" initiative launched last year, aimed at fostering a closer relationship between the world of work and that of academia, an agreement with the Trade Unions was signed on February 15th to extend the project to Florence and Pisa Universities.

In March, an agreement was reached for the creation and operation of new trade union representations and the appointment of workers' safety representatives at Telecom Italia S.p.A.. By agreement, the parties identified 25 production units, using the organisational

structure of Telecom Italia S.p.A. as a reference, consisting of local operational structures and multi-regional staff structures.

On December 31st, 2011, the performance bonus agreement expired. Since no negotiations could be held for the new premium while negotiations were under way for the first level collective labour agreement, Telecom Italia decided to recognise the contribution made by employees to the economic and productive performance of the Company by disbursing a fixed amount for each contract level for the period January, 1st - June, 30th 2012.
In this respect, a specific agreement was reached with trade union representatives in June.

Also in June, during a specific meeting organised for this purpose, the Senior Executives presented the trade unions with the guidelines for Telecom Italia Domestic's 2012-14 business plan.
The content of the presentation was then discussed in detail. Telecom Italia will continue implementing its cost control policy in 2013 and 2014, focusing on improving efficiency, setting up discussion meetings with the trade unions. It will also be working with the Unions to verify that the Government creates the conditions for completion of the social safety net plan required by the agreement signed with the Ministry of Economic Development and the Ministry of Labour on August 4th, 2010.

In accordance with current legislation regarding Company transfers, Telecom Italia S.p.A. carried out the required procedure with the trade union representatives (RSUs) regarding the transfer of its business unit exclusively to Shared Service Center S.r.l. with regard to "Information Technology" and the Human Resources and Organization Information Technology department, effective as of November 1st, 2012. Employment contracts were transferred directly from Telecom Italia S.p.A. to Telecom Italia Information Technology S.r.l. (following the change of name of SSC).

Telecom Italia made a specific commitment to protect workers who left the Company before December 31st, 2012 under mobility procedure (on a voluntary basis and according to the non-opposition criterion under existing agreements) if, following legislative changes, they found themselves unable to qualify for a pension; the guarantees offered by the Company provide that, at the end of the redeployment period, these workers will be hired on fixed-term contracts, under the same financial conditions and job categories they had at the time of their termination, for the period needed to qualify for a pension according to current legal provisions. In this respect, important agreements were signed in October with the most representative trade unions of Telecom Italia S.p.A., Telecom Italia Sparkle S.p.A. and Shared Services Center S.r.l..

For information on industrial relations relating to Telecontact Center, TI Sparkle, TI Media, Olivetti, Brazil and Argentina, go to the sustainability section of the telecomitalia.com website.

1.14 REMUNERATION POLICY

The Group's remuneration policy is based on an individual pay packet structure that aims to ensure a proper balance between the fixed and variable components, based on the Company's strategic objectives and risk management policy. The structure is intended to safeguard the identity and integration of the Group (unity) as well as to respect the diversity of the relevant markets (differentiation), so as to sustain the Company's competitiveness and performance, and ensure staff involvement, honesty and internal fairness.
The fixed remuneration component reflects the breadth and strategic nature of the role performed (measured using a job assessment system that uses internationally recognised and certified methods), as well as the individual characteristics and skills of the employee.
The short term variable remuneration aims to support the achievement of annual corporate objectives. The targets are fixed according to qualitative and quantitative indicators that represent and are consistent with the strategic priorities and business plan, measured according to pre-established and objective criteria.
The guidelines for application of the 2012 meritocratic policy provided for:

- the freezing of fixed remuneration, except for employees with key skills and cases in which the remuneration is significantly lower than standard market rates;
- focus on one-off instruments, according to increasingly selective systems;
- a significant review of short-term variable incentive policies (MBO), which covered both the operational mechanisms and the identification of recipients. As of 2012, a new incentive scheme was introduced alongside the MBO for professional staff, with the aim of pursuing greater alignment with the overall performance of the Company.

In 2012, in line with the long term rolling incentive structure launched in 2011, Telecom Italia launched a new Long Term Incentive (LTI) cycle, extended to Top Management and so-called selected executives, excluding Senior Executives, which was approved by the Shareholders' Meeting on May 15th, 2012.
The main targets assigned to Company managers, to ensure that aspects related to sustainability are taken into account in the decision-making process, are shown below and subdivided by stakeholder.

Stakeholder of reference	Targets linked to incentives	% of managers (to whom the target applies)
Customers	· 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	97% 7% 97% 1%
Human Resources	· Health and safety of employees · Programmes of training and professional growth · Welfare activities (People Caring) and the wellbeing of employees	1%
The Environment	· Consumption of materials, energy	4%
Shareholders and Institutions	· Quality and speed of Company information delivery	1%
The Community	· Organisation of corporate events · Quality of corporate initiatives/projects	2%

SIGNAL

The importance of correct information to everyone

2. SHAREHOLDERS

2.1 STRATEGY

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.
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, ensuring equality in the treatment of all categories of shareholders, as per the restrictions set out in the Bylaws. The external communication of information is governed by specific internal procedures, in line with the applicable regulations.
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 (see § Financial communication).

2.2 STAKEHOLDERS AND THEIR EXPECTATIONS

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:

- confirming the objectives reported to the market through the strategic plan;
- strengthening the Group's position in the markets in which it operates;

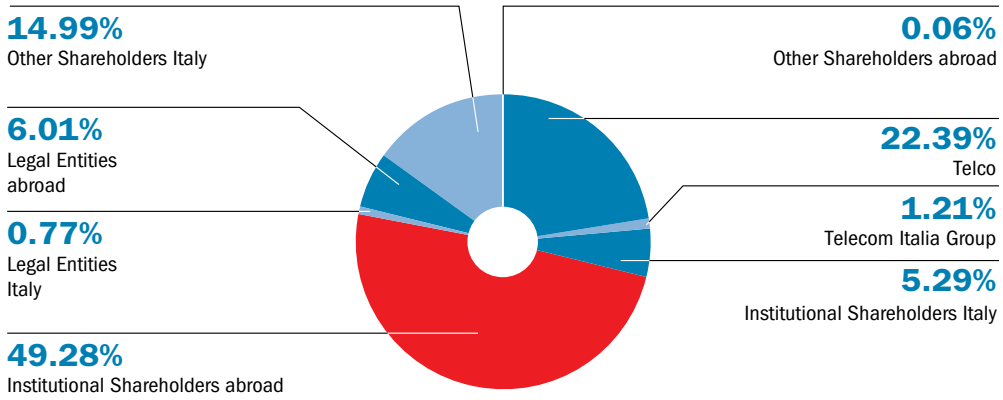
- the certainty of receiving a quick and effective response from the Company to requests for information.

The expectations of individual stakeholders are also given special consideration:

Stakeholders	Need
Institutional and retail investors	• 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	• Attention paid to the social and environmental impacts of the Company's business and to the Group's governance • Positive total shareholder return • Good reputation of the Group's brand
Bondholders and credit analysts	• Stability of the yield from the investment • Certainty of repayment of the debt at maturity • Maintaining of creditworthiness
Financial analysts	• Direct contact, even with the Group's management, on matters relevant to the business

The shareholding structure as of December 31, 2012 is shown below[20].

20
Source: Register of shareholders as of December 31, 2012, supplemented by communications received and by otheravailable information.



2.3 FINANCIAL COMMUNICATION

In 2012, 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 300 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.
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 450,000 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, summarise performance during the week ending the previous Friday.
- Quarterly Newsletter, which contains the main announcements taken from the press releases published at the time the Group's results for the period were released.

"TI ALW@YS ON" IS THE VIRTUAL MEETING PLACE BETWEEN THE COMPANY AND ITS INDIVIDUAL INVESTORS

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. In 2012, Telecom Italia achieved first place overall in the Italian and European "KWD Webranking 2012" 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.

2.4 RISK MANAGEMENT

In order to ensure a global approach to risk management, the Telecom Italia Group has adopted an Enterprise Risk Management (ERM) process, inspired by ISO 31000. 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 "Administration, Finance and Control" Function Manager and is made up of:

- the Managing Director Domestic or Diretor Presidente of TIM Brasil or Chief Executive Officer of Telecom Argentina or Chairman of Telecom Italia Media, depending on the matters being dealt with;
- the managers of the Legal Affairs, Human Resources and Organization and Security functions, as well as the Business Support Officer;
- the Group Compliance Officer;
- the manager of the Administration, Finance and Control Risk Management function, which supports the coordination of the Committee;
- the managers of other departments, 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, which is designed to guarantee the operational continuity of the Company's business. The adopted process provides for:
- the definition and updating of the policies on the efficient operation of the risks management process;
- the prior analysis of the context within and outside the Group;
- the assessment of the risk profile by the management, understood as a variation to the strategic objectives set out in the three-year plan;
- risk mapping with a specific focus on the ones deemed to be most significant;
- the assessment, for the most significant risks (top risks), of the level of maturity in their management and the establishment of inter-functional working groups defined by the Risk Management Committee for the implementation of dedicated mitigation action plans and control key risk indicators;
- the assessment of the level of maturity of the risk management process at individual Company level.

