

Chairman's Letter

With its roots in the financial crisis and the excesses that caused it, the recession of 2009, one of the deepest and most prolonged ever experienced by the world economy, will for a long time be a reminder to us how fragile and at risk development can be unless it has an ethically sustainable foundation. There has been, and will continue to be, much discussion about rules and control bodies. Certainly, effective improvements can be made in both fields. Nevertheless, responsible behaviour cannot be imposed by law: it depends on individuals and groups making independent, conscious choices. Businesses have a leading role to play in this.

At Telecom Italia, we have already made this choice, firmly based on our Code of Ethics, and we do our best to make this evident in our daily work, very conscious that we must continue to strive for improvement. The reason we incorporate social responsibility in our strategies and actions, along with respect, professional enhancement and care over safety at work, is because this is the most effective way to generate value over time, and to ensure the sustainability of our business. It is, therefore, entirely at one with our responsibility to be competitive, productive and efficient.

The sphere in which it is easiest to see the close correlation between sustainability and competitiveness is the environment. The greatest direct contribution that a telecommunications operator can make to safeguarding the environment lies in the efficient use of energy. A network that is being expanded to enable it to reach 24 million sites, encompassing over 15,000 radio base stations and more than 10,000 telephone exchanges, feeding 12 data centres in the service of the company and its customers, consumes a great deal of energy and tends to consume ever greater amounts, registering an increase of around 5% every year. Yet by renovating the network architecture, by employing the most modern methods of air-conditioning and by using a combination of alternative, renewable energy sources in a clever way, our electricity consumption in 2009 remained substantially stable. These developments – together with many other initiatives, such as sharing the radio base sites with other operators, the adoption of green procurement policies in our dealings with suppliers, the use of new technologies and more efficient ways of managing the heating of buildings, reductions in travel and, above all, the renewal of the company's fleet with vehicles that meet the highest standards – have meant that Telecom Italia's carbon dioxide emissions have been reduced by more than 2%.

It is important that we improve our eco-efficiency (in 2009, as these pages report, further progress of 12% was achieved). But it is even more important that the entire economic and social system makes improvements. Notwithstanding the disappointing overall outcome of the global summit on climate at Copenhagen – another of the negative legacies of 2009 – the response to the challenge of energy efficiency and the reduction of pollution simply cannot be put on hold. Digital technologies can do much to tackle this since they encourage the dematerialization of the economy, the reduction of the need to travel, the control of consumption and the integrated management of energy sources. Telecom Italia is also committed to incorporating environmental sustainability in its provision to customers. Alongside solutions that are now well-established, such as e-learning, infomobility, video conferencing, e-health, and networks of sensors for managing lighting, heating and air-conditioning equipment, new provisions are being added, such as home automation, which turns homes into "smart" systems by taking advantage of the possibilities offered by broadband and mobiles, and communication among different technological devices. This is not a vision of the future: it is happening today.

Nevertheless, we are well aware that it is not sufficient just to say that digital innovation exists and can be fully exploited. Two questions must be tackled: on one hand, it is vital that it should

be accessible everywhere, even in the most far-flung areas; on the other, the expansion of digital literacy must be accelerated so that everyone can play an effective part in the information society and share in its benefits. There are two faces to the problem of the digital divide, one concerning the infrastructure, the other regarding the cultural aspect. We are continuing to work on both. Across the territory, we are collaborating with local institutions in designing and offering solutions that will allow broadband to be extended to areas where market demand alone cannot take it, and we remain ready to play our part. On the other front, the one related to culture, we have multiplied the initiatives aimed at schools, showing the very young and adults how to use the new technologies responsibly, and offering digital training for the older generations. Of course, our interventions at the social level are much broader than this. Telecom Italia pays a great deal of attention to the needs of the weaker members of society. No-one can forget, for example, the massive, immediate mobilization of means, technologies and company personnel during two major human tragedies, the earthquakes in Abruzzo in the spring of 2009, and in Haiti at the beginning of 2010. Interventions in support of the community, moreover, have been boosted by the rapid engagement of the Telecom Italia Foundation which, in its first year of life, has already launched a series of initiatives, including one aimed at the early diagnosis and tackling of dyslexia. In addition, the Foundation conducted two very successful, well-subscribed competitions, one for a project aimed at finding stable, qualified employment for unemployed, marginalized or disadvantaged people, and a second for the renewal of teaching systems in schools through the use of the interactive multimedia whiteboard and new technologies.

