

Chairman's Letter

The year we have left behind us was, for Telecom Italia, a year of unswerving concentration on the operational management of the Group, aimed at re-balancing costs and revenues, reinforcing the generation of earnings and reducing indebtedness. This management effort took much energy and required great discipline in the use of resources. However, this did not push our commitment to all the stakeholders into second place. On the contrary, this was further strengthened by its closer integration with the activities of the business, and by the establishment of the Telecom Italia Foundation with regard to socially-purposive interventions.

These pages, as ever, present a thorough and detailed panorama of actions taken in support of sustainability, which encompass the entire company in its many parts.

One example is the progress we are achieving in the environmental sphere. Starting with our own activities. In 2008, the Group's indicator of energy efficiency – which sets the service offered to the customer, expressed in terms of bits transmitted by our networks, against its impact on the environment, measured in terms of total energy consumed – was once again improved, by as much as 35%. The growth in traffic was not the only factor contributing to this result. Also very significant was the overall reduction of electricity consumption, the first in the last four years. This would not have been possible without the continuous work of rationalization, modernization and technological innovation of the network infrastructure, and experimentation with new systems of energy production. Optimizing consumption, modernizing the fleet of company cars and converting the thermal plant have, indeed, reduced the direct and indirect emission of carbon dioxide into the atmosphere by about 20,000 tons.

Indubitably, telecommunications in general, and broadband in particular, can play a very important role in the environmental cause, with significant repercussions too on social front at the national level. Just think of the passage from paper to digital form of communications between the public administration, citizens and businesses, eliminating the distances and the necessity for travel. Think of the benefits inherent in the services of telemedicine, e-learning, telepresence, tele-working and, when travel is unavoidable, info-mobility services for traffic management, transport and logistics. Now think of the possibilities of using the sensors and connections within the network for the more efficient control and management of every use of energy resources.

Another sphere of great social importance in which we are working, very often in close collaboration with local public authorities, is that of reducing the digital divide, in order to avoid the creation of new forms of discrimination towards those who find it difficult or impossible to access information technology. This is an issue we are tackling both from the geographical point of view, by extending network and broadband coverage into the more marginal areas, and from the cultural point of view, by promoting a wider awareness of digital technologies among the weakest strata of society.

This year, the Telecom Italia Foundation has become an integral part of the Group's Sustainability strategy. We have entrusted to it the task of reinforcing our commitment to the community, supporting ideas and projects in the fields of education, culture and society, targeted at improving people's quality of life and also contributing, in this way, to the promotion of innovation and modernization within the country, which is an objective of the whole company.

We are proud to note that the determination with which we pursue this goal led to Telecom Italia's place being confirmed in 2008 in all the main global sustainability indexes, which only include the most deserving companies, selected through a rigorous process of evaluation. A further cause for satisfaction was the recent admission of Tim Participações to the ISE index (*Índice de Sustentabilidade Empresarial*), managed directly by the San Paolo stock market in Brazil. Another important acknowledgement has been the co-leadership role taken by the Group in the "laboratory" which – as part of the Alliance between the European Commission and companies launched in March, 2006, designed to make Europe a pole of excellence in corporate responsibility – is working to develop the criteria and methodology for the effective communication of non-financial performance. Still in the area of communication and reporting, it should be noted that Telecom Italia was judged by the Carbon

Disclosure Project to be the best company in all Italy for the measurement and representation of information regarding the emission of greenhouse gases.

This sheaf of positive assessments represents a further stimulus in pursuing our commitment to sustainability, continuing to disseminate, in all the countries in which we operate, the principles of the Global Compact, the initiative launched by the United Nations in 2000 to promote the protection of the environment, respect for human rights and working conditions, and to fight corruption.

Ahead of us, the foreseeable future will continue to be characterized by the particularly difficult international economic situation. This will put the corporate system under strong pressure, forcing businesses to concentrate on the fundamentals of management to a much greater degree than in the recent past. Those who, like us, see sustainability as going hand in hand with the creation of value, will draw from this renewed motivation, which will certainly make a positive contribution in confronting complex circumstances. This will bring benefits for the company's results, but, first and foremost, it will bring benefits for all those who demand from Telecom Italia that contribution of innovation and modernization that will be the solid foundation upon which recovery and new prospects for development can be constructed.

Gabriele Galateri di Genola

President

Human Rights

Principle 1: *Business should support and respect the protection of internationally proclaimed human rights.*

References related to the 1st principle (2008 Telecom Italia Sustainability Report Chapter/Paragraph):

- Introduction: References and Governance;
- Introduction: Charters, Codes and Values;
- Introduction: Strategy/Sustainability strategy for 2009-2011;
- Introduction: Planning;
- Introduction: Reporting;
- Introduction: Results/European Alliance;
- The Community: The Telecom Italia Foundation;
- Human Resources: Strategy;
- Human Resources: Health and Safety;
- Human Resources: Accidents.

Introduction: References and Governance

In defining and implementing its own Sustainability strategy and programme, Telecom Italia Group makes reference to the guidelines issued by the main global organisations of guidance and standardisation in Corporate Responsibility.

In 2002, Telecom Italia endorsed the principles of the Global Compact.

The System of Sustainability Management also takes into account international regulations and the main standards in the area:

- the Recommendations and Communications of the European Commission;
- the OECD guidelines directed at multi-national enterprises;
- the principles of the international research institute, AccountAbility, on Assurance and on Stakeholder Engagement;
- the ISO 9000 and ISO 14000 certificates for the Quality and Environmental Systems of Management;
- the principles of the Conventions of the International Labour Organisation (ILO) on respecting the fundamental rights of workers;
- the Social AccountAbility 8000 standard (SA8000), aimed at promoting respect for human rights and working conditions by companies and their supply chains.

The Board of Directors' meeting of November 7, 2008, decided to group the monitoring of activities in the field of Sustainability under the oversight of the External Relations Department, thus giving it a supervisory and coordinating role, and by establishing the Telecom Italia Foundation. The Board of Directors also decided to take on responsibility for scrutinising all sustainability activities through the Internal Control and Corporate Governance Committee that will check sustainability activities, including projects managed by the Telecom Italia Foundation to ensure they are consistent with the Group's ethical values.

Introduction: Charters, Codes and Values

The commitments undertaken by the Group towards its stakeholders are based on a system of Charters and Codes which are available on the www.telecomitalia.it website (Sustainability/Our model/Policies), and on the Group Intranet, which ensures easy access for all employees. The pillar of the system is the

Code of Ethics, which is the primary element of the organisational model, and the overall Internal Control System of Telecom Italia Group, founded on the conviction that ethics in the conduct of business is a prerequisite of the success of that business. The Code lays out the goals and guiding principles at the centre of business activities with regard to the main stakeholders with whom the Group interacts. Respecting the Code is a requirement for governing 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 competences, functions and responsibilities.

Other policies adopted by the group, which are available in the Sustainability section of the website, concern:

- the social responsibility of the Telecom Italia Group which regulates compliance with labour standards within the Group, in particular 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 acquisitions 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;
- TV self-regulation code aimed at the protection of minors with respect to television services.

Introduction: Strategy/Sustainability strategy for 2009-2011

The Group acts out of the conviction that business activities should be carried out taking into account the expectations of the stakeholders, in line with the principles established by the internationally recognised standards to which the Group refers.

The business must be oriented towards the pursuit of financial results without losing sight of the environmental and social context in which it operates.

The Sustainability strategy for the three years 2009-2011 is founded on:

- attention to quality of the service, which is monitored constantly by the responsible departments;
- attention to energy efficiency and the development of solutions aimed at reducing environmental impact;
- commitment in support of the communities in which the Group operates, promoting ideas and projects aimed at improving people's quality of life through the Telecom Italia Foundation;
- integration of Sustainability data within the Group Annual Report, in confirmation of the Group's intention to present its financial performance jointly with non-financial information intention;
- evaluation of the impact in terms of Sustainability of the business projects presented for approval by the Group's Investment Committee, through an assessment schedule filled by the relevant project manager;
- the involvement of the stakeholders in the company activities;
- development of the reporting in order to achieve greater adherence to the guidelines of the Global Reporting Initiative (GRI);
- the definition of quantitative objectives in line with the most important issues of Sustainability;
- integration of sustainability and innovation: a specific section is dedicated to matters 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 in the area of sustainability, including membership of the Global Compact, and support for the Alliance of March, 2006, with the European Commission.

Introduction: Planning

The Sustainability Plan is based on a procedure that is broken down into four phases:

1. identification of the areas for improvement in sustainability performance;

2. comparison between the areas for improvement and the projects the Group plans to carry out for the purposes of its business, with particular attention to investment projects;
3. definition of targeted actions to be taken in the areas for improvement where no projects have been conducted previously, or those where the planned projects do not have sufficient, positive impact in terms of sustainability;
4. monitoring those areas in need of supervision in order to maintain the performance level attained.

The identification of the improvement goals is based on:

- commitments required by international organizations – such as the UN, ILO, OECD – and regulatory bodies, tailored to the Group through its Code of Ethics and other charters and policies;
- general issues assessed by analysts for the purpose of admission to the sustainability indexes;
- stakeholders' requests (conveyed through associations, the media, direct contacts, etc.);
- benchmarking with peers.

Projects that require relevant investment, presented for approval by the appropriate Committee, are accompanied by an assessment schedule in which their impact, in terms of the Sustainability of the investment, is stated. The Project Managers identify whether the projects for which they are seeking approval have positive, negative or neutral impact in terms of sustainability, regarding certain key areas identified for each stakeholder. These reports are taken into account within the decision making process that leads to the approval of investments, and they provide a useful summary for assessing the overall impact of the Group's investment choices in terms of sustainability.

Introduction: Reporting

The performance analysis and the associated reporting of the results are based on a multi-stakeholder approach, and upon around 200 KPI (Key Performance Indicators), defined on the basis on the analysis of the GRI (Global Reporting Initiative) guidelines, the demands of stakeholders and the checklists of the leading rating agencies, with the aim of inclusion in the indexes of sustainability indexes.

The methodology adopted to measure investments in the Community is that defined by the London Benchmarking Group (LBG).

For the purposes of the sustainability report, subsidiary companies included in the area of consolidation have been taken into account, unless otherwise stated, excluding Discontinued operations/Non-current assets held for sale.

The selection of matters to be published in the sustainability report has been made on the basis of the principles of materiality, responsiveness and completeness as defined by AccountAbility, in line with the GRI guidelines: the information reported concerns the relevant impact (in economic/environmental/social terms) of the Group's activities on stakeholders.

Introduction: European Alliance

Within the context of the Alliance between the European Commission and companies, launched on March 22, 2006 with the aim of making Europe a pole of excellence in CSR, various "laboratories" have been set up, that are working groups which bring companies and stakeholder representatives together, with the support of the European Commission. The objective of these laboratories is to explore and develop shared, operational solutions that permit measurable progress in the Alliance's priority areas, among which is an improvement in the quality of the reporting processes. In this framework, the "Sustainability and non-financial performance assessment" laboratory, of which Telecom Italia is co-leader, was established, with the aim of defining an advanced reporting model for non-financial performance to meet the needs expressed by investors and other stakeholders. To encourage a dialogue on the subject, a wide-ranging consultation process was begun through a cycle of meetings (focus groups) in Italy (Rome and Milan) and abroad (Frankfurt, Paris, Stockholm and Utrecht) which involved companies, investors, academics, representatives of the European Commission and

stakeholders. In furtherance of the consultation process, an Internet site (www.investorvalue.org) has been launched, where it is possible to express an opinion on the preliminary results from the laboratory, which were presented on December 4, 2008, in Brussels, in the presence of representatives from the Institutions, academia, the business world and NGOS. Against that backdrop, the workshop got the explicit appreciation of the Vice President of the European Commission, Günter Verheugen.

This laboratory is transversal to the ten Global Compact principles.

The Community: The Telecom Italia Foundation

The Telecom Italia Foundation was established during 2008 and became operational in 2009.

The Foundation is a manifestation of Telecom Italia Group's Sustainability strategy in relation to the community. With its establishment, Telecom Italia is determined to strengthen the Group's commitment towards the communities in which it operates, promoting ideas and projects designed to improve people's quality of life. Specifically, the Foundation is active in the following areas:

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

The Foundation's president, Professor Joaquín Navarro-Valls, will be supported by a Scientific Steering Committee, composed of experts in various fields, in defining the operational plan of activities.

The Telecom Italia Foundation – whose offices are in Rome – is a business foundation of the distributive kind, with a management fund tied to the profitability of the Telecom Italia Group. The financial commitment for 2009 is the equivalent of 0.5 per thousand of the consolidated EBTIDA for the year 2008.

Human Resources: Strategy

The companies of the Group recognize the central importance of Human Resources, in the conviction that the principal factor in the success of any business is the professional contribution of the people who work there, within a framework of loyalty and reciprocal trust.

The companies of the Group protect health and safety in work places and hold as a fundamental principle the respect for workers' rights in the conduct of economic activity.

The management of labour relations is directed at guaranteeing equal opportunities and promoting the professional growth of each person.

Human Resources: Health and Safety

During 2008, at Group level, certain specific projects/initiatives were carried forward or begun:

- *Wellbeing in the care centres project*

Under this project, begun in 2004, a survey was carried out of all operators in the Padua call centre, later extended to the numerous call centres distributed around the entire country, using a new, computerised questionnaire prepared by Turin University, which involved a sample of around 3,000 workers.

Adjustments were carried out, in accordance with the Company/Union Organisations (OO.SS.) agreement on "wellbeing in the call centre", signed on May, 2008, regarding the macro areas for improvement that were identified.

Meetings have been held with outside Bodies, including the requisite meetings at regional level with other interested parties (Representatives of Workers for Safety, the Joint Environmental Committee, etc.).

Moreover, the ergonomic/environmental campaign dedicated to the company's call centres has been completed;

- *The Drive Safely project*

Nineteen editions of the theoretical-practical safe-driving course started in 2007 were staged for 681 technicians who frequently use vehicles in the normal course of their work. In addition, the awareness campaign created by the Service of Prevention, Protection and the Environment (SPPA), directed at operational personnel, has continued, with meetings supported with dedicated audiovisual equipment;

- *Awareness campaign*

New initiatives were launched, aimed at the promotion of safety in the workplace, among which were the drawing up and wide distribution of a new information leaflet on the subject, and a more systematic use of internal channels of communication.

In Tim Brazil, the "Prevention of Accidents in the Workplace Week" was launched, centred on four main themes: the environment, accident prevention, health care and the quality of life. A competition was launched in which collaborators designed projects to improve the quality of life in the company. The best projects will be implemented starting in 2009;

- *Exposure to physical agents*

The evaluation of the concentration of radon gas in certain types of workplaces has continued, through a scientific collaboration with the Higher Institute of Health to develop an operational methodology, and an accredited laboratory.

- *Exposure to biological agents*

In agreement with the Higher Institute of Health, the investigation has been extended to subterranean plant where Telecom Italia's technicians work, as part of the widest possible process of evaluation of biological risk (Legionella);

- *Site Sharing Project*

Common protocols for managing safety-at-work issues in shared Radio Base Stations have been completed, in agreement with Vodafone.

Among the other activities undertaken to guarantee and promote the health and safety at work, the following are of particular importance:

- the up-dating of the company's Risk Evaluation Document;
- training in health and safety at work matters – 164,782 hours for workers exposed to specific risks, those responsible for emergency management, those who work at video terminals, newly recruited staff and/or those whose duties have changed;
- in the area of health supervision, 225 inspections were carried out by competent doctors and the SPPA in places where video terminals are used;
- implementation of activities for the application of the Safety Management Systems in conformity with the OHSAS 18001 standard in certain organisational areas;
- carrying out controls and monitoring of buildings, plant, equipment and processes. In particular, the following have been implemented:
 - 351 micro-climatic measurements in the call centres;
 - 124 measurements of noise pollution, and corrections;
- carrying out of 304 evacuation rehearsals to check the efficiency of the Emergency Management Plans. In Tim Brazil, 9 rehearsals were carried out;
- up-dating of 314 First Aid Operational Plans.

Human Resources: Accidents

The data on accidents regarding Telecom Italia S.p.A. are presented below in comparison with data referring to the preceding year.

	2008	2007
Number of accidents	932	969
Severity index (*)	0.45	0.24
Frequency rate (*)	9.77	10.28
Average duration in hours	127.31	136.01
Rate of unproductiveness (*)	1.24	1.40
Accidents per 100 workers	1.63	1.62

(*) The indices of severity, frequency and unproductiveness are respectively:

- the number of conventional working days lost in the year for every thousand hours worked;
- the number of accidents per every million hours worked;
- the number of hours lost due to accidents for every thousand hours worked.

The increase in the index of severity is due to three fatal accidents that occurred during 2008, of which one was work-related and two unrelated to work (road accidents).