From 2013 onwards, the risk profile may be updated quarterly instead of annually at the discretion of the Group Risk Management Committee.

2.5 CORPORATE GOVERNANCE

Introduction

Telecom Italia's system of corporate governance, structured according to the traditional model, is in line with the principles contained in the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana (available at the website borsaitaliana.it). At the end of 2012, the Company abrogated its own internal code, considered obsolete, and adopted some corporate governance Principles that derogate and/or supplement the framework of applicable rules regarding the duties and operation of the corporate bodies, referring to the principles and criteria of the Borsa Italia Code (December 2011 edition) for the remainder.

In relation to the internal Code previously in force, the new corporate governance Principles:
- reaffirm the responsibilities of the Board of Directors (BoD), with a greater focus on the internal control and risk management system;
- simplify the listing of strategic operations subject to prior board resolutions, making clear that the listing is given by way of example;
- confirm the principles by which the Board operates, introducing the principle of advance scheduling of Board agenda items;

- confirm the presence of a Lead Independent Director and three Board committees: the Executive Committee, the Nomination and Remuneration Committee, and the Control and Risk Committee (which replaces and incorporates the responsibilities of the Committee for Internal Control and Corporate Governance);
- transfer the issue of the annual appraisal of the BoD from the Committee for Internal Control and Corporate Governance to the Nomination and Remuneration Committee;
- introduce specific references to the procedures designed to assure that the undertakings given to the Brazilian and Argentine authorities to ensure the "separateness" of Telefónica in the management of the Group's South American subsidiaries are respected;
- renew the internal control and risk management system rules in their entirety.
- The articles regarding the management of corporate information, transactions with related parties, shareholders' meetings and relations with investors and shareholders have been abolished.

The corporate governance Principles can be consulted on the Company website telecomitalia.com, Governance section - Governance System/Codes channel.

In June 2012 the BoD reviewed the Procedure for the management of transactions with related parties (approved in November 2011). The revisions – made as a result of the first year of application of the rules – involved a series of clarifying amendments, with no changes to the authorisation system or investigatory powers in force. The new Procedure for the management of transactions with related parties can also be consulted on the Company website telecomitalia.com, Governance section - Governance System/Procedures channel.

The Board then started a process of reviewing the governance documents of the Company in the month of December, focussing in particular on the Code of Ethics and Conduct and the Organisational Model pursuant to Legislative Decree 231/2001. Regarding the Code of Ethics, a step-wise process was defined which led to a first supplement of the text in force, with a small number of targeted interventions, in December 2012, with the intention of proceeding to a general rewriting of the document by the end of 2013. The interventions on the Organisational Model pursuant to Legislative Decree 231/2001, adopted in January 2013, involved the incorporation of the new predicate offences of corruption between private subjects and unlawful inducement to promote or give profit to a public official/public service employee, with a consequent rewriting of the control schemes. In the meantime a specific policy on anti-corruption matters had already been adopted, as a systematic reference framework for the prohibition of corrupt practices (December 2012).

The text that follows is an extract of the Report on corporate governance and share ownership of Telecom Italia S.p.A. (hereinafter the "Report". The full text is available in the Governance section of the web site telecomitalia.com.

Information on share ownership

Information regarding the following topics is included in the full text of the Report:

a) Share capital structure
b) Restrictions on transfer of securities
c) Significant shareholdings
d) Securities that confer special rights of control
e) Employee shareholdings: mechanism for exercising voting rights
f) Restrictions on voting rights
g) Shareholders' Agreements

h) Change of control clauses and statutory provisions on Tender Offer
i) Authorisation to increase share capital and share buy-back
j) Management and coordination

Compliance

Telecom Italia is a limited company with registered office in Italy, subject to Italian and European Community law. Moreover,

- in relation to the listing of its shares on Borsa Italiana and of some of its bonds on the Luxembourg Stock Exchange, it is required to comply with corresponding regulations;
- in its capacity as a foreign issuer, registered at the U.S. Securities and Exchange Commission and listed on the New York Stock Exchange, it is subject to U.S. law.

As indicated in the introduction, Telecom Italia adheres to the Corporate Governance Code of Borsa Italiana and adapts its own system of corporate governance to Italian and international best practices in the matter.

Telecom Italia's strategic subsidiaries include:

- the TIM Brasil Group companies, the holding company of which Tim Participações S.A. is a company registered and listed in Brazil, as well as registered with the US Securities and Exchange Commission and listed on the New York Stock Exchange;
- the Telecom Argentina Group companies, controlled through Sofora Telecomunicaciones S.A. and Nortel Inversora S.A., both companies registered in Argentina. Nortel Inversora S.A. and Telecom Argentina S.A. are listed locally, registered with the US Securities and Exchange Commission and listed on the New York Stock Exchange.

The corporate governance structure of Telecom Italia is not affected by the legal provisions governing Tim Participações S.A. and Telecom Argentina S.A.
In compliance, therefore with the provisions of the Brazilian telecommunications authority Anatel (October 31, 2007, July 31, 2009, and November 8, 2011) and the agreement made on April 28, 2010 between Conselho Administrativo de Defesa Econômica (CADE) and Telco shareholders (in which the company TIM Brasil Serviços e Participaçoes S.A. intervened, assuming a series of obligations in its own name and that of companies in the Group), Telecom Italia took appropriate proceedings to formalise the separation between the activities of the Telecom Italia Group and the Telefónica Group in the Brazilian telecommunications market. A similar procedure was adopted to ensure compliance with the undertakings assumed by the Group with regard to CNDC Argentina, aimed at maintaining separation and independence between the Telefónica and Telecom Italia groups in activities in Argentina.
The aforementioned procedures can be found at the website telecomitalia.com, Governance section - Governance System/Procedures channel.

Board of Directors

Appointment and replacement

In accordance with Article 9 of the Bylaws, the BoD (composed of a minimum of 7 to a maximum of 19 Directors, at least one third of whom of the less represented gender, with fractions rounded to the nearest whole number) is appointed on the basis of slates submitted by persons entitled to vote holding a total of at least 0.5% of the ordinary share capital or different proportion as required by Consob. By Resolution no. 18452

of January 30, 2013, Consob fixed this percentage at 1%. Slates that contain a number of candidates greater than or equal to 3 must ensure that both genders are present, in such a way that candidates of the less represented gender are at least one third of the total, rounding any fractions up to the whole number.
Four-fifths of the Directors to be elected are chosen from the slate that obtains more votes (so-called Majority Slate) in the order they are listed on the slate; in the event of a fractional number, it shall be rounded down to the nearest whole number. The remaining directors are chosen from the other slates. To that end, the votes obtained are divided by progressive whole numbers starting from one up to the number of Directors to be elected and the quotients assigned to the respective candidates, in the order listed. The quotients assigned in this way are arranged in a single decreasing ranking and the candidates who have obtained the highest quotients are elected, without prejudice to the legal provisions requiring the presence of at least one Director chosen from a slate not connected with the shareholders who have submitted or voted for the Majority Slate and at least two Directors meeting the requirements of independence legally established for the members of the Board of Statutory Auditors. For the appointment of Directors, for any reason not appointed pursuant to the procedure described above, the Shareholders' meeting shall vote on the basis of the majorities required by law.

BOARD MEMBERS' APPOINTMENT IS BASED ON THE "SLATE SYSTEM"

If the composition of the Board resulting from the slate voting system does not reflect gender balance, the necessary number of the last candidates of the more represented gender elected from the Majority Slate shall forfeit their post to ensure compliance with this requirement, and shall be replaced by the first candidates not elected from the same slate who are of the less represented gender. In the absence of candidates of the less represented gender on the Majority Slate in sufficient number to proceed with the replacement, the Shareholders' Meeting shall supplement the board with the majorities required by law, thus ensuring that the requirement is met.
At the first renewal of the BoD after the Shareholders' Meeting of May 15, 2012, the quota to be assigned to the less represented gender is limited to one fifth of the total; in the event of a fractional number, it shall be rounded up to the nearest whole number.
The BoD has adopted a procedure for planning the succession of Executive Directors, in order to ensure the availability over time of a shortlist of possible replacements, with reference to cases of retirement earlier than the ordinary expiry of the term of office. The BoD is responsible for the existence and efficacy of the Succession Plan, the establishment, updating and monitoring of which it assigns to the Nomination and Remuneration Committee, working closely with the competent human resource management structures of the company. The Executive Directors also participate in the implementation of this process. In the meeting of the BoD on February 7, 2013, the Nomination and Remuneration Committee presented a report on the actions taken on succession issues in the preceding year.
The plan provides that, if the need to replace an Executive Director earlier than planned should arise, the Nomination and Remuneration Committee must formulate a recommendation without delay, and transmit it to the Chairman or, in his absence, to the Vice Chairman of the BoD, in view of the decisions to be taken by the full board. In making its selection, the BoD is obliged to consider the suggestions and proposals of the Nomination and Remuneration Committee, but is not bound by them. In particular, the candidates indicated by the Committee are examined in a special hearing, with the participation of at least three Directors, at least one of whom independent. If unexpected events should occur that create a vacancy among those occupying the role of Executive Director, the rules in the Bylaws, in accordance with the current organisational model, provide that if the Chairman-Chief Executive Officer should cease to hold office, the Vice-Chairman shall

assume the role of Chairman of the Board, while his management powers will automatically be assumed by the Managing Director-Chief Operating Officer. If the Managing Director-Chief Operating Officer should cease to hold office, his powers shall automatically be assumed by the Chairman-Chief Executive Officer.
As the natural end of the term of office of the Board approaches, in the knowledge of the intrinsic limits of the role and responsibilities of the serving BoD regarding its renewal, the Nomination and Remuneration Committee shall formulate a recommendation on the profile of the candidates for the renewal of the executive officers, which shall be presented and discussed by the Board.