It is our personnel who make our company's sustainability real. They have been involved in significant programmes in training and development, in the identification and promotion of talent and they have been receiving support in achieving a healthy balance between working life and free time. We are aware that we must improve our policies on safety at work and, for the first time, we have set ourselves precise objectives in terms of reducing the number of accidents, and their severity. It should also be noted that, in 2009, Telecom Italia launched the company's first initiative for voluntary work in support of children suffering from serious illnesses.

We are not seeking recognition for all of this. We are simply following what we believe to be a sound and forward-looking business strategy. Nevertheless, the specialists in this field have shown that they appreciate our efforts. Telecom Italia is listed in all the main global sustainability indexes and is considered the best Italian company in reporting data regarding climate change. It was the only Italian company to be invited by the European Commission to take part, on a permanent basis, in the "Environmental, Social and Governance Workshops", formed to discuss how to improve reporting and communication on sustainability issues. These acknowledgements please and encourage us. They confirm that our adherence to the principles promoted by the UN's Global Compact for the protection of the environment, the respect for human rights and work standards, the fight against corruption continues to be translated into behaviour and actions: the behaviour and actions of a company that firmly believes in the economic and competitive value of sustainability. And, strong in this conviction, it will strive – with the maximum transparency and in a spirit of collaboration, with the human and professional energies of its personnel, with its extraordinary technological competence – to contribute to the wellbeing and a better quality of life for all the communities in which it operates.

Gabriele Galateri di Genola
Chairman

Human Rights

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

The commitment of Telecom Italia Group to respect and uphold human rights and labour standards is stated in its Code of Ethics and in the Group Organizational Model, in accordance with the ten principles of the UN Global Compact concerning human rights, labour standards, environmental protection and fight against corruption. Telecom Italia SpA and its subsidiaries endorse and promote these principles, as well as all relevant UN's and ILO's conventions, in particular, the Universal Declaration on Human Rights, and they act with the aim of mainstreaming those principles within the Company and its suppliers. As for suppliers, a specific policy has been published, available on the Company's WEB site (http://www.telecomitalia.com/TIPortale/docs/sostenibilita/SUPPLIERS_POLICY_sett_2006_REVISI_4_3.pdf).

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

Health and Safety

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

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

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

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

(http://www.telecomitalia.it/content/dam/telecomitalia/documents/Sostenibilita/Policies_ENG/SOCIAL_RESPONSIBILITY_IN_TELECOM_ITALIA.pdf).

References related to the 1st principle (2009 Telecom Italia Sustainability Report Chapter¹):

- Introduction: References and Governance;
- Introduction: Charters, Codes and Values;
- Introduction: Reporting and Planning;
- Human Resources: Strategy;
- Human Resources: Health and Safety;
- Customers: Safeguarding privacy and personal data protection;
- Customers: Certifications;
- Introduction: 2009 Objectives and Results;
- Introduction: 2010 Objectives.

⁽¹⁾ Please, see the following web site

http://www.telecomitalia.it/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2009/Bilancio_sostenibilita_ENG_2009.pdf

Introduction: References and Governance

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

The Telecom Italia Group acts in the conviction that business activities should be conducted in consideration of the expectations of the stakeholders, in line with the principles established by internationally recognized standards. In defining and implementing the strategies and programmes of sustainability, the Group makes reference to the guidelines issued by the main global organizations of guidance and standardization on the matter of Corporate Responsibility.

In 2002, Telecom Italia subscribed to the principles of the main point of reference at the global level, that is, the Global Compact.