Human Rights

Principle 2: *Business should ensure that they are not complicit in the human rights abuses.*

References related to the 2nd principle (2008 Telecom Italia Sustainability Report Chapter/Paragraph):

- Suppliers: Strategy;
- Suppliers: General Matters;
- Suppliers: Controls;
- Suppliers: Main Sustainability Initiatives;
- Customers: Digital Divide;
- Customers: Relations with Consumer's Associations/Conciliation;
- The Community: TIM Mobile Speak;
- The Community: Crazy for the blog;
- The Community: Technological innovation and services through collaboration with universities;
- The Community: Electronic Healthcare Solutions;
- The Community: Tim Mobile care;
- Introduction: Results;
- Introduction: 2009 Objectives.

Suppliers: Strategy

The companies of Telecom Italia Group ensure that the acquisition process is aimed at the procurement of products and services under the best possible market conditions, at the same time guaranteeing the prerequisites of quality, safety and respect for the environment. The process of acquisition is based on a competitive comparison of the technical/economic offerings of suppliers, 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 acquisition process and its continual improvement, in the light, too, of green procurement, obtaining the respective certification of quality.

Suppliers: General Matters

The process of selection, assessment and control of Telecom Italia Group's suppliers is achieved, for high risk categories of commodities, through a pre-contractual phase of evaluation in which the economic/financial and technical/organisational characteristics of the potential supplier are assessed, with a view to inclusion on the Group's Register of Suppliers.

The Groups requires of every supplier a declaration of commitment, on behalf of the company in question and any authorized sub-contractors, collaborators and employees, to observe the principles of ethics and conduct contained in the Group's Code of Ethics and Conduct.

Further details on these activities can be found in the section "Acquisti" of the Supplier Portal (<http://suppliers.telecomitalia.it/>).

Suppliers: Controls

In the course of the year, in the technical field, around 17,000 checks have been carried out on the execution of work, which focused in the main on the installation phase of new equipment, the distribution of services and work, and the maintenance of the network.

A summary of the main controls carried out on suppliers in the Purchasing Department during 2008 now follows:

- Supplier Evaluation: 1,070 evaluations have been carried out on 557 suppliers, of which 119 produced negative outcomes, and 126 in which judgement was reserved for a specified period of time;

- Subcontractor Evaluation: 354 evaluation checks carried out, with 32 negative outcomes;
- Vendor Rating monitoring: 80 six-monthly reports issued, concerning 344 suppliers and 43 categories of acquisition;
- Technical-organisational audits at the suppliers' headquarters for Incoming Quality controls regarding products and services: 503 product batches were checked, of which 52 were blocked for non-conformity;
- Technical-organisational audits at the suppliers' headquarters for evaluation procedures: 203 checks were carried out on 142 suppliers, of which 23 produced negative outcomes, and 17 in which judgement was reserved for a specified period of time;
- Technical/organisational audits at the headquarters of high-risk subcontractors (equipment/operational activities) for evaluation procedures and authorisations of use on the part of supplying businesses: 147 checks on 121 suppliers were carried out, of which 5 produced negative outcomes, and 10 in which judgement was reserved for a specific period of time.

Suppliers: Main Sustainability Initiatives

The following initiatives were undertaken during 2008:

- the "Guidelines for the Evaluation of the Life Cycle of the Products", (issued at the end of 2006), were applied to 22 products. These guidelines allow the assessment, through an eco-compatibility index, of how far acquired goods, that are managed or marketed by the Group, meet the prerequisites of the key environmental requirements; and that they are designed, realized, used and discarded in such a way as to facilitate the management of the entire life cycle, from the environmental and economic point of view.
The product families to which the guidelines are applied are defined on the basis of the volume acquired, their impact on the company's reputation, the economic and legal risks and dangers. They are:
 - products that are intended for marketing (telephone terminals, switchboards, fax machines, modems);
 - office products (computers and peripherals, photocopiers, paper, consumables such as toners, batteries, etc.);
 - network apparatus and materials (poles, mobile phone antennas, cabinets, accumulators, power stations);
- in acknowledgement of the commitment undertaken in 2008, the aforementioned evaluation of the life cycle of the products of 56 suppliers has been integrated with other checks, aimed at assessing, more generally, the initiatives adopted in the areas of Ethics and Sustainability, such as observance of the principles of Ethical Business conduct, and with procedures to ensure the health, safety and rights of workers. These checks also have the objective of promoting the suppliers' commitment to pursue, together with their own suppliers (sub-suppliers of the Group), Sustainability throughout the entire supply chain;
- checks have been carried out on the suppliers of subsidiary companies abroad. In particular, the main suppliers of the subsidiary, Hansenet Telekommunikation GmbH (Germany), have signed up to the principles of Telecom Italia Group's Code of Ethics and Conduct;
- the Group's Purchasing Department completed, in November, 2008, the certification procedure confirming its conformity with the prerequisites of the standard ISO 9001:2000 of the "Management System for Quality", already obtained by some departments in 2007 and now extended to the entire Department. This initiative involved the mapping of the Management processes with the identification of more than 193 performance indicators that permit the monitoring and improvement of the administration of services supplied to internal clients and suppliers. Furthermore, the Facility Management department obtained the ISO 1400 certification;

- a second survey was carried out (the first was conducted in 2007) into the level of satisfaction of the Group's main suppliers in the Purchasing Area, and in Telecom Italia in general. The on-line questionnaire, made up of 28 questions, was live for two weeks, and the analysis involved 688 suppliers with access to the Supplier Portal. The overall average outcome of around 290 questionnaires compiled (with around 43% participation compared to 34% in 2007) was equal to 69/100 (71/100 in 2007);
- since 2006, Telecom Italia Group has participated in the work of a study and strategic direction group for the Sustainability and Integrity in Dealings with Suppliers (SIRF), which involves some of the most important Italian companies operating in the service and manufacturing division. Following the formalisation of the rules of conduct and the criteria for carrying out the supply procedure, through specific guidelines drawn from the international standards in the area of business responsibility, an assessment was also carried out in 2008 (with reference to the year 2007). Telecom Italia Group's conformity rating with the SIRF Guidelines, which are produced by a leading independent evaluation company and based on rising scale, was also "optimum" for the year 2007, with an overall improvement in the valuation (the total points were 87.40% against 83.42% in 2006);
- the first e-community of the main suppliers of the network works' division has been brought on line with the aim of improving communications with and between suppliers, chiefly on subjects regarding social and environmental sustainability. The initiative involved the network works' division, which has always been the object of particular attention precisely because of the importance of the question of safety at work that the activity presents.

In order to guarantee a more efficient exchange of information, the e-community has even been given its own Internet site, called "TelecHome", which can be reached through the Supplier Portal by using the appropriate log-in credentials. In this way, the improvement of the interchange within the e-community has been ensured, also thanks to multimedia tools, aimed at:

- integrating best operational practices adopted in specific subject areas;
 - publishing the results obtained, in terms of the environmental and social certification attained;
 - carrying out electronic voting campaigns on various initiatives, for the purpose of their evaluation.
- Subjects dealing with the correct execution of certain activities with a high risk of accidents were discussed during the year. This has permitted the creation of documents listing the best operational methods to be adopted, which has been shared among the participants, and has, thereby, become a valuable resource for the e-community.

Furthermore, discussions have begun on the management of manufacturing waste, a subject that impacts directly on the environmental sustainability of businesses and, consequently, of Telecom Italia.

A second e-community has also been launched for the ICT partner division, which has its own discussion site. This too is focused on the subject of social and environmental sustainability.

The first theme chosen for discussion regards the method for reducing the energy consumption and environmental impact of the ICT solutions;

- an overall vendor rating indicator has been defined which considers intersecting aspects of the various suppliers, with more general attention on the stakeholder sphere.

The indicator has four components:

- the category vendor rating (40% weighting);
- the Social and Environmental Sustainability index (20% weighting);
- competitiveness (30% weighting);
- the regularity of invoicing (10% weighting).

The evaluation of the overall level of the performance of the chief suppliers will be carried out annually and will allow the creation of a framework of reference that will be useful for the acquisition strategy and for interventions with the said suppliers.

In particular, the evaluation of the Sustainability Index is arrived at by considering the indexes of accidents and contributory propriety, as well as the environmental and social certification, the level of proactivity in the e-community and the adoption of initiatives to save energy and reduce environmental impact.

The initial, experimental application to suppliers in the network works' division has revealed certain areas for improvement in the businesses, including the development of the awareness among the suppliers on the subjects in question, and the pursuit, specifically, of the goal of "zero accidents".

Table summarizing the 2008 Results vs 2008 Objectives and 2009 Objectives.

Subject	2008 Targets	Status	2009 Targets
ISO 9001 and ISO 14001 certification	Completion of the ISO 9001 certification of TI Group's Purchasing Department and ISO 14001 certification of the Facility Management activities of the same Department.	Achieved	Maintenance of the ISO 9001 certification of TI Group's Purchasing Department and ISO 14001 certification of the Facility Management activities of the same Department.
E-community project	The development of an e-community project through the creation in the Supplier Portal of a multimedia environment for: <ul style="list-style-type: none"> ✓ publicising policy, standards, specific goals and best practices in the field of Sustainability; ✓ stimulate the initiation of Sustainability projects; ✓ organise electronic voting campaigns for suppliers, on our own Sustainability projects and those of the suppliers. 	Achieved	Development and extension of the e-community to more groups of suppliers.
Supplier evaluation	The calculation of a Global Vendor Rating index that takes account of suppliers' performance in the field of environmental and social Sustainability.	Achieved	Introduction of environmental criteria, with a weighting no less than 10%, in the bidding process for some of the main products for marketing.
Controls on suppliers of subsidiary companies	The extension of checking activities on the main suppliers of the subsidiary, Hansenet Telekommunikation GmbH (Germany) and the requested adherence to the principles of TI Group's Code of Ethics.	Achieved	

Customers: Digital Divide

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

Geographical Digital Divide

In 2006, in line with a new model for development based on public incentives, Telecom Italia launched an important Anti Digital Divide Plan, aimed at covering, at low cost, the largest possible number of towns which either generate low revenues or are not as yet provided with optical infrastructure. The

Plan provides for the best combination of a mix of innovative, technological solutions on one hand and, on the other hand, of methods of raising the necessary investments. At the end of 2008, 96% of Telecom Italia's total fixed lines were within ADSL coverage, and around 54% were covered by IPTV. As regards the accessibility of BroadBand on mobiles, the percentage of residents covered by Telecom Italia through UMTS at the end of 2008 was 80.7%. The same percentage was able to access another important mobile technology, HSDPA, which allows speeds of 3.6 Mbp/s.

From the point of view of local investment, cooperation with regional authorities takes place according to two principal means of intervention: the first is "contributive" i.e., based on direct financial incentives (in accordance with the regulatory framework in matters of state aid), the second is "collaborative", based on supporting potential demand. Examples of both types of intervention are listed below.

Under the contributive model, adopted in recent years in Tuscany and Sardinia and repeated in Sardinia in 2008, the operator is given a contribution for the extension of BroadBand coverage to areas of so-called market failure (the Scottish model). In this case, the commitment of Telecom Italia (the contracting operator) is to create and maintain, for a period of at least 15 years, a fibre optic infrastructure for the inclusion of businesses and residential areas still trapped in the Digital Divide.

The collaborative model includes some of the main agreements signed by Telecom Italia during 2008, among them the Protocol of Agreement with Liguria and the Letter of Intent with Umbria. Both have the objective of increasing the development of broadband through public support to the growth of demand network services. In order to manage Digital Divide issues, Telecom Italia, through a Digital Divide workgroup, in 2008 has continued the development and implementation of an IT platform which supports both operations and decision-making, known as the "Digital Divide Project" (DDP). The DDP contains the complete map of ADSL, ADSL 2+, 20M/IPTV coverage across Italian territory. The DDP is used not only for the daily management of the requests and complaints that are intrinsic to broadband, but also to steer, as far as possible, network operations towards those localities most exposed to the Digital Divide.

The year 2008 ended with "Digital Divide Day". The event, organised within Telecom Italia, saw the participation of the Chief Executive Officer and the President. The workshop was the opportunity to exchange ideas on the phenomenon, and the occasion made even more evident the primary role assumed by the company in overcoming the digital barrier.

Socio-cultural Digital Divide

The Digital Divide, in the generic sense of divergence in the accessibility of the new opportunities offered by the new ICT technologies is not only a specific problem of ADSL coverage, but it must also be seen under a different point of view, that is, with references among economic and social categories. In this light, the main areas for intervention by the Telecom Italia Group in order to reduce the socio-cultural digital divide are:

- dissemination of the culture and services of ICT;
- support for the elderly and the disabled;
- interventions in the developing countries where the Group operates.

Customers: Relations with Consumer's Associations/Conciliation

One outcome of the collaboration with the Consumer's Associations is the equal conciliation procedures which, since 1991, have brought the resolution of around 60,000 disputes with customers. These procedures operate under the "parity" model, which provide for direct responsibility on the two parties: the customer, who mandates full negotiating power to resolve the dispute to the representative of the association he/she chooses; and the company, which participates through its own representative, also furnished with an equivalent mandate. The discussions on the request for conciliation takes place under the auspices of the conciliation secretaries, which are hosted in Telecom Italia offices all over Italy. The procedure is completely free of charge for the customer. Starting with the presentation of the

demand, and for 45 days thereafter, Telecom Italia ceases any operations regarding the customer and undertakes to produce within that term a proposal to resolve the dispute. The dispute is concluded with the drawing up of the minutes of conciliation, which the customer may choose to sign or not. In the event both parties sign, the conciliation decisions come into force immediately. A customer who decides not to sign the minutes is free to pursue any normal legal procedures they consider appropriate. The conciliation procedure is available to Telecom customers only if and when the normal complaints procedures have concluded in an unsatisfactory manner, and in any case does not preclude the consumer from the option of taking the normal legal/administrative steps.

In the course of 2008, the Protocol of Understanding was also signed by Codacons and by the “Consumer Counter” Association of San Marino.

In this way, the number of signatories to the Protocol has risen to 19, bearing witness to the efficiency of the conciliation instrument for the Group’s customers/consumers.

During 2008, the European Commission and some important Italian service companies displayed great interest in Telecom Italia’s conciliation procedures.

The Community: TIM Mobile Speak¹

The result of collaboration with Loquendo (a Group company) and the Italian Association of the Blind and Visually Impaired, TIM Mobile Speak is a more developed version of TIM Talks. This involves a software application that allows the blind, visually impaired and the elderly to use all the functions of mobile phones thanks to an electronic voice that reads out the contents of the display, depending on the requirements and instructions of the user.

The users of the service can read and write SMS and emails, compose and upload multimedia messages (MMS), call and change numbers in their address book, change the phone’s settings, manage an appointments schedule, read and write text documents, navigate the Internet and use the clock and alarm clock.

The Italian Association of the Blind and Visually Impaired guarantees, in agreement with TIM, a dedicated, after-sales assistance service for the resolution of problems connected to the use of the new application.

As TIM Talks was in the past, TIM Mobile Speak is available free of charge, by obtaining a new, compatible handset at Telecom Italia’s major sales outlets.

The Community: Crazy for the blog²

Telecom Italia supports the Lighea Foundation, which takes care of people with psychological disorders and provides assistance to their families.

In particular, through the initiative “Crazy for the blog”, Telecom Italia has made available its own technological resources for the creation of a blog within the therapeutic community.

The diary-on-line can be accessed by all adult patients who are afflicted with serious psychological disorders and whose illness has caused side effects such as inertia, isolation and social exclusion.

The chance to swap ideas with the world around them, together with suitable rehabilitation and drug therapy, can be a real help in gradually getting them back into society. The positive effects from the creation of the blog are not restricted only to patients. The network also helps to break down the barriers and the fear that people often feel when faced with psychological ailments and those who suffer from them.

¹ According to the London Benchmarking Group model, this initiative is included in the level 3 of the pyramid diagram (Initiatives in the Community).

² According to the London Benchmarking Group model, this initiative is included in the level 3 of the pyramid diagram (Initiatives in the Community).

The Community: Technological innovation and services through collaboration with universities³.

Telecom Italia Lab also promotes technological innovation and services through collaborative relationships with the academic world. In cooperation with Milan Polytechnic, as part of a master's degree in Design, a project has been launched that is aimed at making the services distributed to the public – not just telephony - more accessible and usable.

Within the scope of this degree course, the “Innovative Services for Sustainable Ways of Life” laboratory was put into operation. This designs services for groups of people who form part of the same social or environmental grouping, for example, services for foreigners who wish to join a community that faces the same problems they do. Telecom Italia has made available to this laboratory its technological competence in networks and ICT services, supplying whatever is necessary for the planning and design of services based on mobile telephony and on the Web 2.0 evolution, while the Province of Milan has supplied actual social services “Case Studies” as subjects for innovation through ICT.

The Community: Electronic Healthcare Solutions⁴

Several ICT solutions that have been developed by Telecom Italia to help health service providers improve procedures for the assistance and treatment of patients are reported below.

MYDoctor@Home: it is a service that allows patients suffering from chronic illnesses to monitor their own physiological parameters (body weight, blood pressure, heart rate, the absorption of oxygen by the blood cells, blood sugar levels, pulmonary function, electrocardiography etc.) in their own homes simply by using their mobile phones. The technological platform that makes this service possible was developed by Telecom Italia.