Composition

The Shareholders' Meeting of April 12, 2011 set the number of members of the BoD at 15 and their term of office at 3 financial years (until the shareholders'meeting called to approve the Financial Statements for the year ended December 31, 2013). The Directors have also been authorized to continue their activities as indicated in their curricula vitae, releasing them from the non-competition clause contained in Article 2390 of the Italian Civil Code. Further information on slates and BoD composition can be found in the full text of the Report that also includes conditions of incompatibility with such diuties established by the Telecom Italia's Self Regulatory principles.
The curricula vitae of the members of the administrative body are available on the website telecomitalia.com, Governance Section - BoD channel.

Role of the Board of Directors

During 2012, twelve meetings of the BoD were held; documentation was sent to the Directors, as promptly as compatible with the circumstances of the case (as a rule, the Friday preceding the day on which the meeting is to be held), to enable informed participation in the meetings. When required by the subjects discussed, representatives of the Company management or external consultants were invited to take part, who ensured the necessary technical and professional support.
The average duration of meetings was approximately 3 hours. The percentage of attendance was 90.33% (98.50% for independent Directors). There are 13 meetings scheduled for 2013, 4 of which have already been held.

The Corporate Governance Principles of Telecom Italia reserve to the BoD the role of providing strategic supervision and direction, pursuing the primary objective of creating value for the shareholders, with a medium-long term perspective, also taking the legitimate interests of the remaining stakeholders into account. The BoD shall, in particular, have overall responsibility for the internal control and risk management system, including the definition of the nature and level of risk consistent with the specific strategic objectives of the business.
Without prejudice to the application of the Borsa Italiana Code, pursuant to the Corporate Governance Principles, the following matters have a notable effect on the business of the Company and the Group, and as such are subject to resolutions of the board:

- agreements with competitors which, considering the subject, commitments, conditions, or limits that they may produce, have long-term effects on the freedom of strategic business decisions;
- investments and disinvestments exceeding 250 million euros, and in any event purchases or sales of shareholdings, or businesses or business units that are of strategic significance in the overall framework of the business; transactions that, in their execution or upon their completion, can create commitments and/or purchases and/or sales of this nature and scale;

- the acceptance of loans for amounts exceeding 500 million euros and the granting of loans and guarantees in favour of non-subsidiary companies for amounts exceeding 250 million euros; transactions that, in their execution or upon their completion, can create commitments and/or deeds of this nature and scale;
- the above transactions, to be performed by unlisted subsidiaries of the Group, excluding those controlled by listed subsidiaries;
- the listing and delisting of financial instruments issued by the Company or Group companies in regulated markets inside or outside Europe;
- instructions to be given to listed subsidiaries (and their subsidiaries), when the Parent Company exercises its management and coordination activity for the performance of transactions with the characteristics indicated above.

The completeness of the information available to the non-executive directors and the Board of Statutory Auditors represents an essential condition for the correct exercise of the competencies and responsibilities of directing, managing and controlling the activities of the Company and the Group. The evaluation of the operations is based on a continuous flow of information to non-executive Directors and Statutory Auditors, coordinated by the Chairman of the BoD, which utilises the Secretary of the BoD and the General Counsel of the Company. This happens from time to time during the meetings and specifically, with a detailed comparison between the results obtained and the objectives of the budget, when examining financial reports and monthly progress data.

The BoD has assessed the adequacy of the organizational, administrative and accounting structure of the Company on the basis of information from management and, with specific reference to the internal control system, based on the preparatory work conducted by the Committee for control and risk.
The BoD has determined the remuneration of the Chairman-Chief Executive Officer and the Managing Director-Chief Operating Officer and the allocation of the total remuneration of the members of the Board resolved by the Shareholders' Meeting: see the Remuneration Report approved on March 7, 2013.

The self-assessment of the size, composition and operation of the Board and its Committees was carried out for 2012, as for every year since 2005. The board review was carried out internally by completion of an on-line questionnaire, developed by the offices under the supervision of the Nominations and Remuneration Committee, containing a series of questions on the three self-assessment components specified in the Borsa Italiana Corporate Governance Code: size, composition, operation.

ALSO IN 2012 THE SELF-EVALUATION OF SIZE, COMPOSITION AND OPERATION OF THE BOARD AND ITS COMMITTEESHAS BEEN CARRIED OUT

The results of the questionnaires were first discussed in the Nominations and Remuneration Committee and then by the full BoD, focussing on the operational aspect, commenting on its strongpoints (quality of the debate and the contribution of preparatory work by the Board committees) and areas of improvement (essentially: the need for proceedings to be organised differently, to permit adequate discussion of all the topics on the agenda, which at present are rarely discussed in sufficient depth despite the frequency and duration of meetings). As is now the rule, the BoD concluded the financial year by defining a series of concrete actions intended to overcome the weaknesses found. These decisions, however, were not unanimous, since different views emerged according to the background and expertise of the individual Directors.
In accordance with the new corporate governance principles, long term scheduling has been introduced for analysis of organisational structure and risk management, as well as for the strategic planning process, confirming recourse to instances of more in-depth prep-

aration and investigation work outside the Board, particularly in relation to scenario issues, to facilitate more effective Board discussions. At the same time, the training and information opportunities offered to Directors and Statutory Auditors on the evolution of an industry characterised by rapid technological change will be enhanced (in this sense, a series of workshops with management input and external contributions already took place in 2012). During 2012, Directors attended specific meetings with the management and/or external consultants to provide them with adequate knowledge of the business sector in which the Company operates, the corporate dynamics and their evolution. Working lunches with the management and workshops on new technologies were organised, as were training-information sessions to prepare for strategic meetings; two off-site meetings were held, on technologies and services respectively.

Delegated bodies

The assignment (and revocation) of powers to Directors is reserved to the Board, which defines the purpose, limits and methods of exercising the assigned powers.

On April 13, 2011, following the renewal approved by the Shareholders' Meeting on April 12, 2011, the BoD appointed Franco Bernabè Chairman and Chief Executive Officer, Aldo Minucci Vice Chairman and Marco Patuano Managing Director and Chief Operating Officer.
In addition to the power to legally represent the Company, as laid down in the Bylaws and all the powers necessary for performing actions pertinent to the activity of the company in its various manifestations, to be exercised with a single signature, the following powers were conferred on the Chairman,

- overall governance of the Group, including coordinating the activities of the Managing Director-Chief Operating Officer, and defining the Company's strategic guidelines;
- responsibility for extraordinary transactions and extraordinary finance operations to be proposed to the BoD.

In addition to the power to legally represent the Company and to exercise, with a single signature, all powers required to perform actions pertinent to the activity of the company in its various manifestations, the Managing Director-Chief Operating Officer was made responsible for the overall governance of operations in Italy.
Moreover, the Executive Directors (each for their own delegated area) are charged with establishing and maintaining the internal control system (see paragraph headed "Director in charge of the internal control and risk management system" contained in the chapter entitled "Internal control and risk management system").

The powers conferred on the Vice Chairman were as follows: representing the Company, as laid down in the Bylaws, in the event that the Chairman is absent or unable to act, and – initially - a proxy relating to the functioning of the internal control system, this to be taken to mean representing the BoD as a whole, by means of this proxy, in relation to the internal control functions. In the Board meeting on August 1, 2012, the Vice Chairman renounced this proxy; the Board therefore resolved to maintain unchanged the organisational and governance choices regarding internal audit and the structures in charge of "high" and transverse compliance, confirming, in relation to the Internal Audit Manager, and laying down, in relation to the Group Compliance Officer and the IT & Security Compliance department Manager, that they report directly to the full Board and therefore, to ensure that this reporting be effective, to attribute the role of link between the BoD and said control structures to a non-executive Director. This role was assigned to Director Gabriele Galeteri di Genola in the meeting of the BoD on November 8, 2012.