The System of Sustainability Management also takes into account the principal reference regulations and international standards:

- the Directives, Recommendations and Communications of the European Commission;
- the OCSE guidelines directed at multinational enterprises;
- the ISO 9000 and ISO 14000 certificates governing Quality and Environmental Management Systems;
- the principles of the Conventions of the International Labour Organization (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;
- AA1000 Accountability Principles Standard (APS 2008) drawn up by Accountability, an international organization which promotes collaboration between stakeholders, and lays out standards and guidelines on matters of sustainability. The APS 2008 establishes the principles that a company must respect in order to qualify itself "responsible" (accountable). The Group, for the first year, initiated the activities necessary to ensure conformity with the standards on the part of the Independent Auditors, Reconta Ernst & Young (see Report of the Independent Auditors, at the end of this *Communication On Progress*).

Sustainability issues are subject to the supervision of the Committee for Internal Control and Corporate Governance, which carries out a check on sustainability activities in general, including projects conducted 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 expressed in a system of Charters and Codes, which are available on the internet site www.telecomitalia.it (Corporate/Sustainability/Our approach/Policies).

At the heart of the system is the Ethical Code, an expression of the conviction that a successful business cannot disregard ethics in the conduct of its affairs. The Code lays out the goals and guiding principles at the centre of the business activities in relation to the main stakeholders with whom the Group interacts. Respecting the Code is a requirement for statutory bodies, managers and employees of all the companies of the Group, as well as for collaborators and third parties in business relationships with the Group, within the boundaries of their respective competence, functions and responsibilities.

The Charters of Services lay down the principles of conduct and the commitments undertaken by Telecom Italia on matters regarding services, as well as giving information about the channels through which customers can make contact and about the standard of quality of the

services provided. These Charters are available on the websites of Telecom Italia (www.187.it, www.191.it, www.tim.it).

Alongside Telecom Italia's Charters of Services, there are the General Conditions of Subscription which govern contractual matters concerning the service provided by Telecom Italia. The General Conditions of Subscription for fixed telephone services are published in the first pages of the telephone books, and on the websites www.187.it and www.191.it.

The Charters of Services and the General Conditions of Subscription are drawn up on the basis of the guidelines and requirements under the various resolutions of the Italian Communications Authority (AGCOM). In particular, on matters of quality, the goals set on yearly basis for the individual services (fixed and mobile voice telephony, access to the Internet, pay TV on IP – IPTV technology) are published on the websites of reference.

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

- Social responsibility in the Telecom Italia Group on compliance with labour standards within the Group, with particular reference to child labour, forced labour, health and safety, freedom of association, discrimination, disciplinary procedures, working hours and pay;
- relations with suppliers in Telecom Italia Group's procurement process which governs the negotiating ethic of the Group (transparency, the separation of roles, fairness and traceability) and the requirements that Telecom Italia demands of its suppliers in the area of working and environmental standards;
- Green Procurement Policy which obliges the company to take environmental factors into consideration in the procurement specifications;
- Codes covering the protection of minors (Selfregulation codes for the mobile services, Selfcodes, charters and values regulation Code for TV and minors, Code of Conduct for premium services). In these matters, the company subscribes to the European Regulatory Framework for the protection of minors in the use of mobile telephones;
- Codes on information on sports and in relation to the representation of judicial proceedings in radio and television programmes;
- Guidelines of the Telecom Italia Group on voluntary contributions to the Community, orienting the Group's donations and voluntary interventions in support of the development of the community in which it operates;
- Self-regulation code on commercial communication which regulates advertising;
- Codes guaranteeing propriety in relations with the OLO (Other Licensed Operators).