Appropriate portable devices directly record the parameters required by the doctor and then, thanks to their built-in Bluetooth technology, they automatically send the data to the network through the mobile phone.

By accessing the network, the doctor in charge of treatment can check the progress of the therapy from his office and make corrections at any moment, immediately sending the details to the patient. In a similar way, while making a house call on a patient, nursing staff can send clinical data to the doctor on the ward and immediately receive his opinion or urgent instructions, speeding up diagnosis and intervention.

Telecom Italia and the San Giovanni Battista University Hospital of Turin (Molinette Hospital) have signed an annual agreement to experiment with this service with the aim of assessing its benefits both in terms of improvements in patients' quality of life and in optimizing the expenditure of the health service provider.

MyVirtual Rehabilitation: it is a virtual reality system for the treatment of motor deficiency syndrome of the upper and lower limbs. The therapist designs a course of exercises for the patient to follow, with the aid of several sensors applied to the affected limb. The sensors are linked to a system which reproduces on a screen a pleasurable and game-like virtual environment that guides the patient through the correct execution of the movements. The system assigns points for the execution of the exercise and this gives the patient an incentive while, at the same time, providing useful information to the therapist about the progress achieved.

The therapy can even be conducted remotely, at centres other than the hospital, or in the patient's own home. An associated video-conferencing system allows a dialogue between patient and therapist.

³ According to the London Benchmarking Group model, this initiative is included in the level 3 of the pyramid diagram (Initiatives in the Community).

⁴ According to the London Benchmarking Group model, these initiatives are included in the “Business Basics” of the pyramid diagram.

Multimedia Counters: it is a solution aimed at health agencies, which:

- enables patients to pay health charges by cash, credit card or bank card, request certificates and book services, even when the service till is not open;
- provides information to citizens and health workers about the list of services and the location of offices and departments within the buildings and the hospital campus. By means of an audio link (video is also an option), it is possible to speak directly with an operator to obtain further information. The information available to health workers concerns rosters, as well as company and union communications.

The Community: Tim Mobile care⁵

Developed in collaboration with the National Organisation for the Protection of the Deaf (ENS), TIM Mobile care is a multimedia service offering video assistance that enables the deaf to receive, free of charge in the Italian Sign Language, all the instructions required to use the mobile telephone services (for example, configuring email, SMS/MMS, remaining credit, details of the tariff, etc.). By connecting to the WAP 119 services and accessing the dedicated area, the deaf can navigate their way through a menu. Once the required information is selected, a video gives the necessary explanation.

It is now possible, again through the WAP 119 services, to take advantage of other information services (tourism and entertainment).

Introduction: Results 2008 - Objectives 2009

Indicator ⁶	Unit of Measurement	Target 2008	Final balance 2008	Target Status 2008	Target 2009
Increase of audits on suppliers regarding Ethics and Sustainability ⁷	%	10	12	▲	
Percentage of the main suppliers evaluated with Sustainability criteria – Brazil	%		0		30
ADSL coverage ⁸	%	96	95.8	►	96.5
IPTV Coverage ⁹	%	54	53.8	►	54.8
UMTS Coverage ¹⁰	%	81	80.7	►	82.4
HSDPA Coverage ¹¹	%	81	80.7	►	82.4

Target status: ▲ achieved; ► partially achieved; ▼ not achieved.

⁵ According to the London Benchmarking Group model, this initiative is included in the level 3 of the pyramid diagram (Initiatives in the Community).

⁶ Unless otherwise stated, targets refer to the activities of Telecom Italia S.p.A.

⁷ Currently carried out by audit with monitoring conducted on a self-evaluation basis.

⁸ The percentage refers to fixed telephone lines.

⁹ The percentage refers to fixed telephone lines.

¹⁰ The percentage refers to the residential population.

¹¹ The percentage refers to the residential population.

Labour

Principle 3: *Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.*

All personnel – whatever the level/qualification – are entitled to form and join trade unions for the protection of individual and collective interests. The Group's companies acknowledge the role of union representatives, who are not subject to any discrimination, and ensure, for union activities, the appropriate retribution of absence and the means to communicate with personnel in the workplace.

The organisation of working hours complies with laws in force and with agreements negotiated with the workers' Organisations on the subject, including the weekly day off and overtime.

As far as minimum standards and payment modes are concerned, wages paid by the Group's companies to personnel meet collective bargaining provisions.

Any deduction from wages due to disciplinary purposes is made in compliance with collective bargaining provisions.

The wages sheet delivered to personnel shall clearly detail all items composing remuneration.

The Group's companies do not undertake contracting arrangements that are unlawful or avoid fulfilling obligations under applicable laws.

References related to the 3rd principle (2008 Telecom Italia Sustainability Report Chapter/Paragraph):

- Human Resources: Industrial Relations.

Human Resources: Industrial relations

The year 2008 was crowded with union appointments and the results from negotiations.

On May 14, 2008, the Company signed an agreement, defining the new Productivity Bonus as valid until December 2011, with SLC-CGIL, FISTEL-CISL, UILCOM-UIL and the National Co-ordinating Committee of the RSU and, on May 15, 2008, with UGL Telecomunicazioni.

The amount of the Award, distributed every six months, is made up of 70% pegged to the company's economic performance (EBITDA), with the remaining 30% pegged to the level of Customer Satisfaction. It provides a system of annual distribution until 100% of the target is reached for the fifth level of the employee scale of 2,870 euros.

In addition, negotiations are underway with the Trade Union Organisations to define a third parameter of quality/productivity, differentiated for large-scale organisational areas, which will be introduced from January 1, 2009.

With specific understandings, the union agreement on the Productivity Bonus of Telecom Italia S.p.A. has been extended to Elettra Tlc S.p.A., IT Telecom S.r.l., Path.Net S.p.A., Telecom Italia Audit and Compliance Services Scarl.

This negotiation fell within the scope of wider company negotiations that saw the signing of the renewal of the company's regulations on reconciliation with the National Collective Work Contract.

Specifically, the areas covered by the agreements were: working hours and availability, various permissions, training, illness, travel expenses and luncheon vouchers, an electronic union noticeboard and tele-working.

With specific understandings, the agreement on the secondary level of negotiations of Telecom Italia S.p.A. has been extended to IT Telecom S.r.l., Path.Net S.p.A., Telecom Italia Audit and Compliance Services Scarl.

The second level agreements were later signed with SLC-CGIL, FISTEL-CISL, UILCOM-UIL and the competent RSUs, both the regulatory part and the part dealing with performance-related pay for the

companies: Telecom Italia Sparkle S.p.A., Elettra Tlc S.p.A., Loquendo S.p.A., TeleContact Centre S.p.A.

At the end of a broader phase of discussions in the headquarters of the joint Company-Union Commissions, on May 14, 2008, an agreement was reached with SLC-CGIL, FISTEL-CISL, UILCOMUIL and the National Coordinating Committee of the RSUs on the subject of wellbeing in the call centres. The main interventions to improve working conditions in customer care were focused on the following areas: organization of the work; valuing, training and updating personnel; working environments; reconciling the work-life balance.

On May 15, 2008, the understanding was also signed by UGL Telecomunicazioni.

Following the start, on June 26, 2008, of the mobility procedures under law no. 223/1991 for a total of 5,000 workers across the entire national territory, the relative agreements were reached, on September 19, 2008 at the Ministry of Labour, with SLC-CGIL, FISTEL-CISL, UILCOM-UIL, UGL Telecomunicazioni, CISAL Comunicazione, SNATER TLC and the RSUs.

These agreements allow the mobility placement, before December 31, 2010, of a maximum number of 5,000 workers, according to the priority criterion of maturation of the pension requirements during the period of mobility and for those workers who confirm their willingness to accept this option. The Company will, in addition, guarantee workers an amount no less than the net difference between 90% of their monthly wages and the mobility payment, in accordance with article 7 of the Law 223/91.

Within the scope of the overall agreement, the Company undertakes for the two years, 2009–2010 to proceed with the placement of 600 workers and, from January 1st, 2009, to make permanent the contracts of 300 leased workers presently in force. Finally, 1,600 workers at Telecontract Center S.p.A. will be upgraded from 50% part-time working to 75%, during the period 2009–2010.

On October 28, 2008, a further agreement was signed with SLC-CGIL, FISTEL-CISL, UILCOMUIL and the competent RSUs on mobility procedures under law 223/1991 for Telecom Italia Sparkle S.p.A. The agreement allows a maximum of 65 mobility placements during the period 2008-2010.

Moreover, on December 11, 2008, Olivetti S.p.A. and Olivetti I-Jet S.p.A. have started with FIM CISL, FIOM-CGIL, UILM-UIL and the competent RSUs, the specific mobility procedures under law 223/1991, involving 80 and 25 employees, respectively.

Following the presentation to the financial community of the Strategic Plan 2009-2011, on December 10, 2008, the Plan has been presented to the leadership of the Union Organisations and follow-up meetings have been scheduled to evaluate the organization's development and the implications for employment.

In Tim Brazil, the collective union agreements of 2008 are coherent with the current economic, political and juridical scenario of the country. Three agreements have been negotiated by Tim Brazil with the two federations that represent the entire workforce, FITTEL and FENATTEL, concerning:

- economic and social conditions;
- the company's profit-sharing programme;
- the hourly rate of pay. On the basis of this agreement, overtime hours may be met by a reduction in the normal working hours or in days off in the three months following the completion of the overtime; after that period, employees will be paid for outstanding overtime.

In 2008, the reduction of the working week from 44 to 42 hours in 2009, and 40 hours a week in 2010, was agreed in negotiations.

Finally, wages will be increased by 6% from July, 2009.

Labour

Principle 4: *Business should uphold the elimination of all forms of forced and compulsory labour.*

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

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

The policies adopted by the Group concern:

- the social responsibility of the Telecom Italia Group, regulating the compliance with labour standards within the Group, in particular child labour, forced labour, health and safety, freedom of association, discrimination, disciplinary procedures, work hours and remuneration;
- relations with Suppliers within purchasing processes of the Telecom Italia Group, regulating the Group's ethical negotiation (transparency, role separation, fairness, traceability), and the requirements concerning the labour and environmental standards which Telecom Italia's suppliers are asked to meet.

References related to the 4th principle (2008 Telecom Italia Sustainability Report Chapter/Paragraph):

- Human Resources: Actions in support of employees – Italy;
- Human Resources: Actions in support of employees – Brazil;
- Human Resources: Internal communication;
- Customers: Customer Satisfaction/The involvement of the call centre operators.

Human Resources: Actions in support of employees - Italy

Welfare

The following projects and initiatives have been implemented in support of employees:

- nurseries: another 2 nurseries have been opened (Rome and Catanzaro) in addition to the seven already in operation in Rivoli (TO), Milan, Ancona, Rome (2), Naples and Palermo;
- loans for new parents: 253 loans have been granted to new parents of children up to three years old;
- children's day: on May 23, 2008, on the occasion of Working Parents' Day, the children of employees in all Telecom Italia premises were allowed to visit their parents' workplace. Parties were held in 41 branches, with cartoons, snacks and the distribution of little gifts. More than 5,700 children took part;
- Christmas Day: parties were held with cartoons and little gifts for employees' children up to 12 years of age;
- parents' days off: booklets of time vouchers for 150 hours' off annually, to be repaid through overtime, for employees up to level 5 with children up to 8 years of age;
- time off to attend pre-natal classes: time off, to be repaid, up to a maximum of 12 hours a month, for working mothers-to-be and fathers-to-be;
- intervention to ease the readmittance to the Company of employees following maternity leave: the development of management policies such as, for example, the option to work part-time for a year, which can be renewed, for mothers of children up to 8 years of age;
- agency services: within the 27 company premises (Turin, Milan, Venice, Padua, Bologna, Florence, Rome, Naples, Bari and Palermo), counters are available for dealing with practicalities (administration, postal services, etc.);
- health areas: in the company offices in Turin, Milan, Padua, Rome and Palermo, there are areas where it is possible to follow courses in physical wellbeing;

- laundry/shoe repairs: this service is operational in 4 premises (Milan and Rome);
- newspaper kiosks: are available in 2 premises (Rome);
- special deals: on line offers of products and services arising out of Telecom Italia's partnership agreements, mostly within Italy (cars and motorbikes, entertainment and shows, electronic goods, sports goods, offers from financial institutions, health and wellbeing, trips and holidays, miscellaneous);
- company loans: 463 loans have been granted, of which 62 were for buying/building homes, 69 for home renovation expenses and 332 for various other reasons;
- company loyalty: during 2008, 4,300 employees were rewarded for 25, 30 and 35 years' service.

The following opportunities were provided for the children of employees:

- traditional summer camp: a 15-day stay for children aged between 6 and 12 years old; 4,578 children took part;
- themed summer camp: a 14-day stay for children between 10 and 17 years old, dedicated to the study of English or Spanish, sporting activities (football, tennis, sailing, horse-riding, volley ball, basket ball, canoeing, etc.) or dancing and the theatre. 1,353 young people took part;
- study visit to England: a 14-day stay at colleges in 3 locations: 181 young people between 14 and 17 years old signed up;
- foreign study bursaries: 80 four-week visits abroad dedicated to the study of the English language for young people between 15-17 years old (45 in Ireland and 35 in Finland); 20 study trips for an academic year, for young people between 15-17 years old (Europe, United States and Canada);
- reimbursement of university fees: the reimbursement of fees for the first year at University for children of employees of Group companies who achieved a score of 90/100 in their school-leaving diploma.

ALATEL and the Gold Pins

The Association of Senior Workers of Telecom Italia Group (23,218 members, of which 3,918 are current employees) has continued to carry out its institutional activities, confirming its collaboration with Olivetti's Gold Pins Association (3,904 members).

ASSILT

At December 31, 2008, the Association had 206,390 members, of whom 63,941 were employees, 40,603 were pensioners and 101,846 were families.

ASSILT conducts campaigns in support of preventive medicine and health education from mobile diagnostic units, in collaboration with public bodies and scientific institutes.

In addition, the Association distributes reimbursements for integrated health services supplied by the National Health Service (471,500 were carried out in 2008, for a total of more than 50.2 million euros).

In 2008, the multidisciplinary Oncological Prevention programmes for detecting breast and skin cancers (Lazio and Piedmont) were concluded, and the programme for the prevention of respiratory allergies (Campania and Lombardy) has continued. An information campaign on correct nutrition has been conducted throughout Italy, which will end in the first months of 2009.

ASSIDA

At December 31, 2008, the Association had 5,650 members among managers in service and on pensions, along with their families, for a total of 13,400 clients. ASSIDA distributes reimbursements for integrated health services supplied by the National Health Service (in 2008, over 60,000 reimbursements were made, for an overall total of about 20 million euros).

CRALT

CRALT organises initiatives for its members, employees and pensioners, such as:

- tourism (group and individual trips) with an average saving of 15% compared to market prices;
 - sports (participation at national and regional meetings of the main sports);
 - cultural and recreational (guided tours, painting courses, theatre and cinema evenings).
- The contribution in support of members can reach up to 40%. The fees to participate in the initiatives can be paid by instalments, as deductions from salary.
- At December 2008, there were 51,776 members (45,197 employees and 6,579 pensioners).

Human Resources: Actions in support of employees - Brazil

Welfare

Among the initiatives carried out by Tim Brazil are the following:

- “TIM opens the doors”: is aimed at allowing children to get to know their parents’ working environment during Brazil’s Children’s Day; recreational activities were staged for the occasion for all employees’ children aged between 3 and 12 years;
- Happy Day: on their birthdays, employees have the right to a day off and to receive a birthday card signed by all their work colleagues;
- gymnastics and ergonomics: in the company’s premises in Rio de Janeiro, Belo Horizonte, São Paulo, Curitiba, Recife, Santo André, Brasília and Belém, sessions in gymnastics for correct posture have been held. In the regional offices in Rio de Janeiro, Belo Horizonte, São Paulo and Curitiba it is possible to follow courses in physical well-being and relaxation, such as Shiatsu and Yoga, either in a gym or a dedicated area;
- special deals: national and/or regional agreements for the purchase/use of goods and services under advantageous conditions, for car and motorbike insurance, culture and entertainment, restaurants, health and well-being, and the practice of sport.

Private Health Assistance

At December 31, 2008, 18,500 people (10,300 employees and 8,200 families) subscribed to the programme of Private Health Assistance for Group companies’ workers.

The Private Health Assistance provides both an accredited network of medical and dental services, and a system of reimbursement (within pre-defined limits) for services outside the network. The overall cost of health services during 2008 was 12 million euros. In 2008, in addition, a programme of voluntary vaccination was carried out, aimed at preventing influenza.

Supplementary Social Security

The implementation of the Private Social Security Plan for all employees was begun in Tim Brazil in 2006; by the end of December, 2008, the rate of enrolment reached 88% of employees, attesting to the high level of satisfaction with the service.