Since 2008 there has been an Executive Committee, composed of the executive Directors (who ensure coordination with the Group's management) and some non-executive Directors; the Chairman of the Committee is the Chairman of the BoD. Its current composition can be found in the full text of the Report.
As provided for by the Corporate Governance Principles of the Company, the Committee has the task of monitoring the performance of the Company and the Group, approving, upon the proposal of the executive Directors, the organizational macro-structures, formulating opinions to the BoD on the budget and the strategic, industrial and financial plans of the Company and the Group as well as on operations that, according to their nature, strategic importance, size or commitments, may have a significant impact on the activity of the Company and the Group and carrying out any other duties assigned by the BoD relating to matters that can be delegated. The Committee reports to the Board on the activities carried out in the most appropriate ways, and, in any case, each time at the first useful meeting. Insofar as they are applicable, the operational rules specified for the BoD shall apply to the Committee.
During 2012, the Committee held two meetings, with an average duration of approximately 2.3 hours. The percentage of attendance was 92.85% (100% for independent Directors). In 2013, two meetings are planned, of which one has already been held.

Other executive Directors

The Chairman-Chief Executive Officer and the Managing Director-Chief Operating Officer are deemed to be executive Directors.

Independent directors

Telecom Italia has adopted the criteria established by the Corporate Governance Code of Borsa Italiana for the qualification of the independence of Directors. On the basis of the information provided by the Directors, the following are independent Directors: Lucia Calvosa, Elio Cosimo Catania, Massimo Egidi, Jean Paul Fitoussi, Mauro Sentinelli and Luigi Zingales. The BoD, at its meeting of March 7, 2013, verified the independence requirements of its members, noting that the requirements of the composition of the administrative body (the presence of at least two independent Directors according to the criteria established by law for Statutory Auditors) had been complied with. The Board of Statutory Auditors monitored the verification of the requirements and the correct application of the criteria of independence.

Lead Independent Director

The Lead Independent Director is the Director Luigi Zingales.
He is the point of reference and coordination for the issues and contributions of the independent Directors and the non-executive Directors in general. He is granted the right to use corporate structures to perform the tasks entrusted to him and to convene special meetings of only the Independent Directors (Independent Directors' Executive Sessions) to discuss issues affecting the functioning of the BoD or the management of the business, and may invite representatives of the management of the Group to these meetings. During 2012 there were eight of these meetings, usually held the day before the Board meeting.

THE LEAD INDIPENDENT DIRECTOR IS THE POINT OF REFERENCE AND COORDINATION FOR THE ISSUES AND CONTRIBUTIONS OF THE INDEPENDENT DIRECTORS

Pursuant to the Corporate Governance Principles, the Chairman of the BoD is assisted by the Lead Independent Director in improving the functioning of the administrative body (including the identification of topics to be examined by the entire Board).

Handling of corporate information

Telecom Italia has suitable procedures for classifying and managing information in terms of confidentiality.

Moreover, a procedure has been adopted for the internal handling and external communication of documents and information concerning the Company, with specific reference to sensitive information (available at telecomitalia.com, Governance Section, Governance System Channel).

The procedure regulates the management of sensitive information relating to Telecom Italia, its unlisted subsidiaries and listed financial instruments of the Group; this procedure is addressed to all members of corporate bodies as well as employees and outside collaborators who have access to information that is likely to evolve into sensitive information (known as market sensitive information). It also applies as an instruction to all subsidiaries in order to obtain from them, without delay, the information necessary for the timely and proper fulfilment of the public disclosure obligations.

The procedure in question, finally, regulates the register of persons having access to sensitive information (article152-bis et seq. of the Issuers Regulations). In its meeting on January 17, 2013, the BoD resolved to avail itself of the right to waive the obligations to publish information documents in case of significant merger or de-merger, purchase or sale operations, or operations to increase the share capital by investment in kind.

Board committees

In addition to the aforementioned Executive Committee, the Board also has a Nomination and Remuneration Committee and a Committee for Control and risk (previously called the Committee for Internal Control and Corporate Governance), whose functions are described in the Company's Corporate Governance Principles.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises non-executive Directors, the majority of whom are independent directors, with at least one Director from a minority slate submitted pursuant to the Bylaws. At least one member of this Committee shall possess adequate expertise in financial matters or remuneration policies. Its current composition can be found in the full text of the Report.

The Chairman of the Board of Statutory Auditors (or, if he or she cannot attend, another Statutory Auditor appointed by the latter), shall attend the meetings of the Committee, which makes use of the Company structures or of external consultants of its choice to perform its functions.

The Committee, which combines duties and responsibilities attributed to the nomination Committee and the remuneration Committee by the Borsa Italiana Code, also, pursuant to the corporate governance principles of the Company:

- oversees the succession plan for Executive Directors, and monitors the updating of the company management replacement lists, prepared by the Executive directors.
- establishes the procedure and period for the annual evaluation of the BoD;
- proposes the criteria for allocating the total annual compensation established by the Shareholders' Meeting for the whole BoD;
- performs other duties assigned to it by the BoD.

During 2012 the Committee monitored the deployment of the remuneration policy for the year and investigated the 2013 cycle incentive measures; it started the investigation in view of the reproposal of a share ownership plan extended to all employees (investigation concluded in 2013, with the formulation of the proposal for the Shareholders' Meet-

ing in April); it defined the ways in which the 2012 board evaluation will be carried out and overseen the succession plan for Executive Directors, extending its checks to the functioning of the strategic management replacement tables. For further information on the work of the Committee on the 2013 corporate remuneration policy, see the Remuneration report for 2012, which may be consulted on the company website at telecomitalia.com, Governance section Remuneration channel.
The BoD was kept informed of these various activities at each first available meeting.
The Committee had access to the necessary information and corporate functions for performing its tasks.
The Committee was not assigned financial resources of a predetermined amount, but was able autonomously to bring in external consultants (Sandro Catani from Ambrosetti), who do not have relationships with the Company which could prejudice their independence of judgement.
In the course of 2012 there were ten such meetings. At the meetings (average length: approximately 2 hours), from time to time, the managers responsible for the issues under discussion were invited to offer support. The percentage of attendance was 91% (92% for independent Directors).
Three meetings have already taken place in 2013.

Remuneration of Directors, General Managers and key managers with strategic responsibilities

The information in this section and that regarding the agreements between the Company and the Directors which provide for compensation in the case of resignation or dismissal without just cause or in the event that their employment ceases following a tender offer, are made available in the Remuneration Report for 2012, which may be consulted on the company website at telecomitalia.com, Governance section Remuneration channel.

Control and Risk Committee

In its meeting on December 6, 2012, the BoD, in adopting the new Corporate Governance Principles, identified the pre-existing Committee for Internal Control and Corporate Governance (part of the governance structure of the Company since 2000) as the Control and Risk Committee referred to in the Borsa Italiana Code.
The Control and Risk Committee comprises non-executive Directors, the majority of whom are independent directors, with at least one Director from a minority slate submitted pursuant to the Bylaws.
At least one member of this Committee shall possess adequate expertise in accounting and finance or risk management. The composition of the Committee is shown in the full text of the Report.
Without prejudice to the duties attributed to it by the Borsa Italiana Code and the internal corporate rules (which, in particular, assign to the Committee the oversight of transactions with related parties), the Committee:

- provides high-level supervision related to corporate social responsibility, monitoring the consistency of the actions performed with the principles laid down by the Code of Ethics of the Group and the values of Telecom Italia;
- monitors observance of the Company's corporate governance rules, the evolution of rules and best practice in the field of controls, corporate governance and corporate social responsibility, also with a view to proposing updates to the internal practices and rules of the Company and the Group;
- performs other duties assigned to it by the BoD.

- expresses a prior opinion (i) on the transactions with related parties entrusted to the board pursuant to the law, Bylaws or Corporate Governance Code; (ii) on ordinary standard or market transactions, according to terms not predetermined or defined after a tender worth over 10 million euros; (iii) on non ordinary transactions worth more than 2 million euros.

Information about the Committee's activities carried out during 2012 is available in the full text of the Report.

Internal control and risk management system

The internal control and risk management system is organised and operates according to the principles and criteria set out in the Borsa Italiana Code.

It is an integral part of the general organisational structure of the Company and the Group, and involves several components that act in a coordinated way according to their respective responsibilities – the responsibility of the BoD to direct and provide strategic supervision, the responsibility of the Executive Directors and management to monitor and manage, the responsibility of the Control and risk Committee and the Head of the Audit Department to overview and provide support to the BoD, and the supervisory responsibilities of the Board of Statutory Auditors. In particular, the internal control and risk management system consists of 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.