Introduction: reporting and planning

Reporting

200: this is the number of Key Performance Indicators (KPI) used to analyze the performance and respective reporting of the multi-stakeholder approach. These KPI are defined on the basis of:

- the analysis of the Global Reporting Initiative (GRI). Initiated in 1997, the GRI has developed universally applicable guidelines for drawing up the sustainability report, in order to facilitate comparisons between companies. Telecom Italia Group, with the 2008 Sustainability Report was ranked A+ by the GRI, the highest level of compliance with the principles of reporting and the GRI indicators;
- the demands of the stakeholders;
- the questionnaires sent out by the leading rating agencies for the purpose of admission to the stock market indexes of sustainability.

The KPI system allows the analysis of the sustainability performance and the ability of the company to respond to relevant issues, in addition to the periodic monitoring of the degree of attainment of the goals identified. Thanks to the CPM system, a dedicated application, the management of the sustainability KPI is analogous to that for financial reporting.

With the integration of the sustainability data within the Group's Annual Report, which has been carried out since the financial year 2003, the Group anticipated the application of European Directive 51/2003, adopted in Italy under the Decree Law of February 2nd, 2007, no. 32. The subsidiary companies included in the consolidated area are taken into consideration, unless otherwise indicated, excluding discontinued operations/non-current assets held for sale.

The Sustainability Report of this financial year adopts the principles of the AA1000 AccountAbility Principles Standard (APS) shown below:

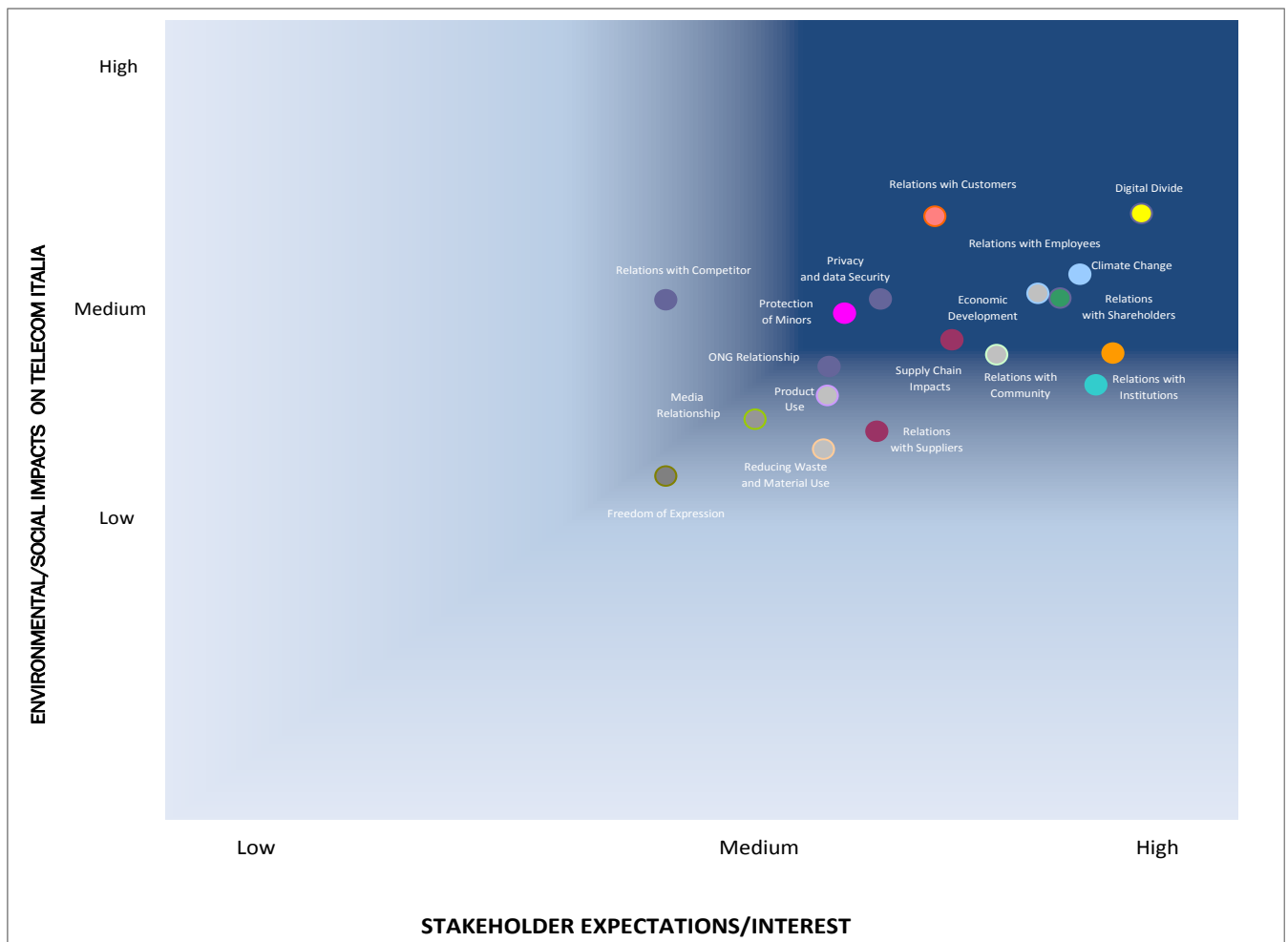
- inclusivity: identification of the stakeholders and their expectations, and the development of strategies of involvement aimed at improving the company's sustainability performance;
- materiality: identification of the important issues for the Company and its stakeholders;
- responsiveness: a description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