Human Resources: Internal communication

The goal of paying ever greater attention to listening to and valuing its employees has been pursued and reinforced by internal communication, encouraging staff to participate in company events, with special emphasis on new ways of interacting via the web. Members of the Group’s staff have been the subject of photographs, videos and stories that have enriched and empowered the company’s media.

Listening activities and projects

In May, the sixth edition of the staff attitude survey was held, which involved Group personnel in Italy and abroad. On a scale of one to ten, the level of satisfaction expressed was 6.35 in Italy, 5.8 in Germany and 7.36 in Brazil.

At the end of 2006, in partnership with the Marketing departments, the listening project “The Lighthouse” was launched to encourage employees to put forward ideas and opinions on matters of interest to the company, and to tests new products and services for the Group. So far, around 2,500

members are taking part in “The Lighthouse” club, involving the testing of services such as “Alice Messenger”, “Wireless Connection Manager”, “iKids” and “Dynamic TV”.

Information and company media

- noi.magazine: three issues of the magazine were published.
- noi.fl ash: three editions have been produced: one dedicated to the reorganization of Technology and Operations, one on Sustainability and one on broadband.
- agenda noi.2009: produced in the main languages of the Group, with articles and pictures submitted by colleagues.
- noi.tv: 88 editions of the bi-weekly news programme, “Videonews” have been produced, 66 monographic services, as well as 208 videos and selected articles from the press.
- Intranet: the development and launch of the company’s blog platform, with experiments with “noi.space” and a “wiki.”.
- Intranet Hansenet: the launch and updating of Telecom Italia Kompakt.
- Radio Frizz: the Fixed Customer Care radio has been on line since April 3, 2008, with two editions a week.

Integration activities and projects

- The “Comunico-IO” project is intended to make communication easier for deaf employees, promoting integration in the company. The project has two phases:
 - in the first phase, already completed, non-hearing employees received tools that allow them to communicate amongst themselves both in the Italian Sign Language and in Italian in written form, that is:
 - a mobile phone with a special, large, high-definition screen capable of reproducing Sign Language;
 - a web cam;
 - PC applications that allow real time “chatting”;
 - in the second phase, now underway, a feasibility study is being conducted to prepare technology that allows non-hearers to communicate through the automatic conversion of written texts into speech and vice versa. The technology in question has been made available by Loquendo, a Telecom Italia Group company that is a leader in voice recognition.
- The “noi.perloro” community, launched in 2007 and inspired by the theme of voluntary social work, currently boasts the participation of hundreds of associations and Onlus. In December, 2008, “solidarity banquets” were staged in Turin, Milan, Mestre, Padua, Florence, Rome, Naples and Palermo. More than 40 of Telecom Italia’s fellow organizations participated, augmented by the involvement of Amnesty International, Save the Children and the Parents’ Oncological and Paediatrics Association (AGOP).
- The Intranet community has recorded an increase in participation by employees of 5% in each section in which it operates. Within the scope of the Intranet, a number of forums have been put into operation for sharing and gathering employees’ suggestions and ideas on themes such as the Quality of the Service (“Improvement by little steps”) and innovation in services and products (Next Open Innovation). Anyone who joins the Next Open Innovation forms part of a community of testers of the most advanced TLC services.
- The Archimedes project, a competition of ideas with four presentational road shows plus the prize-giving, was launched and involved 900 employees.
- In addition, a Quality of Services team building event (50 colleagues) was organized and there were four road shows for Open Access projects: Assurance (160 colleagues), Kick Off and Business Review (250 colleagues).
- Three sessions of the Management Technology & Operations Meeting were held with 1,200 employees, and the Innovation and Usability event (200 participants).

- For the Top Clients department, an event was staged at Ivrea (100 participants), and another in Madrid with the Best Performers Enterprise (100 participants).

Activities and projects involving employees

- noi.shop: ten new promotions were launched of products from Telecom Italia and its commercial partners, aimed exclusively at employees, with more than 30,000 visitors a month.
- In May, 2008, in Turin, on the occasion of the Book Fair, the prize-giving was held for the 2008 edition of “Have a story published in noi.magazine”, with four employees receiving prizes from the 700 stories submitted.
- For fixed Customer Care, a theatrical performance was staged entitled “Isso, Essa e o’Customer Care” with 190 participants.
- For the end of year festivities, cultural training visits were organized on themes such as innovation, quality and creativity, with the participation of around 1,000 employees in Turin, Vicenza, Parma, Rome, Caserta and Catania.
- Around 1,200 employees were involved in the observance of Seniority Day in Rome and Milan in December.
- Internal Communication’s volunteers’ network was hosted at Campus SDI in L’Aquila for three days of team building, with 140 participants.
- Around 100 employees were involved in an event at the Gallery of Modern Art in Rome, aimed at making an active contribution to the Internal Communication’s initiatives.

Among the main instruments of internal communication used in Tim Brazil are:

- TIM Express is a daily on line newsletter whose purpose is the disclosure of useful information in a standardized, organized way, through a single email;
- The “Atmosphere” magazine is delivered every two months to all Tim Brazil’s collaborators and contains, among other things, articles on best practice in the regions, national projects, new innovative services and the performance of the business. In addition, there are appropriate sections dedicated to employees with a story to tell, either about activities carried out within the company or about activities outside;
- TIM Mobile is the company’s noticeboard. This is used every week to present the news and internal/external campaigns of Tim Brazil.

Among other initiatives implemented by Tim Brazil are:

- the annual internal communication campaign, with the slogan “INOVA, UMA NOVA ERA”, was launched in April, 2008. The campaign is centred on four main issues Aptitude, Quality, Sustainability and Innovation;
- sessions demonstrating Tim services were staged to familiarize employees with the new 3G technology;
- the “Bazar Solidário”, which is repeated annually: company gadgets that were not used in events and actions during the previous year are offered to collaborators in exchange for food and drink products to be donated to charitable institutions. In 2008, the “Bazar Solidário” collected 2.3 tons of groceries;
- every year, on the occasion of World Environment Day (June 5), the company launches an internal information campaign with the aim of making Tim employees aware of their role in relation to natural resources and the environment. In 2008, the importance of simple actions was reiterated, such as practising differentiated waste collection, collecting used batteries, giving preference to the use of recycled materials, and water and energy saving. In addition, a leaflet was distributed to all collaborators containing suggestions for the protection of the environment and sustainable development;

- certain regions have set up a library room in their branches, open to all collaborators for the loan of books and DVDs. Books are frequently donated by employees. For the inauguration of each library, a campaign was launched to encourage colleagues to use the service.

Customers: Customer Satisfaction/The involvement of the call centre operators

To support and help the people who work on Customer Care processes, two projects based on the concept of the “social network” were conducted, which were a real help, both in the rapid dissemination and sharing of information among personnel and in bringing the customer’s voice within the company:

- CAMPUS is an educational social network for people who respond to the toll free numbers for residential and business customers for mobile services. The project is characterised by the extent of customisation that the system allows each participant; operators manage their own profile containing both company and personal information. These profiles are linked to and accessible from every other content produced on the same platform (in forums, blogs, etc.). The outcome is a snapshot, updated in real time, of the person’s competence, immediately available both to managers and other colleagues, without passing through an intermediary. Alongside the information entered by the operators, a network of “experts” guarantees ready answers to the various subjects that can arise in handling customers’ requests;
- TUO (meaning “your”, an acronym for the Italian for Find, Use and Organise) is a digital platform supporting call centre operators engaged in the continuous process of searching for and identifying the information required to better help customers. In developing the platform, customer care telephone operators were consulted, and their experience unleashed a wealth of valuable suggestions about how to deal with any problems connected to handling customer calls, in the most direct, simple and efficient way. TUO is a dynamic tool that offers users the option of inserting their own suggestions and those of the customer, and of creating a social network of collaboration among colleagues, who are the components of a virtual community sharing knowledge and solutions.

Labour

Principle 5: *Business should uphold the effective abolition of child labour.*

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

On the subject of regulations protecting child labour, all Group companies conform to national and international regulations.

In order to fight exploitation and disadvantaged socio-economic conditions some specific social initiatives have been launched at national level.

References related to the 5th principle (2008 Telecom Italia Sustainability Report Chapter/Paragraph):

- Customers: Protection of Minors;
- Competitors: Organisations and Associations/Association in support of the Committee on Minors in TV;
- The Community: Main Activities in 2008 (a few examples).

Customers: Protection of Minors

To protect minors from adult content and, more generally, from content that may harm their psychological and physical development (for example, violent or racist content or content that offends religious sentiment), the Group's companies have taken the following actions:

- guidelines have been issued for the classification and control of content distributed by the Group. These guidelines cover not only content that is offered directly but also content offered by third parties providing their own services on space acquired within Telecom Italia's portals;
- filtering systems and procedures governing adult material offered by the Group on the Internet have been defined. These measures are designed to prevent minors accessing the adult content available on the Group's portals;
- in order to allow Customers, and in particular minors, to explore the web in a secure manner, Telecom Italia provides the Alice Total Security service which, thanks to antivirus software, a centralised firewall and Parental Controls, protects internet navigation from any attacks or digital threats. In addition, specific software for minors is available, called Alice Magic Desktop, which, as well as allowing children to use the computer in a simple and entertaining way, also allows parents to control and choose the sites that minors can access, and to manage the address book so that it is only possible to exchange emails with known persons;
- regarding premium services, Telecom Italia restricts access to services with obscene content – which are not part of the services offered by the Group – to users with Personal Identification Numbers (PIN),
- the Group's television services do not transmit content that would require filtering systems. Methods of transmission are in accordance with the current regulatory framework and conform to the guidelines above.

In 2008, operations to combat child pornography were intensified.

On Telecom Italia's institutional portal, a themed area has been created, dedicated to the Protection of Minors and aimed at informing and making final users aware of the values and objectives pursued in order to protect minors. In this area, a form is available to report, even anonymously, any illegal activities involving child pornography encountered while navigating the Internet.

Furthermore, a specific internal document has been drawn up with the aim of speeding up the identification of cases of presumed child pornography and immediately activating the procedure of informing the competent authorities.

The point of contact between the users of the services distributed and the company, for reporting abuse or the improper use of services, is provided by the Abuse Desk operational centres. In addition to solving the problems raised by the reports made by users about abuse involving services offered by the Group, the Abuse Desks, which are divided into types of services (residential and business), also inform the competent authorities of relevant incidents, such as the existence of child pornography on the Group's networks, through a Postal Police representative.

For the interactive services, like Chats, Forums and Blogs, offered by the Group's service suppliers, a system of prevention has been put in place based on the presence of moderators, who are charged with the task of identifying and reporting the existence of illicit material and blocking its dissemination.

Competitors: Organisations and Associations/Association in support of the Committee on Minors in TV

In 2003, Telecom Italia Media and MTV signed up to the Code of Self-Regulation for the Protection of Minors in TV. To actively support the work of the Committee in charge of meeting the commitments assumed under the Code, an Association was constituted, to which Telecom Italia Media, Rai, Mediaset, Radio and Television Association and Aeranti-Corallo subscribed. Within the Committee, Telecom Italia Media acts as Vice president representing broadcasters.

The Community: Main activities in 2008 (a few examples)

Music in schools¹²

Born out of the collaboration between the Group's mobile companies in Latin America and the Brazilian government, the project began in 2003 with the aim of promoting, through musical education, the social inclusion of young children and adolescents who live in at-risk situations in 13 Brazilian cities. During the music courses, notions of civic responsibility and peaceful coexistence are disseminated. In many cases, moreover, the musical knowledge acquired has smoothed the way for participants into the world of work.

As for December 31st 2008, 20,540 students from 62 public schools have benefited from the project.

Telecom Training for Life¹³

It is a learn-through-play project directed at schools as a contribution to the cultural, civic and social growth of young people through physical education and sport. The project covers all Italy and is aimed at students in primary schools (elementary) and first (middle) and second (upper) levels of secondary schools. It puts at the disposal of pupils, parents and teachers a bundle of educational tools and multidisciplinary didactic materials tailor-made for the three age groups. Around 8,000 kits were produced and distributed to schools during the scholastic year, 2007/2008.

A competition was announced for elementary and middle schools with individual and group participation based on the principles of the Olympics. Nine students won trips to Beijing to watch the Olympic Games.

¹² According to the London Benchmarking Group model, this initiative is included in the level 2 of the pyramid diagram (Investments in the Community).

¹³ According to the London Benchmarking Group model, this initiative is included in the level 2 of the pyramid diagram (Investments in the Community).

Labour

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

The Group's companies shall not engage nor support discrimination in hiring, remuneration, access to training, promotion, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation or age.

In compliance with laws in force the Group's companies shall not allow any behaviour that is sexually coercive, threatening, abusive or exploitative.

References related to the 6th principle (2008 Telecom Italia Sustainability Report Chapter/Paragraph):

- Human Resources: Headcount and Changes;
- Human Resources: Gender Balance;
- Human Resources: Development;
- Human Resources: Recruitment;
- Human Resources: Training;
- Human Resources Remuneration Policy;
- Introduction: Results;
- Introduction: 2009 Objectives.

Human Resources: Headcount and changes

Telecom Italia Group

The headcount of personnel at December 31, 2008, was divided as follows:

(units)	12.31.2008	12.31.2007	Changes
Italy	63,521	65,591	(2,070)
Abroad	13,229	14,509	(1,280)
<i>Total personnel on payroll</i>	<i>76,750</i>	<i>80,100</i>	<i>(3,350)</i>
Leased personnel	1,075	1,969	(894)
Total personnel	77,825	82,069	(4,244)
Non-current assets held for sale	-	1,360	(1,360)
Total	77,825	83,429	(5,604)

Excluding personnel concerned with "Non-current assets held for sale" (Liberty Surf Group) and leased personnel, the Group's workforce has been reduced by 3,350 units, compared to December 31, 2007. The changes can be itemized as follows:

- the departure of Entel Bolivia (-1,475 units) from the area of consolidation and the sale of the activities related to the company's "On Air" strand in MTV Italia (-14 units);
- net turnover down by 1,861 units, as specified for individual Business Units:

(units) (*)	Recruited	Departed	Net change
Domestic	626	(2,558)	(1,932)
Brazil	3,650	(3,395)	255
European BroadBand, Olivetti, Media and Others	641	(825)	(184)
Turn over	4,917	(6,778)	(1,861)

(*) Excluding 26 units due to transfers within the Group.

Telecom Italia S.p.A.

(units)	12.31.2008	12.31.2007	Changes
Personnel on payroll	56,650	58,686	(2,036)
Leased personnel	635	1,273	(638)
Total	57,285	59,959	(2,674)

At December 31, 2008, Telecom Italia S.p.A.'s on-payroll personnel numbered 56,650 units.

Compared to December 31, 2007, an overall reduction of 2,036 units was registered, due to:

- the balance of 139 units moving to other Group Companies;
- net turnover down by 1,897 units, as specified:

(units)	Recruited	Departed	Net change
Telecom Italia S.p.A.-Turn over	220	(2,117)	(1,897)

Tim Brazil Group

(units)	12.31.2008	12.31.2007	Changes
Tim Brazil Group - Total	10,285	10,030	255

The headcount of personnel as of December 31, 2008 was equal to 10,285 units. Net turnover is detailed below:

(units)	Recruited	Departed	Net change
Tim Brazil Group - Turn over	3,650	(3,395)	255

Excluding leased personnel, the number of personnel operating in Italy is equal to 82.8% of the Group total, and can be broken down as follows:

Telecom Italia Group – Italy:

1. employee breakdown by professional category:
 - Workers 0.5%
 - Senior Managers 1.8%
 - Middle Managers/Professionals 7.4%
 - Office Staff/Specialists 90.3%
2. employee breakdown by age group:
 - up to 32 years 9.7%
 - from 33 to 45 years 51.0%
 - over 45 years 39.3%
3. employee breakdown by level of education:
 - University Degree 17.5%
 - High school Graduates 68.3%
 - Other 14.2%

The distribution of personnel by geographic area, and recruitment undertaken by the Group (excluding leased personnel), are detailed below:

1. Telecom Italia Group: employee breakdown by geographic area
 - Italy 82.8% (of which Southern Italy 21.0%)
 - Abroad 17.2%

2. Telecom Italia Group: recruitment breakdown by geographic area
 - Italy 15.9% (of which Southern Italy 3.7%)
 - Abroad 84.1%

The number of personnel operating in Tim Brazil Group is equal to 13.4% of the Group total, and can be broken down as follows:

1. employee breakdown by professional category
 - Senior Managers 0.2%
 - Middle Managers/Professionals 3.0%
 - Office Staff/Specialists 96.8%
2. employee breakdown by age group
 - up to 32 years 72.7%
 - from 33 to 45 years 23.7%
 - over 45 years 3.6%
3. employee breakdown by level of education
 - University Degree 32.4%
 - High school Graduates 66.9%
 - Other 0.7%

Human Resources: Gender Balance

Distribution of men and women Telecom Italia S.p.A. (2007-2008):

- Year 2007: Women 26.9%, Men 73.1%;
- Year 2008: Women 27.2%, Men 72.8%.