CONTROL AND RISK COMMITTEE OVERSEES CORPORATE SOCIAL RESPONSIBILITIES ACTIVITIES

As such this process is aimed at pursuing the values of both procedural and substantial fairness, transparency and accountability, which are considered key factors for managing Telecom Italia's business, in compliance with the Code of Ethics and Conduct of the Group and the Company's Corporate Governance Principles (both of which can be found on the website telecomitalia.com, Governance section, Governance System channel).

This process, constantly monitored with a view to progressive improvement, is intended to ensure, in particular, the efficiency of company operations and entrepreneurial conduct, its transparency and verifiability, the reliability of information and management and accounting data, and compliance with applicable laws and regulations as well as the safeguarding of company integrity and its assets, in order to prevent fraud against the Company and the financial markets.

The BoD, insofar as it is responsible for the internal control and risk management system, defines the guidelines of the system, verifying its adequacy, effectiveness and proper functioning, so that the main corporate risks (including, among others, operational, compliance-related, economic and financial risks) are properly identified and managed over time. In order to ensure a global approach to the management of risks, the Telecom Italia Group has implemented and is perfecting an integrated process inspired by Enterprise Risk Management (ERM), For a description of this process and the respective responsibilities see § Risk Management and the full text of the Report, in which information is also available on the system for managing financial risks to which the Telecom Italia Group is exposed in its operations and the system of risk management and internal control over financial reporting.

Director in charge of the Internal control and risk management system

The institution and maintenance of the internal control system are assigned to the Executive Directors (currently, the Chairman-Chief Executive Officer Franco Bernabè and the

Domestic Managing Director-Chief Operating Officer Marco Patuano, each with respect to the area delegated to him), and to the Manager 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.
The BoD at its meeting on April 13, 2011 conferred the proxy in respect of functionality of the internal control system on the Vice Chairman, who exercised it in terms of representing the BoD in its entirety by means of this proxy. In the Board meeting on August 1, 2012, the Vice Chairman renounced this proxy and on the same date the Board resolved (i) to maintain unchanged the organisational and governance choices regarding internal audit and the appropriate structures for "high" and transverse compliance, confirming, in relation to the Internal Audit Manager, and laying down, in relation to the Group Compliance Officer and the IT & Security Compliance Department Manager, that they report directly to the full Board; (ii) to attribute the role of link between the BoD and said control structures to a non-executive Director. This role was assigned to Director Gabriele Galeteri di Genola in the meeting on November 8, 2012.
The Executive Directors have overseen the identification of the major company risks (strategic, operational, financial and compliance) in the operational areas covered by their mandates, taking account of the activities undertaken by the Company and its subsidiaries.
They implement the guidelines defined by the Board, overseeing the design, creation and management of the internal control and risk management system and constantly checking the system's adequacy and efficacy.
They may also ask the Internal Audit function to carry out audits of specific operational areas and of respect for the internal rules and procedures in the execution of the company operations, giving simultaneous notice to the Chairmen of the BoD, the Control and risk Committee and the Board of Statutory Auditors.

Head of audit department

Pursuant to the Corporate Governance Principles that the Company has adopted, in exercising the responsibility of the BoD for the internal control and risk management system, the Board, in addition to the Control and risk Committee, also utilises the Head of the Audit Department, a manager with an adequate level of independence and means suitable to perform this duty.
The Head of the Audit Department is responsible for supporting the management and control boards in assessing the adequacy, full functioning and effectiveness of the control and risk management system and consequently to propose corrective measures in case of anomalies and malfunctions.
In particular, in accordance with the provisions of the Corporate Governance Code of Borsa Italiana, the Head of the Audit Department:

a) verifies, both on a continuous basis and in relation to special needs, in conformity with international standards, the adequacy and effective functioning of the internal control and risk management system, through an audit plan approved by the BoD, based on a structured analysis and ranking of the main risks;
b) is not responsible for any operational area and reports directly to the BoD;
c) has direct access to all information useful for the performance of his or her duties;
d) drafts periodic reports containing information on his or her own activity, and on the risk management process, as well as about compliance with the plans defined to mitigate these risks. Such periodic reports contain an evaluation of the adequacy of the internal control and risk management system;
e) prepares timely reports on particularly significant events;

f) submits the reports referred to in points d) and e) to the Chairs of the Board of Statutory Auditors, Control and Risk Committee and BoD;
g) tests the reliability of the information systems, including the accounting system, as part of the audit plan;
h) reports on his work to the Director delegated for this purpose, the Control and risk Committee and, through the latter, to the BoD, as well as the Board of Statutory 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.

The Head of the Audit Department also has a role in ensuring respect for the principles and values expressed in the Code of Ethics and Conduct, 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.

The oversight role of the head of the Audit Department is directed, in particular, towards expressing an assessment in terms of reasonable certainty about the capacity of the internal control and risk management 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 light of the (qualitative/quantitative) risk factors present and the probability of their affecting the achievement of those objectives.

This oversight is assured through:

- the direct execution of assurance services (audits and complementary activities – so-called 3rd level controls – aimed at assessing the governance, control and risk management processes) and consultancy services;
- checking the implementation of improvement plans by continuous monitoring and specific follow-up work in cases that are complex and significant to the topics originally analysed.

Organisational model pursuant to Legislative Decree 231/2001

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.

THE ORGANIZATIONAL MODEL 231 IS AIMED AT PREVENTING OFFENCES THAT CAN RESULT IN LIABILITY FOR THE COMPANY

The Organisational Model has also been adopted by domestic subsidiaries of the Group as well as by Telecom Italia, and consists of:

- the Code of Ethics and Conduct of the Telecom Italia Group, where the general principles (transparency, fairness, loyalty) that guide the Company in the organization and conduct of business are indicated;
- the "general principles of internal control", 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 third parties and for all fulfilments and activities of a corporate nature, and
- the "internal control schemes" that describe business processes at risk of crime, any predicate offences relating to them, the preventive control activities and the behavioural indications aimed at avoiding the related risks.

The internal control schemes have been prepared 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 made on the basis of 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. The amendments were drafted by a managerial committee called Steering Committee 231, briefed by the Supervisory Board and approved by the BoD when of a significant nature.
The Organisational Model incorporates, in terms of application, the predicate offences provided for in Legislative Decree 231/2001, excluding those deemed to not be directly pertinent for the Telecom Italia Group. In January 2013, a new version of the Model was adopted that incorporated the new predicate offences of corruption between private subjects and unlawful inducement to promise or give profit to a public official/public service employee, introduced by Law 190 of 6/11/12. As well as adapting and updating the internal control schemes based on the new offences, the new version of the Organisational Model 231 contains an explicit reference to the fight against all forms of corruption and to the Anti-corruption Policy adopted by the Group (see below).
The new version also constitutes an integral component of the reference compliance program for the application of anti-corruption legislation such as FCPA and the UK Bribery Act.

With Reference to the Supervisory Board, its functions, extending to Group level, have been attributed to the Board of Statutory Auditors.
The Supervisory Board (supported in its activities by appropriate offices) oversees the operation and observance of the Organizational Model and reports to the Board the checks it has undertaken and their outcome.

There is a section on website telecomitalia.com, Governance section - Governance System/ Organisational Model 231 dedicated to the Organisational Model 231 adopted by the Company.

The adoption of a specific anti-corruption Policy is also part of the process of revising the governance documents mentioned in the Introduction. This policy is a systematic reference framework on the prohibition of corrupt practices in the Telecom Italia Group, containing the principles to deploy in the various internal procedures, in accordance with international standards.
The sphere of application of the document is both active and passive corruption with public and private subjects, and essentially regards the following areas: gifts, entertainment expenses, events, sponsorships, gratuities, shares on companies/charities/ joint ventures, acquisitions and sales, consultancy, intermediation, relations with suppliers and business partners.
The anti-corruption Policy will become operation during 2013, by the adoption/adaptation of internal procedures.

Independent Auditor

The Shareholders' Meeting held on April 29, 2010, on the basis of the proposal put forward by the Board of Statutory Auditors, conferred the office of External Auditor (separate financial statements of Telecom Italia S.p.A., annual consolidated Financial Statements, abbreviated half-yearly consolidated Financial Statements, Annual Report

for the purposes of the US Security Laws) on PricewaterhouseCoopers S.p.A. for the nine year period 2010–2018.
Telecom Italia has adopted special guidelines for the appointment of the independent auditors. In compliance with said guidelines PricewaterhouseCoopers was selected after a comparative analysis carried out under the supervision of the Board of Statutory Auditors. When assessing the candidacies, their skills and specific auditing experience in the telecommunications sector, the adequacy of their technical structure in terms of requirements due to the size and complexity of the Company and the Group, the experience in SEC registrant Italian companies, the independent and unbiased judgement with respect to the Company and the Group, and the consistency of the compensation requested with the time and level of professionalism shown were particularly considered.
The independent auditor appointed by the Parent company Shareholders'Meeting is the main independent auditor for the entire Telecom Italia Group. To protect the independence of the appointed auditor, the guidelines establish the principle under which the appointment of further assignments (when allowed by the reference regulation) is limited to the services and activities closely related to the audit of the financial statements. This is subject to the preventive favourable opinion of the Parent company's Board of Statutory Auditors, which expresses its opinion from time to time or beforehand on different types of assignments (so-called pre-approved assignments). In any event, the Board of Statutory Auditors has the right to establish guidelines and qualitative and quantitative criteria regarding the appointment of independent auditors, valid for the entire Group, which it did by requiring the introduction, from January 1, 2012, of an operative procedure which provides for prior examination by the Board of Statutory Auditors (even for pre-approved appointments) when certain qualitative conditions occur or when specific quantitative thresholds are exceeded. The Board of Statutory Auditors has also stated that it will endorse the corresponding determinations adopted by the audit committees of the SEC-registered subsidiary companies, provided that they are made on the basis of rules compliant with the applicable regulations - including United States regulations - and in conformity with the Group guidelines in the matter.