In order to determine relevance, the Group has developed a process in which results are put into schematic form in the "materiality matrix" shown below. The relevant issues are identified on the basis of the expectations of the stakeholders and their influence on the Group.

The process of determining relevance is in line with the Hot Topics of sustainability identified through the analysis of the requests of the rating agencies and investors, including benchmarking with competitors.

A methodology is being developed for the management of risk within the framework of the best practice of the "Enterprise Risk Management Framework", under which social and environmental risks, and those arising from possible conflicts between stakeholders in general, will be taken more into account.

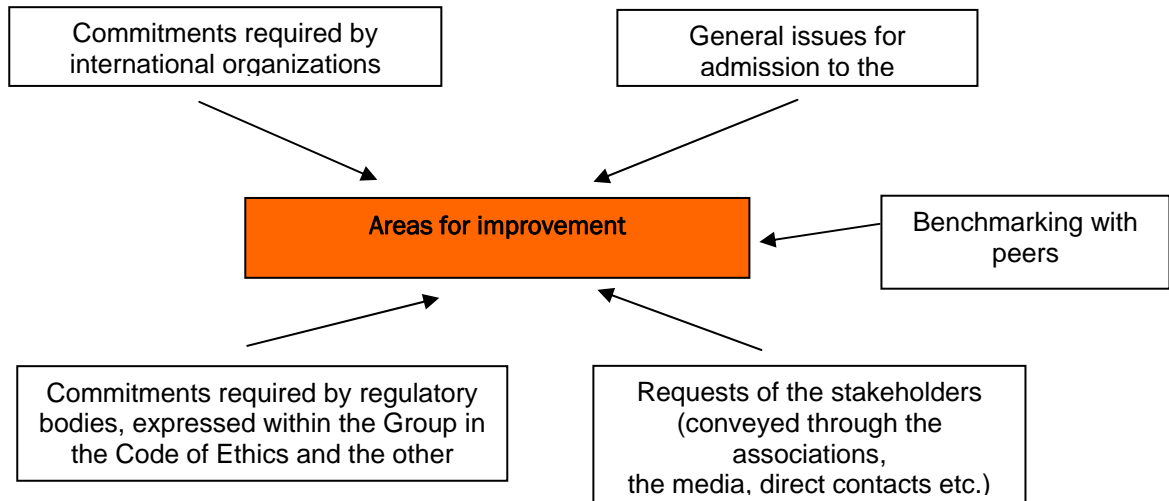
The methodology followed in measuring the investments in the Community is that defined by the London Benchmarking Group – LBG.



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;
3. definition of targeted management actions to be taken in the areas for improvement where no projects have been conducted previously, or those where the planned projects have not had sufficient, positive impact in terms of sustainability;
4. monitoring those areas in need of supervision in order to maintain the performance level attained.