Distribution of men and women (in Italy) Telecom Italia Group (2007-2008):

- Year 2007: Women 29.4%, Men 70.6%;
- Year 2008: Women 29.7%, Men 70.3%.

In 2008, the percentage of women holding senior management positions in the Group (in Italy) was approximately 15%, and, in middle management, the proportion was 26%.

Distribution of men and women Tim Brazil Group (2007-2008):

- Year 2007: Women 58.5%, Men 41.5%;
- Year 2008: Women 60.5%, Men 39.5%.

In 2008, the percentage of women holding senior management positions in Tim Brazil was approximately 6%, and, in middle management, the proportion of the total was 24%. In Tim Brazil, the number of women employed by the company rose from 3,263 in 2003 (54% of the total) to 5,874 in 2007 (58% of the total), and to 6,220 in 2008 (60% of the total).

Human Resources: Development

In the course of 2008, the implementation has continued of the development plans targeted at a group of key resources among senior and middle managers, and young people with high potential. This has taken the form of the evaluation, development and retention of these resources, promoting their growth over the medium term. Several initiatives have therefore been undertaken in training and development – for individuals and groups – including, within the annual merit programme, specific actions to value and protect this group.

The definition of Individual Development Plans and dedicated initiatives will be enlarged to the “knowledge people” who were identified during the knowledge review that was completed in 2008.

In parallel, in the first months of 2008, the management review was completed, making available evaluations of around 1,800 senior and middle managers in order to make better choices in the area of “succession management”, and of planning actions of organizational and managerial development.

The evaluation of the performance of the resources, which is followed by structured feedback, is also regularly carried out in Tim Brazil. To improve the level of preparation of all managers of resources, a course in feedback and coaching was held. During the year, 98.5% of eligible collaborators were evaluated, while 85.5% of managers of resources took part in the feedback and coaching training course.

Tim Brazil has also identified high potential resources (the so-called key resources) in order to manage the course of development, training and organizational mobility through dedicated plans. The methodology used to evaluate the potential of the resources is the Assessment Centre, which consists in implementing activities designed to identify abilities and strengths, and areas for further development. The knowledge reviews and management reviews are conducted regularly in Tim Brazil.

Human Resources: Recruitment

The commitment of the Group during 2008 has been directed towards the implementation of various activities in collaboration with the academic world, with the aim of supplying a concrete contribution that is targeted at the training and development of the abilities of the young. This contribution is achieved through various initiatives, among which are: sponsoring study bursaries and the development of employer awareness projects and actions for a total investment of around 2 million euros. In particular, during 2008, 25 initiatives were undertaken to sponsor study bursaries. Among the most important was: the Innovation Master's, completely financed by Telecom Italia and developed in collaboration with Turin Polytechnic. Throughout the year, 11 young people from various parts of Italy took part in the second edition of the Master's, having the opportunity to carry out their project work directly in the company. In parallel, planning was begun for the third edition; the invitation to take part attracted numerous young graduates from all over Italy, who underwent the selection process during December. From this intake, 22 young resources have been identified who will take part in the 2009 programme.

Also of importance was the investment made in sponsoring 40 study bursaries, granted to participants of two Telecom-TILS Masters in “Networking for Enterprise and Careers” and “Information and Communication Security”. From the two Master's, 25 resources were hired as trainees in the last quarter of 2008, for the development of projects in the field of Technology & Operations.

The commitment to the creation of expertise has also been fulfilled through the hiring as trainees of new graduates in various disciplines from the main Italian universities.

In 2008, 169 young people were welcomed into the Group, for a financial investment of around 500,000 euros.

The Group has also maintained its presence in the university world through participation in workshops, job meetings and the delivery of lectures and talks by its managers. In 2008, we took part in 12 career days held across Italy: 3 in Rome, 4 in Milan, 1 in Turin, 1 in Pisa, 1 in Bologna, 1 in Naples and 1 in Catania.

Tim Brazil has favoured the recruitment during 2008 of personnel who were already providing services within the company. Among the recruitment programme adopted are:

- “Nosso Aprendiz”, which promotes the training of young people aged between 16 and 24 for work in the call centres, or in customer reception in company outlets. A course of administrative training has been launched for juveniles to prepare them to enter the world of work. The programme, begun in 2008, has enrolled 144 participants;
- the “Estagio Sem Fronteiras” programme, which provides young university and technical students with the opportunity to carry out work experience in Tim Brazil, offering a chance to develop but

also direct access to the jobs market, given that a high percentage (33%) of interns are recruited by Tim Brazil. Training activities are targeted at promoting business awareness and professional growth. In addition, all the trainees have been sent to take part in the “Concurso sem Fronteiras” programme, whose objective is to put forward a project that could contribute to the improvement of Tim Brazil.

Human Resources: Training

In the Telecom Italia Group, training activities undertaken in 2008 amount, for personnel in Italy, to around 2 million hours (in classrooms, on-line and on-the-job training), as the following table shows, for direct costs of 25 million euros, excluding the costs of the work and travel expenses. In all, 71.5% of the Group’s personnel have participated in at least one training session. As regards training in health and safety matters, see the relevant paragraph. For 2009, two initiatives are planned in the environmental field, and two in the management of diversity.

Hours and participants by professional category:

	CLASSROOM, ON LINE, TRAINING ON THE JOB - TOTAL				CLASSROOM, ON LINE				TRAINING ON THE JOB			
	HOURS		PARTICIPANTS	COVERAGE	HOURS		PARTICIPANTS	COVERAGE	HOURS		PARTICIPANTS	COVERAGE
	TOTALS	PERCAPITA			TOTALS	PERCAPITA			TOTALS	PERCAPITA		
TOTAL	2,056,783	32.7	44,955	71.5	988,533	15.7	34,905	55.5	1,068,250	17.0	25,993	41.4
Senior Managers	30,012	27.0	826	74.3	29,988	27.0	826	74.3	24	0.0	3	0.3
Middle Managers	92,961	20.8	2,777	62.3	92,573	20.8	2,764	62.0	388	0.1	33	0.7
Office Staff/Workers	1,933,810	33.8	41,352	72.2	865,972	15.1	31,315	54.7	1,067,838	18.6	25,957	45.3

Activities fall into two areas: the first concerning cross-Group projects, the second in training aimed at ensuring and upgrading business and technological expertise.

Cross-Group projects

Following on from 2007, training sessions have been fulfilled on effective conduct, and on ICT scenarios for senior managers, middle managers and levels 6 and 7, which were designed to reinforce the spread of a uniform managerial culture.

The “Bridge the Gap” Project, begun in 2007, has involved top managers in high-level training initiatives, such as participation in seminars at International Business Schools and Learning Tours. The 2008 Training Plan on the Sarbanes Oxley Act - 404 has been completed, aimed at updating awareness about the implementation of the SOA, and about obligations arising from law 262/2006.

Concerning the introduction of the new Organization Model 231, a training programme has been developed, divided into specific interventions aimed at Referents 231 and their collaborators, and at those resources that occupy roles within the company that have strong impact in terms of risk.

In addition, two editions of the “Trainers training” course have been held in order to furnish instruments for the effective classroom management for Telecom Italia personnel who are asked to deliver talks during internal and external training sessions.

Training to ensure business and technological effectiveness

Above all, this type of training involves updates on technological innovation, and empowering the expertise required for the Customer Care and Sales profiles, with particular attention to the topics Quality of Services and Customer Satisfaction.

For the Marketing Area (sales, marketing, strategy and customer care), the first edition was held of the MAKTEL (Marketing Actionable Knowledge Through Experiential Learning) Master's, a project aimed at junior specialists that is designed to make Telecom Italia a centre of excellence in marketing expertise.

In addition, specifically for the Marketing departments, five themed training courses have been held for the development and consolidation of specialized, management expertise.

Finally, a training programme has been launched, with two initial, experimental editions targeted at the Public Affairs and Regulatory Affairs Departments, which will be extended in 2009 to other Staff Departments, aimed at improving the collaborative relationship between these Departments and the Line Departments, under the rationale of business partnership.

In Tim Brazil, the average number of training hours was 72 hours per employee, augmented by e-learning.

The annual training plans for collaborators are decided at the moment of the evaluation of the service, once the training requirements have been identified.

Managerial training initiatives in Tim Brazil have involved around 800 employees and have been predominately centred on the role of the managers, on best practice achieved in Tim, on the expertise gaps discovered and on instruments for competing in the market place. The development of managerial expertise is also reinforced by participation in training programmes carried out in two leading Brazilian institutions.

The other initiatives carried out by Tim Brazil concern:

- behavioural training, which is designed to develop conduct and expertise, improving the effectiveness of collaborators;
- specialised training based on seminars and conference, designed to develop the technical expertise of collaborators. In 2008, workshops were conducted on 3G technology and on portability with all collaborators;
- MBAs and post-graduate courses;
- linguistic training aimed at collaborators who have direct contacts abroad, or who fill roles for which a good knowledge of a foreign language is necessary;
- specialised training, for the Sales Channels and Customer Care, concerning, in particular, promotions, products and customer assistance.

Human Resources: Remuneration policy

The policies and systems of remuneration have been directed during 2008 towards fairness, internal coherence and market competitiveness.

The management of the fixed component is based on the criterion of greater selectivity, aimed at prioritising resources with personal characteristics of excellence and holding key organizational roles.

The variable component in remuneration has been established as a distinctive element, with ever closer correlation between the remunerative package and the performance and revenue of the company.

The Management By Objectives (MBO) 2008 system, the sole, official instrument of short-term incentivisation aimed at the managerial group and to professionals of particular value, has reinforced the importance given to the company's general objectives and to those set for company departments.

The harmonisation of the company's remunerations systems of subsidiary companies abroad has continued. In particular, in Hansenet (Germany), the MBO has been applied to all management, according to the same guidelines introduced in 2008 for Italian management.

Tim Brazil guarantees that the remuneration of its employees is in line with the internal levels of seniority in the company and market standards.

The salary policy includes fixed remuneration and variable remuneration which, at the organizational level, may be pegged solely to the company results, or also to personal results.

Other than the MBO programme and the incentive programme for the sales force, Tim Brazil has adopted the “Participação nos Lucros e Resultados” (PLR) under which a part of the company’s profits are redistributed among employees, as required under a federal law. All the Group’s employees, except those with the right to MBO, take part in the programme, which has proved to be a valid instrument for improving the quality of the service and productivity.

During 2008, the collective contracts of all the operational companies were renewed.

Introduction: Results 2008 - Objectives 2009

Indicator ¹⁴	Unit of Measurement	Target 2008	Final balance 2008	Target Status 2008	Target 2009
Employee satisfaction ¹⁵ measured by the questionnaire, “Group Photo”	Average level of satisfaction	≥ 6.21	6.35	▲	
Employee satisfaction measured by the questionnaire “Group Photo” - Brazil	Average level of satisfaction		7.36		7.5
Training – Italian companies ¹⁶	Training hours per head ¹⁷	30.5	32.7	▲	
Training – Italian companies ¹⁸ : coverage ¹⁹	%	85	71.5	▼	
Training in Health and Safety	Training hours		87,141		90,000
Training – Italian companies ²⁰	Training hours per head ²¹		32.7		33
Training – coverage of Italian companies ²²	%		71.5		71.5
Reduction in staff turn-over - Brazil	% (monthly)		2.8		2.2
Reduction of the absenteeism rate - Brazil	%		3.4		3.2
Training (number of total hours: in class + on line + at work) - Brazil	Hours of training		732,815		715,000
Training – Coverage - Brazil ²³	%		95.2		95.2
Training – Sustainability ²⁴ - Brazil	%		1		47

Target status: ▲ achieved; ► partially achieved; ▼ not achieved.

¹⁴ Unless otherwise stated, targets refer to the activities of Telecom Italia S.p.A.

¹⁵ The target was defined for 2007 and the results made official during 2008. The data is calculated on a scale of 1 to 10.

¹⁶ Italian companies: Telecom Italia S.p.A., BU Media, BU Olivetti, Elettra S.p.A., TI Sparkle, Telecontact Centre S.p.A., Path.Net S.p.A., Loquendo S.p.A., Matrix S.p.A.

¹⁷ The data includes training in the classroom, on line and on the job.

¹⁸ Italian companies: Telecom Italia S.p.A., BU Media, BU Olivetti, Elettra S.p.A., TI Sparkle, Telecontact Centre S.p.A., Path.Net S.p.A., Loquendo S.p.A., Matrix S.p.A.

¹⁹ Percentage of people who have taken part in at least one training exercise.

²⁰ The data includes all the companies of the Group in Italy.

²¹ The data includes training in the classroom, on line and on the job.

²² Number of people who have taken part in at least one training exercise out of the total population.

²³ Number of people who have taken part in at least one training exercise out of the total population.

²⁴ Number of managers who have taken part in at least one training exercise on the subject of Sustainability out of the total population.

Environment

Principle 7: *Business should support a precautionary approach to environmental challenges.*

References related to the 7th principle (2008 Telecom Italia Sustainability Report Chapter/Paragraph):

- The Environment: Strategy;
- The Environment: Environment Project;
- The Environment: Atmospheric emissions.

The Environment: Strategy

The environmental strategy of the Group's companies is founded on the following principles:

- optimizing the use of energy sources and natural resources;
- minimizing negative environmental impact and maximizing positive impact;
- pursuing the improvement of the environmental performance;
- adopting procurement policies that take account of environmental issues;
- disseminating a culture promoting the correct approach to environmental issues.

The Environment: Environment Project

Begun in 2004, the Environment Project is aimed at guaranteeing the improvement of the company's performance on the main environmental issues.

The project works through an Operations Committee, tasked with making proposals, and a Steering Committee, which approves the projects proposed, ensuring the necessary financial backing. In the course of 2008, both Committees underwent certain changes in their composition due to the company reorganization.

New working groups have been established, centred on: green procurement; environmental accounting; the prevention of soil pollution and the reclamation of contaminated sites; and the management of telephone poles.

The work of other groups has continued, concerning: Telecom Italia Media Broadcasting's System of Environmental Management; the organization of the management of waste from electrical and electronic machinery; intervention on climate control equipment containing ozone-harmful gases; the prevention and reduction of noise pollution; the map and disposal of asbestos; the optimisation of energy consumption; the reduction of paper consumption and the gradual replacement of virgin fibre paper with recycled paper; the promotion of differentiated collection of waste; the reduction of the emissions produced by the fleet and heating equipment; the optimization of the management of the intensity of electromagnetic fields emitted by Radio Base Stations; the SAR qualification for cellphone handsets; the promotion of cultural initiatives; and environmental training and information.

The "Environment Project" site on the company Intranet has been used to better display the contents of the initiatives, and a section has been developed that is dedicated to employees' queries on environmental issues.

The Environment: Atmospheric emissions

The emissions of greenhouse gases by Telecom Italia are due to the use of fossil fuels, the purchase of electricity and hydrofluorocarbons (HFCs) in air conditioning equipment.

As with the classification of energy consumed, the Global Reporting Initiative (GRI G3) guidelines are followed which refer to the definitions of the GHG Protocol²⁵ distinguishing between direct emissions (Scope1: use of fossil fuels for heating, transport²⁶ and co-generation) and indirect emissions (Scope2: purchase of electricity for industrial and domestic use²⁷).

Atmospheric emissions

		Telecom Italia S.p.A. 2008	Changes %	
			2008 vs 2007	2008 vs 2006
Emissions of CO ₂ from purchased electrical energy produced from mixed sources	kg	842,189,133	-2.00%	0.12%
Emissions of CO ₂ from co-generation	kg	5,100,000	-	-
Emissions of CO ₂ produced for heating	kg	54,977,728	-4.96%	-6.99%
Emissions of CO ₂ produced for vehicles	kg	61,451,387	2.29%	-0.39%
Total emissions of CO₂	kg	963,718,248	-1.39%	0.18%

*Atmospheric emissions*²⁸

		TI Group breakdown by BU (%)			
		TI Group 2008	Domestic/Broad Band/Brazil	Media	Olivetti
Emissions of CO ₂ from purchased electrical energy produced from mixed sources	kg	902,476,843	98.35%	1.29%	0.36%
Emissions of CO ₂ from co-generation	kg	5,100,000	100%	-	-
Emissions of CO ₂ produced for heating	kg	63,050,162	91.48%	0.26%	8.26%
Emissions of CO ₂ produced for vehicles	kg	98,059,571	97.99%	0.64%	1.37%
Total emissions of CO₂	kg	1,068,686,576	97.91%	1.17%	0.92%

CO₂ emissions are calculated using the conversion co-efficient worked out by the GHG Protocol for Italy of 405 g CO₂/kWh.

Scope3 defines the indirect atmospheric emissions that are not included within the bounds of Scope2. It is estimated that these emissions by Telecom Italia S.p.A. amount to:

- 68 million kilogrammes of CO₂ for travelling between home and work;
- 16 million kilogrammes of CO₂ in business travel by air;
- 4 million kilogrammes of CO₂ relating to electricity generation, controlled by suppliers, at the Radio Base Stations;
- 40 million kilogrammes of CO₂ relating to the dispersal of hydrochlorofluorocarbon (HCFC) gases.