Manager responsible for preparing the corporate accounting documents and other corporate roles and functions

The position of manager responsible for preparing the corporate accounting documents is held by the Head of Administration, Finance and Control, Piergiorgio Peluso, who took over the role held by Andrea Mangoni in the board meeting on September 13, 2012.
As per the Bylaws (Art. 13), it is the BoD that nominates the responsible manager, after hearing the opinion of the Board of Statutory Auditors and – for corporate governance principles – of the Control and Risk Committee. When the manager responsible for preparing the corporate accounting documents is appointed, his rights and powers are defined, disciplined in the specific Regulations, available on the website telecomitalia.com, Governance Section, Governance System channel.
As the person legally responsible for the preparation of suitable administrative and accounting procedures to draw up the annual accounts and consolidated Financial Statements as well as any other financial communications, the appointed manager is one of the main subjects involved in the operation of the internal control system of the Company.
The Regulations acknowledge his functional responsibility (organizational and for topics) with regard to the internal controls for financial reporting, clarifying that, in this context, he or she is supported by the Executive Directors, as well as by the Manage-

ment of the Company.
The manager reports to the BoD, the Control and Risk Committee and – for those matters within its competence – the Board of Statutory Auditors.
On the question of internal control and risk management, players other than the "typical" ones are added in Telecom Italia, without entailing any contrast with the principles of the Borsa Italiana Code, including: (i) the head of the Compliance department (otherwise known as the Group Compliance Officer) and the head of IT & Security Compliance department, who reports directly to the BoD, and who are responsible for overseeing eminent/transverse/Group compliance (Compliance Department) and IT compliance (IT & Security Compliance department), respectively; (ii) the head of Operational Compliance department, who report directly to the Domestic Managing Director-Chief Operating Officer and is responsible for specific (regulatory and commercial) domestic compliance.

Coordination of subjects involved in the internal control and risk management system

The main subjects involved in the operation of the internal control system are:
1. the BoD, which provides direction and periodic (annual) assessment of the system;
2. the Executive Directors (currently the Chairman-Chief Executive Officer and Domestic Managing Director-Chief Operating Officer, each with reference to the operating contexts covered by their respective mandates), as directors charged with the establishment and maintenance of the system, in accordance with the guidelines defined by the full BoD;
3. the Control and Risk Committee, with the role of providing investigative support to the Board in relation to its internal control and risk management duties;
4. the head of the Audit department (the person with sole responsibility for third level controls), who reports directly to the BoD and whose mission, briefly, is to test the functioning and adequacy of the system;
5. the manager responsible for preparing the accounting documents of the Company, appointed by the Board, with the competences provided for by law and rights defined in the specific internal regulations;
6. the Board of Statutory Auditors which, borrowing the expression used in the Borsa Italiana Code, represents the top of the supervisory system. In addition to the lcompetences provided for by law of the Board of Statutory Auditors, it also has the following functions, by internal corporate governance choice: (i) the audit committee functions pursuant to the United States' laws applicable to Telecom Italia as a private foreign issuer registered with the SEC and listed on the NYSE, and (ii) the functions of supervisory board pursuant to Legislative Decree no. 231/2001.

These "typical" players[20] are joined in Telecom Italia (without this implying any contrast with the principles of the Borsa Italiana Code), others, including:
a. the head of Compliance (otherwise known as the Group Compliance Officer) and the head of IT & Security Compliance, who report directly to the BoD, and who are responsible for overseeing eminent/transverse Group compliance (Compliance Department) and IT compliance (IT & Security Compliance department), respectively;
b. the head of the Operational Compliance department, who reports directly to the Domestic Managing Director-Chief Operating Officer and is responsible for specific (regulatory and commercial) domestic compliance;
c. the non-executive Director who represents the link between the BoD and the control structures that report directly to the Board (currently: Gabriele Galateri);
d. the Director charged with the ordinary management of the employment relationship between the Company and the heads of the control structures that report directly to

20
In relation to these essential figures, the internal corporate governance Principles do not waive any of the provisions contained in the Borsa Italiana Code in terms of responsibilities, competences and operational rules.

the Board (role attributed to the Chairman of the BoD);

e. the Chairman of the Control and Risk Committee who continuously represents it in the execution of the tasks of (i) evaluating and discussing the work plan for the control structures that report directly to the Board, (ii) examining the progress reports on activities (periodic and/or extraordinary reports), (ii) directing activities through specific requests for audit/investigation, all to assist and support the execution of the duties and the exercise of the responsibilities of the full Board on control and risk management system matters.

The competences of the figures specified in numbers 1-6 correspond to those recommended by the Borsa Italiana Code, to which, on this matter, Telecom Italia adheres without exceptions. The establishment of the managerial figures specified in letters a and b, with so-called second level control tasks, meets the specific internal control needs of the Group, and as such is expressly referenced in the Borsa Italiana Code, which refers to the organisational assessments of the issuer (also with reference to the corresponding hierarchical relations).

The "facilitator" Director (letter c) performs the essential guarantee function, in the presence of a Chairman of the BoD with executive functions, and hence first controlled figure. He does not concern himself with either the operational aspects of the controls nor with the flow of information between the control functions and the BoD (which are instead the responsibility of the Committee), but is called on to facilitate board oversight of the adequacy of the resources assigned to the control functions that report directly to the BoD.

The option to not assign this role to the Chairman of the Committee meets the redundancy and multiplication logic of the checks and balances that inform the whole control governance of the company.

The Chairman of the BoD is instead responsible for the bureaucratic aspects of the employment relationship of the managers responsible for the control structures who report directly to the Board (letter d). Said managers do not have a single reference point, and it is normal that the administrative aspects mentioned are assigned to a legal representative (who by the will of the board is its representative to the outside world: its Chairman), avoiding the need to issue an ad hoc delegation of powers.

As for the Chairman of the Control and Risk Committee (letter e), he has no independent role, but exercises one that derives from the specific role of the Committee: the board is too broad a body to govern the controls, and the fact that many control and risk management system responsibilities cannot be delegated (and/or the choice of the Board not to delegate them) emphasises the prominent role of the Committee, given its focussed and specialised internal articulation (which also meets specific composition requirements). In this context, the Chairman of the Committee is assigned the task of the continuous operational management of the relations of the Committee with managerial level exponents of the control governance system (while the bureaucratic aspects are assigned to Chairman-Chief Executive Officer).

Interests of Directors and transactions with related parties

The company procedure for undertaking transactions with related parties, drawn up in compliance with Consob Regulation no. 17221 of March 12, 2010 and adopted in November 2010, was updated in June 2012, introducing some clarifying amendments based on the experience accrued in the first year of its application, without changing the authorisation system and investigative responsibilities in force.

The document classifies the transactions into different categories and, according to this classification grid, different validation and approval paths are applied, when these

transactions are to be carried out with related parties. For further information please refer to the full text of the Report.

Appointment of Statutory Auditors

Pursuant to article 17 of the Bylaws, the Board of Statutory Auditors consists of 5 standing Auditors, including at least 2 from the less represented gender. The Shareholders' Meeting also appoints 4 alternate Auditors, 2 of each gender.

The Board of Statutory Auditors is appointed in accordance with the law and applicable regulations, on the basis of slates presented by persons entitled to vote who jointly or separately hold shares representing at least 0.5% of the share capital with voting rights, or the different measure required by Consob for presentation of the slates of candidates for the appointment of the BoD (Resolution No. 18452 of January 30, 2013 set the said percentage for Telecom Italia at 1%).

The slates are divided into two sections: one for candidates for the office of standing Auditor and the other for candidates for the office of alternate Auditor.

Slates which in one or both sections contain 3 or more candidates must ensure the presence of both genders in said section, so that candidates of the less represented gender are at least one third of the total, rounding any fractions up to the next whole number.

The first candidate in each section shall be selected from among the external auditors entered in the appropriate register who have worked on external audits for a period of not less than 3 years. 3 standing and 2 alternate Auditors are chosen from the slate that obtains the majority of the votes (so-called Majority Slate), while the remaining standing and alternate auditors are chosen from other slates (so-called Minority Slates), in compliance with the applicable regulations concerning the limits of connection with the Majority Slate.

For this purpose, the votes obtained from the Minority Slates are divided first by one and then by two and the quotients are assigned to the candidates of one section and of the other, according to the order listed.

On the basis of the quotients assigned, the candidates on the various slates are arranged in a single decreasing ranking for the appointment of the standing auditor position and in a single decreasing ranking for the appointment of the alternate auditor position and those who have obtained the two highest quotients are elected.

If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected a statutory auditor is elected or, subordinately, there is a tie-breaker vote by the entire Shareholders' Meeting and the candidate who obtains the majority of the votes is elected.

If the composition of the resulting board or category of alternate auditors does not reflect the gender balance, taking into account their ranking order in the respective sections, the necessary number of the last candidates of the more represented gender elected from the Majority Slate shall forfeit their position to ensure compliance with this requirement, and shall be replaced by the first unelected candidates of the less represented gender on the same slate and the same section. In the absence of candidates of the less represented gender in the relevant section of the Majority Slate in sufficient number to proceed with the replacement, the Shareholders' Meeting shall appoint the standing or alternate Auditors that are missing with the majorities required by law, ensuring that the requirement is met.

In the event that a statutory Auditor chosen from the Majority Slate or one of the Minority Slates should cease to serve, the alternate Auditors from the Majority Slate or the Minority Slates shall take his/her place. Appointments to fill vacancies on the Board of

Statutory Auditors pursuant to Article 2401 of the Italian Civil Code shall be approved by the Shareholders' Meeting with the affirmative vote of the absolute majority of those voting and in compliance with the principle of the necessary representation of the minority shareholders, and of the requirements of the Bylaws regarding gender balance. In the event that a standing Auditor chosen from the Minority Slates should cease to serve, the principle of necessary representation of the minorities shall be deemed to have been respected if one of the alternate Auditors chosen from the Minority Slates takes his/her place.
At the first renewal of the Board of Statutory Auditors after the Shareholders' Meeting of May 15, 2012, the quota to be assigned to the less represented gender is limited to one fifth of the total; in the event of a fractional number, it shall be rounded up to the nearest whole number.
Information about the composition and operations of the Board of Statutory Auditors is available in the full text of the Report.

The curricula vitae of the members of the control body are available on the website telecomitalia.com, Governance Section - Board of Statutory Auditors channel.

Shareholders' Meetings

Pursuant to law, the shareholders entitled to attend the Meeting and to vote are those for whom the reference intermediary sent the Company specific communication certifying such right at the record date (seventh working day prior to the meeting first call). Those who are holders of shares only after such date will not be entitled to attend the Meeting and vote.
Ordinary shareholders may also exercise their right to vote by mail, as well as be represented, by giving a proxy to a physical or legal person, including the representative designated by the Company, if appointed (the decision is to be taken by the BoD, at the time of calling the meeting).
The BoD also has the option of allowing electronic voting, specifying the procedure in the notice convening the meeting.
In order to facilitate the collection of proxies among employee ordinary shareholders of the Company and its subsidiaries who belong to shareholder associations satisfying the requirements established by law, special areas and instruments are made available for communication and performance of the activity.
The BoD shall use its best endeavours to ensure that Shareholders have adequate information about the elements necessary for taking decisions within the competence of the Shareholders' meeting, with full knowledge of the facts.
The ordinary Shareholders' Meeting resolves on matters of law and authorises transactions with parties related to the Company, in the circumstances and according to the methods provided for in the specific procedure adopted by the BoD, in accordance with the applicable regulations.
The Bylaws also provide (article 12.1) decisions on the merger into Telecom Italia or demerger in favour of Telecom Italia of companies of which Telecom Italia owns at least 90% of the share capital, the reduction of the share capital in the event of the withdrawal of shareholders, the revision of the Bylaws to conform with statutory provisions, the relocation of the Company's registered office within Italy, and the opening and closing of secondary offices are matters that are remitted to the competence of the BoD.
To ensure the regular conduct of Shareholders' Meetings, since 2000 the Company has adopted the Regulations for the Shareholders' Meetings, available at the website telecomitalia.com, Governance section, Governance System channel.

9 Directors attended the Shareholders' Meeting on May 15, 2012 and 7 the meeting held on October 18, 2012.
During the course of the year no significant variations occurred in the market capitalisation of Telecom Italia shares and in the composition of the Shareholders' body.

Appendix

21

The actual figures of the above mentioned objectives for 2012 will be available in July 2013 on the websites stated in note 22.

22

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 2012, are available at telecomitalia.it.

*

Status target:
- achieved
- not achieved

**

With regard to "Internet customer support services - average operator response time to incoming calls", the target has not be restated for 2012 because it refers only to support provided to business customers (via the specific 800.102.120 toll free number). Consumer customers have no specific number on which to request Internet support and their needs are handled via the 187 number..

***

Indicator not restated because there have been no new activations since 2012.

1. 2011 AND 2012 RESULTS

The results achieved are shown below, compared to the objectives published in the previous sustainability Report for the year 2012 and, for the Customers stakeholder only, for the year 2011[21].

1.1 TELECOM ITALIA S.p.A. – CUSTOMERS[22]

Area of reference	Indicator	Unit of measurement	2011 Target	2011 Final Result	Target status 2011[*]	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	100	●	97
Customers – Mobile	Activation time for voice service (post-paid service) – Percentage of valid orders completed within the maximum period laid down in the contract	%	97	100	●	97
Customers – Mobile	Residential customer assistance services – Average response time of the operator to incoming calls	Seconds	35	22	●	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)	%	1.4	0.1	●	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	0.1	●	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	99.1	●	94
Customers – Internet	Activation time for broadband Internet access services – Average time of supply (active telephone lines)	Days	9	6	●	9
Customers – Internet	Broadband Internet access service faults – Average repair time	Hours	30	15	●	27
Customers – Internet	Customer assistance services – Average response time of the operator to incoming calls	Seconds	70	76	●	[**]
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	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	80.7	●	78[***]
Customers – IPTV	Customer assistance response time – Average time of operator response to incoming calls	Seconds	70	51	●	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	0.7	●	1.2
Customers – IPTV	Availability of IPTV service – Average unavailability of the service	Hours/ Year	36	10	●	36

1.2 TELECOM ITALIA S.p.A. – OTHER STAKEHOLDERS

Area of reference	Indicator	Unit of measure-ment	2012 Target	2012 Final result	Target status 2012
Human Resources – Training	Training in health, safety and environment issues[1]	Training hours	80,000	50,204	●
Human Resources – Training	Training – Training hours per head[2]	Training hours per head	24	28.9	●
Human Resources – Training	Training - Coverage (percentage of employees out of the entire workforce who have taken part in at least one training session)	%	82.50	76.20	●
Human Resources – Accidents	Accidents per 100 workers[3]	Number	<1.41	1.23	●
The Environment – Energy	Eco-efficiency indicator[4]	Bit/Joule	2,450	2,524	●
The Environment – Energy	Self-generation of energy from mixed sources (cogeneration)	GWh	84	83	●
The Environment – Energy	Fuel cell plants in replacement of lead batteries	Number	45	248	●
The Environment – Energy	Fluorescent lighting units replaced with LED units	Number	150,000	160,000	●
The Environment – Atmospheric Emissions	Reduction of the quantity of ozone-depleting gas (R22) used in air-conditioning and cooling systems	Kg	5,000	7,154	●
The Environment – Electromagnetic Emissions	SAR qualification[5]	%	100	100	●
The Environment – Electromagnetic Emissions	SAR qualification of other technologically innovative devices (USB memory sticks, tablets and routers) marketed under the TIM brand	Number	10	10	●
The Environment – Paper	Used paper sent for recycling	Tons	21,050	20,072	●
Digital Inclusion	ADSL coverage[6]	%	98.00	98.00	●
Digital Inclusion	UMTS and HSDPA coverage[7]	%	86.00	85.60	●
Digital Inclusion	LTE coverage[7]	%	9.00	14.90	●

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

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

3 The severity index shows the working days lost during the year for every thousand hours worked.

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

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. Coverage values are subject to change based on ISTAT and urbanisation updates.