²⁵ The GHG Protocol, instituted in 1998 within the World Resources Institute and the World Business Council for Sustainable Development, supports business on the subject of greenhouse gas emissions through methods of calculation and investigation aimed at promoting innovation and the acceptance of responsibility for climate change.

²⁶ Emissions of CO₂ connected to the use of fossil fuels for powering motor vehicles and heating systems have been calculated following the directions of the UNEP (United Nations Environment Programme Guidelines for Calculating Greenhouse Gas Emissions for Businesses and Non-Commercial Organizations – www.uneptie.org).

²⁷ To calculate the emissions from the acquisition of electrical energy, the GHG Protocol method has been used. This takes into consideration the energy mix of individual countries. The national GHG coefficient, expressed in grammes of CO₂/kWh, are as follows: Italy 405; Germany 349; the Netherlands 387. For Brazil, the coefficient worked out by the local Energy Ministry has been used, which is equal to 29 grammes of CO₂/kWh, and which is held to be more accurate.

²⁸ In accordance with the principle of relevance, only those subsidiary companies have been included in the consolidated accounts that fulfil both of the following two prerequisites: revenue greater than 300,000 euros and more than 40 employees, excluding discontinued operations/non-current assets held for sale.

HCFC gases, in addition to qualifying as greenhouse gases with high global warming potential²⁹, damage the ozone layer. From January 1st, 2010, use of new HCFCs in maintenance will be forbidden, while the use of regenerated HCFCs is allowed until 2014. From 2015, the use of recycled and regenerated HCFCs will be forbidden.

Interventions to adapt and replace these substances with others less damaging to the environment have been undertaken for some time within Telecom Italia.

Climate change

The necessity of reducing CO₂ is based on scientific evidence supporting the cause/effect link between the emission of greenhouse gases and climate change.

The TLC sector can play an important role in putting forward technologies and encouraging beneficial behaviour to reduce greenhouse gas emissions and the Telecom Italia Group is well aware of this.

The approach pursued by the Group in fighting climate change is based on action on two levels:

- reducing direct and indirect emissions of greenhouse gases;
- encouraging and supporting the dematerialising of goods and services.

The following activities aimed at the reduction of atmospheric emissions by Telecom Italia S.p.A. were undertaken in 2008:

- the replacement of Euro3 standard vehicles with Euro4 vehicles. The modernisation of the fleet involved more than 5,200 cars and brought a reduction of around 30%, that is, of the amount of emissions that would have been produced by the cars removed (equal to a little over 3,000 tons of CO₂ emissions avoided);
- modernisation of the oil-fired thermal power stations with mainly gas-fired plant. Conversions carried out during 2008 brought a reduction in CO₂ emissions of 200 tons;
- projects to optimise energy consumption have brought an overall saving, compared to 2007, of 1.39% in CO₂ emissions, the equivalent of 12,000 tons. This result is due to the acquisition of electricity from mixed sources, in-house energy production from co-generation plant, an increase in the acquisition of renewable energy and greater efficiency in the use of fossil fuels.

As regards dematerialisation, the Group supplies products and services that permit the elimination or reduction of greenhouse gases generated by the transport of people or objects. Some examples follow³⁰:

- video and audio conferencing services avoid the need for the transport of personnel;
- TLC services allow tele-working with a consequent reduction in commuting by employees;
- the use of on line invoicing and payments, in addition to saving paper, and therefore the energy required to produce and transport it, eliminates the need for transport for making payments;
- tele-medicine services allow the reduction of the requirement for doctor and patient to physically meet, reducing the use of transport and the consequent emission of greenhouse gases;
- info-mobility systems by using information received from mobile handsets, allow the more efficient management of traffic, reducing journey times and therefore the emission of carbon dioxide.

The Group has also attained important results in the measurement and presentation of greenhouse gas emissions, which has been acknowledged by the Carbon Disclosure Project (CDP).

²⁹ The Global Warming Potential (GWP) is the measurement of how much a specific gas contributes to the greenhouse effect. This index is based on a relative scale which compares the gas under consideration with an equal mass of carbon dioxide whose GWP is by definition equal to 1. The GWP of the HCFC used is equal to 1,780.

³⁰ It has been estimated that 100 million audio-conferences in place of physical travel could save more than 2 million tons of CO₂ emissions; that 10 million tele-workers spending only two days a week at home would bring a saving of almost 11 million tons of CO₂; and that if 10 million users received their invoices for telephone services on line instead of the traditional paper version would bring a saving of around 11,000 tons of CO₂. The examples are indicative and are intended to give a concrete idea of the potential of TLC services. They are based on projects, verified by independent third parties, carried out on small scale by members of ETNO within the scope of the initiative "Saving the climate @ the speed of light" developed together with WWF (www.etno.be/sustainability).

The CDP is an international initiative, now in its sixth year, which provides instructions on how to measure and represent greenhouse gas emissions, encouraging companies to focus on risk management and the emerging opportunities in the field of climate change. The Group has taken part in this initiative since 2005, and this year it achieved the best results among those Italian companies that belong to the “Global 500” index: with a score of 81 points out of 100, the Group’s performance was described as “remarkable” by the organisers.

With specific commitment on the issue of climate change, Telecom Italia took part in various initiatives promoted by the bodies that concern the ICT sector, among which: CSR (Corporate Social Responsibility) Europe, EE IOCG (Energy Efficiency Inter-Operator Collaboration Group), ITU (International Telecommunications Union), ETNO (European Telecommunications Network Operators’ Association), ETSI (European Telecommunications Standards Institute), GeSi (Global e-Sustainability Initiative), Sodalitas.

Environment

Principle 8: Business should undertake initiatives to promote greater environmental responsibility.

References related to the 8th principle (2008 Telecom Italia Sustainability Report Chapter/Paragraph):

- The Environment: Environmental performance;
- The Environment: Energy;
- The Environment: Water;
- The Environment: Paper;
- The Environment: Waste;
- The Environment: Electromagnetic and noise emissions;
- The Environment: Environmental Management Systems;
- Customers: Certifications;
- Introduction: Results;
- Introduction: 2009 Objectives.

The Environment: Environmental performance

The information on environmental performance has been drawn up from management data and, in accordance with the principle of relevance, only those subsidiary companies have been included in the consolidated accounts that fulfil both of the following two prerequisites: revenue greater than 300,000 euros and more than 40 employees, excluding discontinued operations/non-current assets held for sale.

The environmental performance data reported in the following pages cover:

- energy;
- atmospheric emissions;
- water;
- paper;
- waste.

The Environment: Energy

The energy consumption of Telecom Italia S.p.A. and of the Group as a whole are shown below, calculated according to the accounting procedures established by the Global Reporting Initiative – GRI G3 Guidelines.

Direct consumption for heating and transport and indirect consumption for the acquisition and consumption of electricity are shown below.

Heating systems

		Telecom Italia S.p.A. 2008	Changes %	
			2008 vs 2007	2008 vs 2006
Energy consumed in diesel fuel	MJ	142,647,530	-4.36%	-11.80%
Energy consumed in methane fuel	MJ	684,483,906	-5.11%	-5.74%
Total energy for heating	MJ	827,131,436	-4.98%	-6.84%

Heating systems

		TI Group breakdown by BU (%)			
		TI Group 2008	Domestic/BroadBand/ Brazil(*)	Media	Olivetti
Total energy for heating	MJ	950,005,158	91.45%	0.27%	8.28%

(*) In this table, and in the subsequent tables in this chapter, the Domestic/BroadBand/Brazil heading includes domestic activities of fixed and mobile TLC, as well as the related support activities, BroadBand services in Germany and the Netherlands and the activities of Tim Brazil Group.

Following the Bolivian government's Decree of May 1, 2008, which provided for the nationalization of the shares of Entel Bolivia held by Telecom Italia Group, Entel Bolivia has been excluded from the scope of the 2008 reporting.

Vehicles

		Telecom Italia S.p.A. 2008	Changes %	
			2008 vs 2007	2008 vs 2006
Unleaded petrol consumption	l	10,164,548	-27.63%	-40.16%
Diesel consumption	l	14,509,532	34.58%	62.12%
Total energy consumption (*)	MJ	844,539,630	0.96%	-2.45%

(*) Represents the conversion into MegaJoules of the consumption of unleaded petrol and diesel expressed in litres. The data also includes LPG consumption (330 liters, equal to 9,890 MJ)

The increase in the consumption of diesel and the reduction in the consumption of petrol are to be ascribed to the gradual change in the composition of the company fleet, which has favoured cars with diesel engines.

Vehicles

		TI Group breakdown by BU (%)			
		TI Group 2008	Domestic/BroadBand/Brazil	Media	Olivetti
Total energy consumption	MJ	1,337,027,854	98.04%	0.62%	1.34%

Number of vehicles and distance travelled

		Telecom Italia S.p.A. 2008	Changes %	
			2008 vs 2007	2008 vs 2006
Total number of company vehicles	no.	21,448	-0.51%	-3.09%
Number of low-emission vehicles ^(*)	no.	21,097	-0.52%	-3.11%
Total distance travelled	km	313,946,775	0.63%	-0.12%

(*) Vehicles fuelled by unleaded petrol, eco-diesel, bludiesel, GPL (meeting the Euro4 standard or higher), electricity or fuelled by other combustibles with comparable or lower emissions.

Number of vehicles and distance travelled ()*

		TI Group breakdown by BU (%)			
		TI Group 2008	Domestic/BroadBand/Brazil	Media	Olivetti
Total number of vehicles	no.	23,252	98.42%	0.60%	0.98%
Total distance travelled	km	351,955,120	97.28%	0.97%	1.75%

(*) The data shown refer to travel time and to the number of all vehicles (including ships) of the Group (industrial, commercial, used by senior and middle management) both owned and hired. Only where usage is significant and continuous, vehicles (and travel times) owned or in use by the sales force of Tim Participações have been included.

Electricity consumption for transmission and civil/industrial plant.

Purchased or produced energy

		Telecom Italia S.p.A. 2008	Changes %	
			2008 vs 2007	2008 vs 2006
Electrical energy from mixed sources ^(*)	kWh	2,093,422,340	-1.34%	0.79%
Electrical energy from renewable sources	kWh	37,219,674	16.31%	24.07%
Total electrical energy	kWh	2,130,642,014	-1.08%	1.13%

(*) Electrical energy acquired from mixed sources is equal to 2,079 GWh. Self-produced electrical energy is equal to around 14 GWh and is supplied by a co-generation plant which also produces almost 4 GWh of thermal energy, with an associated consumption of methane gas equal to m³ 3.39 millions.

Purchased or produced energy

		TI Group breakdown by BU (%)			
		TI Group 2008	Domestic/BroadBand/Brazil	Media	Olivetti
Total electrical energy	kWh	2,561,248,540	97.99%	1.13%	0.88%

The Environment: Water

Water consumption by Telecom Italia S.p.A and the Group as a whole is shown below.

Water consumption

		Telecom Italia S.p.A. 2008	Changes %	
			2008 vs 2007	2008 vs 2006
m ³		4,542,774	9.53%	7.64%

Water consumption

		TI Group breakdown by BU (%)		
		TI Group 2008	Domestic/BroadBand/Brazil	Media
m ³		5,884,493	82.83%	0.42%
				Olivetti
				16.75%

The Environment: Paper

Paper consumption by Telecom Italia S.p.A and the Group as a whole is shown below.

Paper for office use

		Telecom Italia S.p.A. 2008	Changes %	
			2008 vs 2007	2008 vs 2006
Non-recycled paper purchased	kg	311,305	-20.48%	-59.83%
Recycled paper purchased	kg	356,139	7.44%	4,516.19%
Total paper purchased	kg	667,444	-7.68%	-14.72%

Telecom Italia S.p.A. has obtained the reduction in paper acquisition through consumption containment initiatives. Buying recycled paper in place of wood fibre paper for office use was begun at Telecom Italia S.p.A. at the end of 2006: this explains the remarkable percentage increase compared to that year.

The collection of differentiated waste in offices, underway in nearly all company premises, allowed the recycling of 10,835 tons of used paper.

The last months of 2008 saw the acquisition, for office use, of paper with low environmental impact from forests certified and managed according to the rigorous environmental standards of the Forest Stewardship Council (FSC). In 2009, Telecom Italia S.p.A. undertook to buy FSC certified paper for 90% of the total for office use.

Starting in February, 2009, in order to limit the environmental impact of the invoicing process, FSC certified paper has been used for printing and sending the Telecom Italia bills to consumer and business customers.

Paper for office use

		TI Group breakdown by BU (%)			
		TI Group 2008	Domestic/BroadBand/Brazil	Media	Olivetti
Non-recycled paper purchased	kg	404,952	94.32%	4.81%	0.87%
Recycled paper purchased	kg	466,105	99.33%	0.67%	-
Total paper purchased	kg	871,057	97.00%	2.60%	0.40%

The Environment: Waste

The data shown in the table refer to the quantity of waste consigned³¹ and legally accounted for³².

Waste consigned ()*

		Telecom Italia S.p.A. 2008	Changes %	
			2008 vs 2007	2008 vs 2006
Hazardous waste	kg	5,120,123	75.73%	80.35%
Non hazardous waste	kg	10,784,584	-16.92%	39.78%
Total quantity of waste	kg	15,904,707	0.07%	50.70%
Waste for recycling/reclamation	kg	14,106,145	-9.33%	40.64%
Ratio between recycled/reclaimed waste and total waste	kg	88.69%	-9.39%	-6.67%

(*) The data does not include telephone poles.

The increase in dangerous waste at Telecom Italia S.p.A. is due to the disposal of lead batteries and excavated earth and rocks from reclamation. The increase in excavated earth and rocks caused a diminution of the ratio between the quantity of refused sent for recycling/reclamation and the total waste consigned.

³¹ By “waste consigned” is meant waste delivered to carriers for recycling or reclamation or disposal. From checks carried out in 2007 in the field of technological waste on around 6,000,000 kg of waste delivered to carriers for recycling and reclamation, 97% was recycled and reclaimed effectively while the remaining 3% was disposed of.

³² There may be slight variations in the situation as at December 31 until the following March 30, in so far as the source for the data are the records of loading and unloading of waste that are made once the actual weight has been checked at destination. The information was supplied to the producer of the waste within 3 months of the consignment and this explains the possible variations in the data.

Waste consigned

	TI Group breakdown by BU (%)			
	TI Group 2008	Domestic/BroadBand/Brazil	Media	Olivetti
Kg	19,603,617	92.73%	0.82%	6.45%

The differentiated disposal of waste in offices was successfully carried out during 2008 and extended to branches with fewer than 100 employees. Another 123 premises have been included and, up to now, the service is active in 230 premises on Italian territory. In four locations, an experiment was launched in which collection bins have been placed in the rooms rather than the corridors.

In addition, to contribute to the reduction of waste produced, Telecom Italia S.p.A. reclaimed 490,000 of its devices during 2008: 247,000 modems, 19,000 set top boxes for IPTV, 139,000 fixed telephones and 85,000 mobile handsets.

Regarding the application of European regulations on the transport by road of hazardous goods (ADR – “Agreement concerning the international carriage of Dangerous goods by Road”), training programmes have been held for those in charge of the Services of Prevention, Protection and Environment, and personnel working in those areas. Specific controls were conducted during the collection of waste by the carriers.

Regarding electrical and electronic apparatus waste (RAEE), regulated by the Decree Law 151/05, Telecom Italia S.p.A. acts in some cases as producer and in all cases as distributor of specified equipment and is responsible for organizing the management of its end-life cycle, as far as aspects which involve Telecom Italia S.p.A.

To effectively supervise the area of RAEE, in expectation of the enactment (still incomplete) of the decrees, implemented under the cited Decree Laws, that are required to make the procedure operational, Telecom Italia S.p.A. has set up a working party which has carried out, amongst other things, the following activities:

- membership of the consortium that is specialized in managing the end-life cycle of equipment (Consorzio Re-Media) has been formalized;
- the collection and selection procedures for RAEE have been defined for each direct sales channel;
- appropriate clauses on the issues of RAEE and RoHS³³ have been inserted in the terms and conditions of purchase contracts.

Following the Agreement Programme for managing obsolete wooden telephone poles, signed in 2003, upon the favourable opinion of the autonomous State-Region-Province Conference, with the Ministry for the Environment and Protection of the Territory, and production and reclamation companies, the decommissioning also continued in 2008 with the substitution or elimination of 152,060 poles.

The Environment: Electromagnetic and noise emissions

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

- the careful and proper management of its equipment during its life cycle, with regard to the applicable regulations and internal standards of efficiency and safety;
- the deployment of, and constant research into, the latest technological instruments for checks and controls.

Within the Telecom Italia Media Group, systematic monitoring has continued of the levels of electromagnetic emissions in the installations of La7, MTV and Telecom Italia Media Broadcasting in order to guarantee that legal limits are respected, and high safety standards are maintained. In particular, Telecom Italia Media Group checks that:

³³ European Directive 2002/95/EC on the restriction of prescribed hazardous substances in electrical and electronic machinery (Restriction of Hazardous Substances Directive).