1.3 TIM BRASIL

Area of reference	Indicator	Unit of measure-ment	2012 Target	2012 Final result	Target status 2012
Human Resources	Training (total hours: in class, online and on the job) provided to its own employees, outsourced employees and interns	Training hours	600,000	679,675	●
Human Resources	Sustainability training (percentage of employees, outsourced employees and interns out of the total workforce who have taken part in at least one training session on sustainability issues)	%	30	35	●
The Environment	Collection of mobile phones, batteries and other accessories to be sent for recycling	Tons	13	13.88	●
The Environment	Ratio between recycled waste and the total waste generated in the offices	%	58	74	●
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	7.25	●
Suppliers	Suppliers assessed under sustainability criteria	Number	180	188	●

1.4 TELECOM ARGENTINA

Area of reference	Indicator	Unit of measure-ment	2012 Target	2012 Final result	Target status 2012
Human Resources	Sustainability training: managers involved in at least one training event	Number	500	517	●
Human Resources	Employees taking part in the Company's volunteering programme	Number	650	566	●
Human Resources	Employees with teleworking contracts	Number	810	1,008	●
The Environment	Mobile phone batteries sent for recycling	Kg	2,000	11,395[1]	●
Suppliers	Suppliers assessed under sustainability criteria	Number	200	200	●

1 In addition to batteries, the data also includes handsets and accessories sent for recycling.

2. 2013 OBJECTIVES

The objectives for 2013 are shown below.

2.1 TELECOM ITALIA S.p.A. – CUSTOMERS

Area of reference	Indicator[1]	Unit of measurement	2013 Target
Customers – Mobile	Activation time for voice service (pre-paid service) – Percentage of valid orders completed within the maximum period laid down in the contract	%	97
Customers – Mobile	Activation time for voice service (post-paid service) – Percentage of valid orders completed within the maximum period laid down in the contract	%	97
Customers – Mobile	Residential customer assistance services – Average response time of the operator to incoming calls	Seconds	35
Customers – Mobile	Disputed charges – Ratio between the number of disputed charges in invoices received within the survey period and the number of invoices issued in the same period (post-paid service)	%	1.2
Customers – Mobile	Disputed charges – Ratio between the number of disputed charges on pre-paid cards within the survey period and the average number of active SIM/USIM in the same period (pre-paid service)	%	1.2
Customers – Internet	Activation time for broadband Internet access services – Percentage of valid orders completed within the date agreed with the customer (active telephone lines)	%	95
Customers – Internet	Activation time for broadband Internet access services – Average time of supply (active telephone lines)	Days	9
Customers – Internet	Broadband Internet access service faults – Average repair time	Hours	26
Customers – Internet	Disputed charges – Ratio between the number of disputed charges in invoices regarding all Internet access services (received during the survey period) and the total number of invoices issued in the same period	%	1.0
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)	%	1.0
Customers – IPTV	Availability of IPTV service – Average unavailability of the service	Hours/Year	36

1 The full list of mobile service quality indicators, and the respective objectives for 2013, are available at tim.it. The full list of quality indicators for fixed network and IPTV Internet access services, and the respective objectives for 2013, are available at telecomitalia.it.

2.2 TELECOM ITALIA – OTHER STAKEHOLDERS

Area of reference	Indicator	Unit of measure-ment	2012 Final result	Target 2013
Human Resources – Training	Training in health, safety and environment issues[1]	Training hours	50,204	300,000
Human Resources – Training	Training – Training hours per head[1]	Training hours per capita	28.9	30
Human Resources – Training	Training – Coverage (percentage of employees out of the entire workforce who have taken part in at least one training session)	%	76.20	82.50
Human Resources – Accidents	Accidents per 100 workers	Number	1.23	1.30
The Environment – Energy	Eco-efficiency indicator[2]	Bit/Joule	2,524	2,800
The Environment – Energy	Self-generation of energy from mixed sources (cogeneration)	GWh	83	113
The Environment – Energy	Fluorescent lighting units replaced with LED units[3]	Number	160,000	100,000
The Environment – Atmospheric Emissions	Reduction of the quantity of ozone-depleting gas (R22) used in air-conditioning and cooling systems	Kg	7,154	22,000
The Environment – Electromagnetic Emissions	SAR qualification[4]	%	100	100
The Environment – Electromagnetic Emissions	SAR qualification of other technologically innovative devices (USB memory sticks, tablets and routers) marketed under the TIM brand	Number	10	10
The Environment – Paper	Used paper sent for recycling	Tons	20,072	19,000

1 The data includes classroom, online and on-the-job training.

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

3 Modern LED lighting systems provide significant benefits in terms of lower electricity consumption and reduction in the disposal of materials/use of resources.

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.

2.3 TELECOM ITALIA S.p.A. – MULTIANNUAL TARGETS – THE ENVIRONMENT

Area of reference	Indicator	Unit of measurement	2012 Target	2012 Final result	Target Status	2013 Target	2014 Target	2015 Target
The Environment – Energy	Total electricity procured or produced(*)	GWh	1,875	1,913	●	1,898	1,865	1,814
The Environment – Energy	Self-generation of energy from mixed sources (cogeneration)	GWh	84	83	●	113	173	203
The Environment – Atmospheric Emissions	Reduction of CO_2 emissions from the purchase and generation of electricity compared to 2012	Tons	20,000	7,500	●	5,500	17,000	35,000

1
Overall energy requirements for Telecom Italia S.p.A..

The failure to achieve the 2012 target in the context of the above mentioned multiannual objectives is due to the fact that at the time the estimate was made consumption was expected to grow by 1.5%. The effective growth rate, at the end of 2012, was 4% mainly due to the acceleration in the development of LTE and NGAN transmission networks. The 48 GWh increase in consumption was only partly offset by the efficiency measures taken (10 GWh), thus resulting in a final net figure that exceeded the target by 38 GWh, with effects on related CO_2 emissions. The objectives for subsequent years have consequently been set new parameters.

2.4 TIM BRASIL

Area of reference	Indicator	Unit of measurement	2012 Final result	2013 Target
Human Resources	Training (total number of hours: in class, online and on the job) provided to its own employees, outsourced employees and interns	Training hours	679,675	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)	%	35	30
The Environment	Collection of mobile phones, batteries and other accessories to be sent for recycling	Tons	13.88	13
The Environment	Ratio between recycled waste and the total waste generated in the offices	%	74	65
The Environment	Energy - Reduction of the average quantity of electricity required by the mobile network compared to the number of lines	KWh/Mobile lines	4.24	4.17
The Environment	Low environmental impact paper purchased for office use	Tons	60.3	57.3
Suppliers	Suppliers assessed under sustainability criteria	Overall number	188	228

2.5 TELECOM ARGENTINA

Area of reference	Indicator	Unit of measure-ment	2012 Final result	2013 Target
Customers	Customers who signed up to online billing	Number	370,266	385,000
The Community	Beneficiaries for social inclusion projects based on ICT technologies	Number	1,519	2,000
Human Resources	Sustainability training: number of employees involved in at least one training session	Number	-	400
Human Resources	Training hours per head	Hours	19.4	19.4
Human Resources	Employees with teleworking contracts	Number	1,008	1,008
The Environment	Energy consumption	GWh	387	387
The Environment	Low environmental impact paper consumption	Tons	256	280
Suppliers	Suppliers benefiting from sustainability training activities	Number	110	50
Suppliers	Suppliers assessed under sustainability criteria	Number	200	200

Report of the independent auditors
(PricewaterhouseCoopers)

INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2012

To the Shareholders of
Telecom Italia SpA

1. We have carried out the limited assurance engagement of the Telecom Italia Group (hereafter the "Group") Sustainability Report as of 31 December 2012 (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, which was respected also in accordance with the AA1000 *AccountAbility Assurance Standard* (2008) (AA1000AS – 2008), since services or activities that could have generated an independence conflict have not been performed for the Group. ISAE 3000 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 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.

PricewaterhouseCoopers Advisory SpA

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3 The verification procedures performed on the Report are summarized as follows:

- 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 2012;
- 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, Olivetti SpA, TIM Participaçoes 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, Olivetti SpA, TIM Participaçoes 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:
  - ✓ participation, as observers, to some of the stakeholders' engagement events;
  - ✓ 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 report issued on 16 April 2012 .

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 2012 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, 8 April 2013

PricewaterhouseCoopers Advisory SpA

Paolo Bersani
(Partner)

This report has been translated from the original, which was issued in Italian.

We have not performed any controls on the Sustainability Report 2012 translation.

Appendix 1 Data and information on sustainability performance

Area	Information/KPI	Page
Economic value	Economic value generated and distributed	32
Human Resources	Training Telecom Italia S.p.A.	111
Human Resources	Training TIM Brasil	149
Human Resources	Accidents Telecom Italia S.p.A	115
Human Resources	People caring	102
Human Resources	Turnover Telecom Italia SpA	98
Human Resources	Turnover Argentina and Brazil	99
Environment	Heating systems	57
Environment	Vehicles	58
Environment	Number of vehicles and distance travelled	59
Environment	Electricity procured and produced	61
Environment	Atmospheric emissions	64
Environment	Waste	69
Stakeholder Involvement	Stakeholder Involvement	28
Community	The measurement of our contribution to the Community	80
Community	Initiatives consistent with the core business	81
Community	Initiatives for general Community development	83
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	123
Shareholders	Risk Management	123
Shareholders	Corporate Governance	124

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