- the levels of electromagnetic field produced by the emissions from its plant are always lower than 20 V/m in locations accessible by people outside the company, while in residential areas, near nurseries, schools and anywhere occupied for a period greater than 4 hours a day, the level of electromagnetic field is always below 6 V/m;
- the level of exposure by workers does not exceed the value laid down by Directive 2004/40/EC, recently brought into Italian law by Decree Law 257/2007.

Based on the controls carried out on Italian soil, the electromagnetic emissions generated by La7 and MTV are within the legal limits, with levels significantly lower in the case of digital television transmissions, which allows a reduction of the electromagnetic emissions of around 75%, compared to traditional analogue methods.

The Group also optimises emissions from mobile telephone Radio Base Stations (SRB). In 2008, the target of installing secondary carriers in order to reduce the power of the overall field of SRB emissions, during periods of maximum voice traffic, was attained and exceeded. The use of two radio frequency carriers, also linked to the development of “High Speed” coverage, allows the total power emission from the station to be reduced by 15% for the same amount of traffic. The reduction of the theoretical power of the electromagnetic field emitted has been verified through laboratory testing carried out in TILab.

Similar attention is paid to emissions from mobile handsets operating on the GSM bands 900Mhz, DCS 1800Mhz and UMTS. In 2008, 100% of the models of technologically innovative cell phones widely distributed in Italy, and 25% of the models of Brazilian handsets, have been subjected to the SAR³⁴ qualification.

The agreement with Vodafone to share the mobile network access sites has continued (in 2008, this concerned 1,000 sites) in terms of the passive infrastructure: telephone poles and pylons, electrical and climate control equipment, and civil infrastructure. This accord meets the express position of the Code for Electronic Communications, promoting the more efficient use of the network infrastructure in urban and rural areas. The agreement lays down that each operator, while retaining ownership of its own equipment, shall offer to host the others at the radiomobile stations on all national territory, with the aim of optimising the coverage of the mobile network.

The issue of electromagnetism and the study into its possible effects on biological systems has been the subject in recent years of a wide ranging debate involving the scientific community and public opinion. More in-depth information is available at the Internet site www.telecomitalia.it (Sustainability/HotTopics/Electromagnetism Impact).

In the area of the reduction of noise pollution, checks have been carried out on noise emissions by company equipment and, in the course of 2008, 96 sites, where critical levels were discovered, have been rectified.

The Environment: Environmental Management Systems

Environmental Management Systems (EMS) contribute to the management in a sustainable way of the production and support processes, and are a stimulus to continuous improvement in environmental performance.

Over the years, the Group has promoted the creation of systems and instruments to ensure the effective management, prevention and continuous reduction of environmental impact in the area of working processes. The Group’s Environmental Management Systems developed thus far have attained ISO

³⁴ SAR: Specific Absorption Rate.

14001 certification; in addition, there is an Integrated Safety and Environment System in two customer care centres (Rome and Naples), which have attained ISO 14001 and OHSAS 18001 certification. Following organisational changes, an Environmental Management System has been put in place in the new Property Purchase and Facility Management Departments, with subsequent ISO 14001 certification. In addition, a new project has been implemented, aimed at integrating the activities converged in the Technology & Operations Department, in the Integrated Management System for Safety, Quality and Environment, already ISO 14001 certified.

Customers: Certifications

Those aspects of the company that have a significant impact on the products and services offered and, more generally, on the community, are subject to certification, in order to ensure the adoption of procedures and conduct that are in line with the expectations of the relevant stakeholders.

In particular, the care of customers and the quality of the products and services offered is recognised by the certificate UNI EN ISO 9001:2000, concern for the environment is the basis of the certificate UNI EN ISO 14001:2004, health and safety at work is certified under the provisions of the regulation BS OHSAS 18001:2007 and data security is certified under regulation ISO 27001:2005.

In the following table, the certificates obtained by the various Departments/Companies of the Group, for particularly significant company procedures and activities, are listed.

More information is available on the website www.telecomitalia.it (Sustainability/Our model/Certification).

Company	Certificate	Department
Telecom Italia S.p.A.	ISO 9001	Departments: Domestic Fixed Services ^(*) and Top Client & ICT Services ^(*) , Open Access, Domestic Mobile Services ^(*) - Sales Consumer ^(*) , Technology & Operations, Purchasing. Companies checked: TI Sparkle, Elettra Tlc, Path.Net, Loquendo, Telsy.
	ISO 14001	Departments: Technology & Operations, Purchasing - Real estate and Facility Management acquisition, Domestic Fixed Services - Customer Operations (Front End and Back Office of Customer Care: offices in Rome and Naples) Companies checked: TI Sparkle, Elettra Tlc.
	ISO 27001	ICT departments of Technology & Operations.
	OHSAS 18001	Domestic Fixed Services - Customer Operations (Front End and Back Office of Customer Care: offices in Rome and Naples).
Olivetti S.p.A.	ISO 9001	Departments: Business & Market Development, Product & Technology Development, Industrial Operations, Market Communication.
	ISO 14001	Olivetti Plant of Arnad (AO).
Brazil	ISO 9001	Company: Tim Brasil s.a., Tim Nordeste s.a.

^(*)At the end of 2008, the Domestic Fixed Services Department, Top Client & ICT Services, and Domestic Mobile Services were reorganised into the Consumer Market Department, Business Market, and Top Client Market & Network IT Services; during 2009, the certificates presently held by these organisations will be brought into line with the new organisational parameters.

The following certifications are planned for 2009:

- Certificate UNI EN ISO 14001:2004 for the Open Access Department;
- Certificate BS OHSAS 18001:2007 for the Italian sites of Sparkle (one of the Group's fully owned subsidiaries).

Introduction: Results 2008 - Objectives 2009

Indicator ³⁵	Unit of Measurement	Target 2008	Final balance 2008	Target Status 2008	Target 2009
Eco-efficiency indicator	bit/Joule	1,130	1,177	▲	1,410
Energy saving from low consumption lighting system (10 sites)	kWh	3,000,000	480,000	▼	
Energy saving by optimizing the electricity yield of 50 substations through power factor correction ³⁶	kvar/h	1,950,000	11,019,600	▲	
Number of cells in UMTS Radio Stations in which a second carrier has been installed ³⁷	Number of cells	600	2,837	▲	2,500
SAR Qualification ³⁸ Italy	%	100	100	▲	100
SAR Qualification ³⁹ - Brazil	%	25	25	▲	25
SAR Qualification ⁴⁰ - Bolivia	%	40	-	⁴¹	
Other corporate offices with differentiated waste	Number of offices	100	123	▲	
Reduction of paper consumption	%	3	7	▲	
Purchased recycled paper ⁴²	%	60	53.7	▼	
FSC certified paper purchase for office use ⁴³	%		0		90
Used paper sent for recycling	Tons		10,835		13,540
Conversion of 15 diesel-fired boilers with new generators/heat pumps ⁴⁴	Tons of CO ₂ not emitted	200	200	▲	
Reduction of CO ₂ emissions from the substitution of diesel boilers with plant causing less impact ⁴⁵	Tons		200		200
Substitution of Euro3 vehicles with Euro4 vehicles ⁴⁶	Tons of CO ₂ not emitted	2,700	2,986	▲	1,630
Reduction of quantity of ozone depleting gases used in air conditioning equipment and refrigerating systems	kg		4,000		6,400

³⁵ Unless otherwise stated, targets refer to the activities of Telecom Italia S.p.A.

³⁶ The power factor variation of the medium- and low-tension transformer sub-stations consists in the insertion of a device that, to the equivalent of active power used, allows the reduction of the losses in the transport network and thereby optimizes consumption.

³⁷ In high traffic conditions, using two radiofrequency carriers rather than one, the total power emitted by the station is reduced. Since the target fixed for 600 cells was exceeded in the first quarter of 2008, the target has been extended to 2,500 new cells with second UMTS carrier.

³⁸ The percentage is calculated for the most popular and technologically innovative cellphone handsets. SAR: Specific Absorption Rate.

³⁹ The percentage is calculated for the most popular and technologically innovative cellphone handsets.

⁴⁰ The percentage is calculated for the most popular and technologically innovative cellphone handsets.

⁴¹ The Entel Bolivia company, from April 1st, 2008, has been outside the Group's scope of consolidation.

⁴² Measured with respect to the total amount of paper purchased for office use.

⁴³ Measured against the total paper purchased for office use. FSC = Forest Stewardship Council.

⁴⁴ New plant is mainly fuelled by gas.

⁴⁵ New plant is mainly fuelled by gas.

⁴⁶ A reduction of around 30% in CO₂ emissions is obtained by using Euro4 vehicles rather than Euro3 vehicles.

Indicator	Unit of Measurement	Target 2008	Final balance 2008	Target Status 2008	Target 2009
Reduction in the total paper purchased (for office use only) - Brazil	%		0		2.1
Ratio between recycled waste and the total waste generated by offices - Brazil	%		41		43
Cellphones, batteries and accessories collected and sent for recycling - Brazil	Tons		10		11

Target status: ▲ achieved; ► partially achieved; ▼ not achieved.

Environment

Principle 9: *Business should encourage the development and diffusion of environmentally friendly technologies.*

References related to the 9th principle (2008 Telecom Italia Sustainability Report Chapter/Paragraph):

- The Environment: Training/Information;
- The Environment: Energy;
- The Environment: Eco-efficiency Indicator;
- The Environment: Product Responsibility;
- The Community: Research and Development.
- Customers: Research and development of innovative services/Info-mobility

The Environment: Training/Information

Actions undertaken in support of a widespread environmental culture constitute an essential stimulus for the informed collaboration and commitment of each person in the sustainable development of the Group's activities. Issues of general interest have been covered, placing particular emphasis on the specialized training of personnel.

Articles designed to spread information on specific issues have been published on the company Intranet, within the "Environment Project" site. The contents have been formulated to give a general treatment and focus attention on the problems and opportunities regarding Group of activities.

These are the issues covered:

- Business and the Environment: a connection that should be understood,
- Environment Project,
- Environmental Management System,
- Life Cycle Assessment,
- Mobility Management,
- Energy conservation and renewable energy,
- Reduction of emissions,
- Electromagnetic pollution,
- Green Procurement,
- Waste management,
- Soil pollution.

Reduction of the consumption of paper and the replacement of virgin paper with recycled paper. An article was published in the internal magazine "noi.magazine" covering the development of the Integrated Management System of Safety and the Environment in customer care, and the publication of the bulletin "noi.flash," dedicated to the issue of business responsibility, has continued, with articles on differentiated waste and sustainable mobility.

The first edition of the seminar, "Management of Environmental Emergency", was held. It was designed specifically to increase awareness, within the company, of the prevention of soil pollution and promote an understanding of the correct management of possible diesel leaks.

The online information campaign has continued, aimed at all staff, informing them of initiatives in the environmental field, such as, for example, the celebration of the World Environment Day, the start of trials of differentiated waste paper collection and the survey on home-work commuting.

The Environment: Energy

Telecom Italia S.p.A. has launched a series of projects aimed at optimising energy consumption and encouraging the use of renewable energy sources. Among these were:

- decommissioning obsolete technologies and platforms, rationalising the network infrastructure and updating plant technology;
- co-generation systems;
- using alternative climate control systems in the exchanges and raising temperatures;
- using information technology resources in shared, virtual environments;
- remote control and measurement of energy of the exchanges' rooms;
- the separation of climate control in offices, exchanges and Base Transceiver Stations;
- the regulation of the power factor of plant to reduce the reactive energy drawn by the network;
- sharing Base Transceiver Stations thanks to co-siting agreements with other Operators;
- reduction/rationalisation of premises;
- experiments with traditional and innovative photo voltaic equipment;
- experiments with mixed energy sources (wind and photo voltaic);
- the acquisition of energy that is certified as being from renewable sources.

Beginning in 2009, a plan to reduce the acquisition of electricity within Telecom Italia S.p.A. will be undertaken based on the following actions:

- supervision of energy consumption through the installation of timers and remote monitoring systems for the continuous control, in real time, of telephone centres;
- modernising of the fuel and climate control systems;
- increasing energy production through tri-generation plant;
- reduction in areas requiring climate control, through sectioning;
- raising the temperature of the telephone centres and Radio Base Stations.

Telecom Italia is among the promoters of the EE IOCG (Energy Efficiency Inter-Operator Collaboration Group), a work group made up of operators active in the sector at the global level (operators and suppliers of equipment), aimed at speeding up the spread of low-energy consumption devices to encourage the development of effective technological options through agreed actions of standardization.

The commitment to contain energy consumption also takes the form of collaboration in the definition of the Codes of Conduct on the energy consumption of Broadband equipment and Data Centres, promoted by the European Union through the Joint Research Centre (JRC) and ETNO (European Telecommunications Network Operators' Association). The objective of the initiative is to define guidelines and consumption targets for equipment that are designed to minimize energy consumption without interfering with technological development and the quality of the services.

The Environment: 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, simplified as the measurement of bits transmitted, and the company's impact on the environment in terms of energy consumed.

The factors taken into consideration are the amounts of data and voice traffic of the fixed/mobile networks and industrial energy consumption (for transmission and climate control in the centres), domestic (electricity for office use, air conditioning and heating in the centres) and consumption for transport.

The following table shows the trend of the eco-efficiency indicator in recent years.

Year	kbit/kWh	bit/Joule	Increase % year 200x vs. 200x-1
2004	777,248	216	+58%
2005	1,311,676	364	+70%
2006	2,175,006	596	+63%
2007	3,144,283	873	+45%
2008	4,237,038	1,177	+35%

In 2008, the indicator's value was around 35% higher than 2007, exceeding the target set (1,130 bit/Joule). The annual increase is progressively diminishing: energy efficiency measures and the rise in traffic already achieved have reduced the margin for further improvement.

The commitment is being carried through with the definition of the target for 2009: 1,410 bit/Joule (+20% compared to 2008).

The Environment: Product responsibility

To improve the company's Product Stewardship profile, 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;
- conformity with applicable regulations;
- environmental impact of the product.

Marketed products are subject to a technical test aimed at ensuring their conformity with European Directives and the National Laws of Implementation. Among the main regulations are:

- 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 RAEE regulation on the management of product end-life cycle.

Quality tests are conducted on products to check they comply with the environmental and safety requirements agreed with suppliers.

During 2008, the methodology of Life Cycle Assessment (LCA) was applied to 22 products intended for marketing (cell phones, fixed telephones, fax machines and printers) under the auspices of the Green Procurement project.

The LCA approach allows, amongst other things, the evaluation of the environmental and energy burden of products/services during their entire life cycle.

In addition, Telecom Italia has conducted, in collaboration with the University of Palermo (the Department of Chemical Engineering of Processes and Materials), an analysis of materials used to construct the shells of cordless telephones and associated wiring, as part of the development of a new mobile handset with reduced environmental impact.

The analyses, carried out using the LCA methodology, compared a copolymer of fossil origin (acrylonitrile butadiene styrene, ABS) with a biodegradable polymer from renewable sources (polylactic acid, PLA). The evaluation regards three macro-categories: Human Health, Eco-system and Exploitation of Resources. PLA has less overall impact and could replace the ABS normally used in the production of handsets.

The Community: Research and Development

Research and development directed towards technological innovation range from reviewing basic technologies in order to increase efficiency in the operation of networks and systems, to the complex operation of radically overhauling the platforms, services and architectures; the unstinting commitment in the field of the Operational Departments of the Business Unit to ensure the new services meet the needs of customers is vital, as is the continuous improvement in the levels of quality.

TILab's remit is the supervision of technological innovation for the Group, scouting for new technologies and carrying out engineering operations on services and network platforms. The work carried out by TILab is the outcome of a strategic partnership with the main manufacturers of telecommunications equipment and systems, and with centres of excellence in research at the most highly qualified national and international academic institutions (including Turin Polytechnic, Milan Polytechnic, the University of Berkeley and MIT).

On the international level, TILab has pledged a substantial commitment to the task of standardisation, through which future solutions will be made possible, influencing the manufacturers' road map. In 2008, on the initiative of Telecom Italia, the Energy Efficiency Inter Operator Collaboration Group was launched. This is an ad hoc working party, currently made up 18 of the principle global TLC Operators, with the aim of maximising energy efficiency in the telecommunications sector, interceding on standards and proposing actions to suppliers.

Customers: Research and development of innovative services/Info-mobility

Telecom Italia and Magneti Marelli have launched a consortium for new info-mobility services in order to develop and market an open technological platform that guarantees a constant connection with information and entertainment services, which will help drivers make more responsible choices, thus reducing traffic congestion (eco-driving). The system will permit integration between the automotive and ICT environments, thanks to an in-car digital system that allows the vehicle to communicate with the software applications of various service providers. This application can be used by public authorities to supply information on the condition of the roads, and by companies with fleets of company cars to track the location of vehicles and put them in touch with each other.

Among the solutions and certified services are:

- information on the road network and traffic conditions, payment services, navigation services. An example is the management of traffic on motorways, in partnership with Autostrade S.p.A.;
- electronic management of paid parking spaces: the location of the user of the service is monitored through their mobile terminals so that the system can tell the user the best parking spaces and the routes to get to them, identifying any parking permits and applying the correct tariff;
- dynamic management of the access of motor vehicles to regulated urban areas through personal mobile phone systems or devices placed in the vehicles.

Anti-Corruption

Principle 10: *Business should work against all forms of corruption, including extortion and bribery.*

References related to the 10th principle (2008 Telecom Italia Sustainability Report Chapter/Paragraph; Telecom Italia web site: Governance Section):

- References and Governance;
- Shareholders: Internal Control System;
- Shareholders: Person Responsible for Internal Control;
- Shareholders: Risk Management;
- Shareholders: Safeguarding Privacy and Data Protection;
- Telecom Italia web site: Governance Section.

References and Governance

The Group's Corporate Governance, aligned with the highest national and international standards, is founded on the central role of the Board of Directors and the independent administrators, on the transparency of management decisions, on the effectiveness of the Internal Control System and on the strict regulations on potential conflicts of interest. Within the scope of the Internal Control System is the Organisational Model of Legislative Decree June 8, 2001, no. 231, designed to prevent the commission of specific offences, including corruption, extortion and corporate crimes.

Shareholders: Internal Control System

The internal control system is a process made up of rules, procedures and organizational structures and designed to pursue substantial and procedural correctness, transparency and accountability, values that are considered fundamental for Telecom Italia's business dealings, as laid down in the Group Code of Ethics and the Company's Self-Regulatory Code. The aim of the process is to ensure that the management of the business is efficient and can be known and verified, that accounting and operational data are reliable, that applicable laws and regulations are complied with, and that the assets of the business are safeguarded, not least with a view to preventing fraud against the Company and financial markets.

As the body responsible for the internal control system, the Board of Directors lays down the guidelines for the system and verifies its adequacy, efficacy and proper functioning, while making sure that the main operational, compliance, economic and financial risks are appropriately identified and managed. In performing this responsibility, the Board, in addition to the Internal Control and Corporate Governance Committee, uses a person endowed with an appropriate degree of independence and adequate means to be responsible for the internal control function (the Chairman of Telecom Italia Audit & Compliance Services).

The functions assigned to this person are to assist in verifying the adequacy and efficacy of the internal control system and, where anomalies are found, to propose appropriate remedies. The person responsible for internal control reports to the Internal Control and Corporate Governance Committee and to the member of the Board of Directors responsible for the internal control system (at present the Chairman of the Board of Directors).

In 2005 the position of Group Compliance Officer was created with a view to better coordinating the development and maintenance of the internal control system. The Group Compliance Officer performs a role of liaison and coordination among the plans for the improvement of the Group's internal control system and is responsible for monitoring and facilitating the relationship between management and the internal control system, so as to guarantee, with the assistance of Telecom Italia Audit & Compliance Services, methodological correctness in the management of risk.

The Company's internal control system is completed by the so-called 231 Organizational Model, which is divided into "general internal control principles", "behavioural principles" (consisting of a set of rules for relations with representatives of governmental bodies for corporate issues and transactions involving shares and other securities of the Company) and "internal control checklists" specifying the main stages of every process, the offences that may be committed in relation to individual processes and the control activities to prevent the related risks from arising. In 2008 the 231 Organizational Model was updated (in the light of changes in the law) and improved (to reflect the results of the model's application and the suggestions made by an external consultant)⁴⁷.

Monitoring of the functioning and compliance with the model is performed by a Supervisory Panel made up of a member of the Board of Statutory Auditors (Chairman), an independent director on the Internal Control and Corporate Governance Committee and the head of the internal control system in the person of the Chairman of Telecom Italia Audit & Compliance Services. The Panel, reappointed on April 15, 2008 following the renewal of the Board of Directors (by the shareholders' meeting held on April 14, 2008) reports to the Board of Directors, the Internal Control and Corporate Governance Committee and the Board of Statutory Auditors on the checks performed and their results.

In addition, with the aim of providing operational support to the Supervisory Panels of Group companies a special unit (the Compliance Support Group) has been created within Telecom Italia Audit & Compliance Services to handle reports of violations of the organizational model and conduct compliance audits on the basis of the data received in connection with the information flows that have been put in place within the Group.

With regard to the undertakings approved in December by the Competition Authority, at the closing of the A/375 procedure (claiming abuse of dominant position, created through illegitimate strategies of retention and win back) the Board of Directors has resolved to amend the Group's Code of Ethics and Conduct to strengthen the concepts of fair and even competition, with particular regard to a commitment for accurate information regarding competitor operations.

Shareholders: Person Responsible for Internal Control

The Board of Directors has chosen the consortium company Telecom Italia Audit & Compliance Services (of which Telecom Italia Media is also a partner and which performs internal audit functions for the partners and their subsidiaries) to be responsible for assisting with verifying that the internal control system is always adequate and fully operational.

Telecom Italia Audit & Compliance Services has an adequate level of independence (it is not responsible for any operational areas and does not depend hierarchically on anybody responsible for an operational area) and suitable means for the performance of its functions, which include providing support to the Company's administrative and control bodies in verifying the adequacy and efficacy of the internal control system and, where anomalies are found, to propose appropriate remedies.

The person responsible for internal control:

- reports to the designated director, the Internal Control and Corporate Governance Committee (and thus the Board of Directors), and the Board of Statutory Auditors;
- carries out checks at the request of the manager responsible for preparing the Company's financial reports;
- ensures compliance with the principles and values set out in the Code of Ethics of the Telecom Italia Group, investigates reports by employees and third parties of legal and regulatory violations and

⁴⁷ Concerning the introduction of the new Organization Model 231, a training programme has been developed, divided into specific interventions aimed at Referents 231 and their collaborators, and at those resources that occupy roles within the company that have strong impact in terms of risk.

The 2008 Training Plan on the Sarbanes Oxley Act - 404 has been completed, aimed at updating awareness about the implementation of the SOA, and about obligations arising from law 262/2006.

irregularities (including those of an accounting nature) and promotes suitable remedies, including proposals for punishments.

Shareholders: Risk Management

Since 2003, Telecom Italia Group has used the CRSA (Control & Risk Self Assessment) as the governance instrument of company risk management through which the identification, assessment and management of operational risks is achieved.

The CRSA is based on the self-assessment of risk by management with the aid of qualitative and quantitative evaluations and parameters, followed by the identification of the existing control systems and any proposals for their improvement.

The cycle of detection and management of risk through CRSA requires the drafting of an Action Plan to deal with the Consolidated Risk Portfolio at the Central Departments/Operations/Business Unit levels, broken down into the usual operational phases:

- the definition of the Group's objectives by Senior Management;
- the elaboration of the Group's objectives by the company structures within their own organisational context;
- the identification of those risks that may impede the attainment of the objectives;
- communication of the risks to senior company management and their consolidation through the creation of "cross-company portfolios";
- evaluation of the consolidated risks in terms of impact, probability of occurrence and the assignment of a qualitative-quantitative coefficient;
- identification of those risks considered acceptable and those which require protective measures;
- the development of an Action Plan incorporating the protective measures;
- the adaptation of the internal control system, with follow up actions, where necessary.

The management of the various phases is underpinned by a web-based information system that integrates the CRSA and APM (Action Plan Monitoring) systems and makes possible the management and automatic monitoring of the Action Plan defined during the CRSA, in a similar way to that already carried out for the Action Plan that emerged from the audit.

New strategic directions and objectives for the Group were drawn up during 2008 for the three years 2009-2011.

Shareholders: Safeguarding Privacy and Data Protection

Telecom Italia Group is firmly committed to acting in accordance with the regulations on the protection of personal data (Decree Law 196/03, the so-called "Privacy Code").

To this end, Telecom Italia's organisation model is based on central departments that supervise, at Group level, the correct application of regulations in the sector.

The adoption of legal measures and the stipulations of the Privacy Guarantor is assured by constantly updating the regulations and policies of the Group in the light of actual experience and any organisational changes undertaken. Specifically, in 2008, the Group's guidelines were up-dated to bring operational procedures and information systems in conformity with privacy requirements in handling customer, or ex-customer, information. Furthermore, a review was held of the Group's policies on the self-evaluation of the security measures adopted for the treatment of personal information entrusted to third parties (suppliers, consultants etc.) and new guidelines have been issued for the treatment of personal data in computer processing concerning, in particular, the handling of system-access passwords, the recording of operations carried out (audit log) and the compliance requirements for environment-specific information technology systems.

Regarding data protection, a wide-ranging project was launched in 2008 to further raise the level of information protection both for voice and data traffic, with regard also to the specific rules of the Privacy Guarantor for suppliers of electronic communications services (Provision of 17/01/2008). The

principal change is the introduction of robust authentication systems for digital and physical access to information systems containing data on traffic, including biometric recognition for those responsible for systems dedicated to services for the judicial authorities. The action plan, which will be finished in the early months of 2009, provides for the adaptation of information systems, arrangements for operational processes, communication activities, training and the Help Desk. It has been continued the dissemination of a privacy culture within the company through training sessions, which, in 2008, covered, in particular, the prerequisites of compliance with regulations on the treatment of customer information in the marketing and customer care departments.

The effective application of the regulations is monitored through a control system based on regular self-evaluation procedures by those responsible, and on random checks carried out by the relevant central departments, based on procedures and methodologies worked out with the contribution of the Group's Auditing and Compliance firm. In 2008, control activities were focused in particular on the sales network, in the light also of certain, general provisions adopted by the Privacy Guarantor; as part of this process, checks were also carried out on the treatment of customer information by dealers and commercial partners. Other checks were carried out on customer care operations and debt recovery, as well as the implementation status of privacy compliance in certain subsidiary companies. Furthermore, a dedicated team from the Group's Auditing and Compliance Company has carried out dozens of checks at company and third party premises (for example, suppliers of software services) on the adoption of the security measures for the protection of personal data.

Finally, in accordance with rule 26 of attachment B (Technical Regulations on minimum security measures) of the Privacy Code, Telecom Italia declares it has drawn up the Data Security Planning Document (DPS) for 2008. This Document lays out the technical and organisational criteria adopted for the protection of personal data, be it of a general, sensitive or judicial nature, that is processed by information technology, as well as the training schedule for those responsible for the treatment of data.

Governance

Market Abuse and Insider Dealing⁴⁸

Confidential information is dealt with by the Chairman of the Board of Directors on the basis of procedures for the internal processing and disclosure to third parties of documents and information concerning the Company, with special reference to price-sensitive information.

Special Procedure

Telecom Italia has adopted a special procedure establishing the ways in which price-sensitive information is to be communicated to the market. It identifies the units of the Company's organization involved and lays down guidelines for the action to be taken in the presence of rumours and in response to requests for information from the entities responsible for supervising and operating the markets (Consob and Borsa Italiana). The procedure also lays down ***guidelines for meetings with the financial community and the press***, to ensure that information concerning the Company and the Group is not disclosed selectively.

Information, in the news about events, facts, figures or initiatives having a specific significance in relation to an entity's activity, is a strategic component of a company's assets and essential for its success. It underlies the most important corporate processes and the appropriate and timely sharing of information is a necessary condition for the effective pursuit of business objectives.

Without prejudice to the provisions of applicable law concerning the protection and dissemination of particular categories of information, such as the personal and sensitive data referred to in the ***Code for the Protection of Personal Data*** (Legislative Decree 196/2003), the use of information must observe

⁴⁸Fonte: http://www.telecomitalia.com/cgi-bin/tiportale/TIPortale/ep/browse.do?tabId=4&pageTypeId=-12695&LANG=EN&channelId=-12782&channelPage=ep/TIgovernance/TImarket_abuse.jsp

the general principles regarding the efficient exploitation and safeguarding of a company's resources, which can be expressed in the case in question as the "need to know". The use of information for purposes other than the activity of the business is to be considered an abuse and, on a general basis, all those who work to promote the interest of the Telecom Italia Group are subject to **confidentiality requirements** concerning the information they acquire in or for the performance of their duties.

However, the law imposes an not known to the public concerning a company and its **obligation to disclose information** subsidiaries which is of a precise nature and which, if it were made public, would be likely to have a significant effect on the price of that company's financial instruments (inside information). The law also requires **informational equality to be restored** if inside information is disclosed prematurely to third parties who are not subject to confidentiality requirements under laws, regulations, bylaws or agreements.

This explains the great delicacy of the stage preceding the "perfection" of inside information in which not only is it necessary to impose a confidentiality regime on inside information "in the making", so as to avoid triggering the immediate disclosure obligation, but above all there is the fact that premature disclosure could be misleading for the market and/or harmful for the business.

This procedure covers the handling - including the public disclosure - not only of inside information but also of information which could become such; it seeks **to reconcile the fluidity of internal information processes** with safeguarding information, especially as regards the give and take between the disclosure of inside information and the need to keep it confidential while it is being perfected. In this respect the procedure ties in with the internal rules of general application concerning the classification and management of information from the standpoint of confidentiality.

The transparency of transactions involving Telecom Italia shares or financial instruments linked thereto carried out directly or through a nominee by relevant persons or persons closely associated with relevant persons is currently governed by Consob Regulation 11971/1999 on Issuers (Articles 152-sexies et seq.), which supersedes the Code of Conduct on Insider Dealing that the Company adopted in December 2002.

Disclosure

The law imposes a **disclosure obligation on the directors and members of the board of auditors** of a listed company and "persons performing administrative, supervisory and management functions in a listed issuer and managers who have regular access to inside information and the power to make managerial decisions affecting the future development and prospects of the issuer" for so-called insider-dealing transactions involving shares of the company or financial instruments linked thereto amounting to more than € 5,000 per year.

Telecom Italia has chosen to identify "[managers] who have the power to make managerial decisions affecting the future development and prospects of the issuer" in the key managers referred to in IAS/IFRS 24 and in executive officers for the purposes of U.S. law.

As part of the more general revision of the mechanisms of corporate governance, even in the absence of regulatory requirements it was decided to introduce an obligation into the Company's **Self-Regulatory Code** requiring abstention from carrying out transactions involving Telecom Italia shares or financial instruments linked thereto in specific periods of the year (so-called blackout periods). In extraordinary circumstances the Board of Directors may extend or suspend these periods.



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Auditors' report

(Translation from the original Italian text)

To the Board of Directors of
Telecom Italia S.p.A.

1. We have carried out the compliance procedures and analyses of the Sustainability Report of the Telecom Italia Group as of December 31, 2008, described in paragraph 2 of this report.

The procedures were carried out to evaluate the Board of Directors' statements, included in paragraph "References and Governance" of the Sustainability Report of the Telecom Italia Group as of December 31, 2008, which describes the criteria and methods adopted for the preparation of the Sustainability Report. The preparation of the Sustainability Report is the responsibility of Telecom Italia S.p.A.'s management.

2. In order to evaluate the Board of Directors' statements mentioned in paragraph 1, we have performed specific procedures, which are summarized below:

- verified that the financial data and information are consistent with those included in the Group's consolidated financial statement for the year ended December 31, 2008, approved by the Board of Directors, with respect to which we issued our audit report dated March 16, 2009;
- analyzed the operation of the processes underlying the generation, recording and management of quantitative data. In particular, we have performed the following procedures:
 - interviews and discussions with management and personnel, to obtain an overview of the activity of the Telecom Italia Group, to gather information on the information technology, accounting and reporting systems used in preparing the Sustainability Report, and to document the processes and procedures used to gather, combine, process and transmit data and information of the Group's operating units and areas to the department responsible for preparing the Sustainability Report;
 - sample-based analysis of supporting documentation used in preparing the Sustainability Report to confirm the reliability of the interview-derived information, the effectiveness of processes and their adequacy in relation to business objectives, and the operation of the internal control system in managing the data and information;
- analyzed the completeness and consistency of the qualitative information included in the Sustainability Report. This activity was carried out in line with the above-mentioned criteria;

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Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U.
Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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- verified the stakeholder involvement process, in terms of the methods used, completeness of the stakeholders and analysis of data and significant findings in this respect, as compared to the information reported in the Sustainability Report;
- obtained the representation letter signed by the legal representative of Telecom Italia S.p.A., attesting the reliability and completeness of the Sustainability Report, and of the information and data contained therein, as well as its compliance with the criteria and methods mentioned in paragraph 1.

The Sustainability Report presents the prior year's data and information for comparative purposes, with respect to which reference should be made to our report dated April 18, 2008.

3. Based on the procedures performed, we believe that the Sustainability Report of the Telecom Italia Group as of December 31, 2008 complies with the criteria and methods which form the basis of its preparation which are described in the paragraph "References and Governance" of the Sustainability Report. Moreover, the financial data included in the Sustainability Report agree with the data and information included in the Group's consolidated financial statement and the other data and information are consistent with the documentation and meet the content requirements established by the criteria and methods governing the preparation of the Sustainability Report.

Milan, Italy
April 6, 2009

Reconta Ernst & Young S.p.A.
Signed by - Nadia Locati, Partner