An important element used by the Group on matters of sustainability is the Assessment Card. All projects which involve significant investment, and which are put forward for the approval of appropriate Committees, are covered by this card. Its function is to illustrate the impact, in terms of sustainability, of the investment. Each project manager must indicate the impact, positive, neutral or negative, of the project to be approved in the important 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.

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 the workplace, and believe respect for workers' rights in the conduct of economic activity is a fundamental principle.

The management of the workforce is aimed to guarantee equal opportunities and to promote the professional growth of each person.

Human Resources: Health and Safety

In 2009, the Group launched or continued certain specific projects and initiatives:

Up-dating the company's Risk Evaluation Document.

The new Risk Evaluation Document has been drawn up, updated with regard to the current organizational structure, the activities carried out and the new measures introduced by the Decree Law of August 3rd, 2009, No. 106, adapting Decree Lee 81/2008, on matters of the protection of health and safety in workplaces. The evaluation regards all the health and safety risks to workers, including those exposed to specific situations (work stress, females working during pregnancy), as well as those connected with differences in gender, age and different country of origin.

The document was drawn up, as laid down by the decree, with the participation of the manager of the Prevention and Protection Service and subject to consultation with the workers' safety representatives.

To ensure the swift adaptation of the document to incorporate any technological and organizational changes, the document is in electronic format and available on the Intranet. This permits all information, documents, procedures and measures linked to the issue of health and safety of workers to be connected to the Risk Evaluation Document.

Safety rules and procedures

Various procedures have been drawn up or updated, including those regarding insects, the management of air-conditioning systems and health controls. The latter, in particular, describe the tasks and responsibilities in the management of the health protection of workers exposed to specific risks, as well as the health checks workers should be subjected to depending on the activity carried out. The process has been reviewed and updated to include health checks for risks connected to night work, to exposure to electromagnetic fields and to work on transmission systems with laser on fibre optics.

“Wellbeing in the call centres” project

The project was begun in 2004 with the aim of understanding the variables which help influence in a decisive way the wellbeing of the people who work there, and identify possible actions of improvement. In line with the initiatives implemented on the people-caring front, a second monitoring process was carried out which involved around 3,000 operators (a representative sample of the call centre population) through the compilation of an on line questionnaire, reviewed and supplemented on the basis of the outcome of the previous research phases.

From the analysis of the data collected, carried out by the researchers of the Faculty and Department of Psychology of the University of Turin, it emerged that:

- the reconciliation of the work-life balance impacts on psychological and physical disorders. In this way, the operator can be supported in reaching and maintaining a better work-life balance, both through an adequate and more functional organization of the working hours and shifts, and through organizational initiatives aimed at meeting the needs of the family;
- technological and digital supports, including instruments to handle the emotional relationship with the customer, are resources that can facilitate and sustain work;
- the quality of the physical environment of work, in line with the ergonomic measures, favours psychological and physical wellbeing;
- the appreciation of the personnel, through the recognition of expertise and work experience, equality of treatment, and the transparency of the organizational decisions, represent important points of attention to promote greater wellbeing at work.

In order to verify the proper application of the agreement between the company and the trades unions on wellbeing in the call centres, signed in May, 2008, specific Commissions are checking the implementation of the initiatives useful in promoting wellbeing, with regard to the following macro areas: the valuing, training and updating of the personnel, the reconciliation of work and private lives, the work environment, organization and rhythms of work.

Training and awareness of the workers

Consistent with the current legislation, specific training courses have been conducted on matters of health and safety at work for the newly hired, those changing jobs and/or following the introduction of new activities, equipment or substances. A process of awareness promotion has been started on the role of the responsible for the health and safety of workers, as well as training courses for all call centre operators on the risks from noise linked to the use of headphones. Other initiatives in support of health and safety in workplaces were carried out through the distribution of specific pamphlets and via the intranet.

Safety in contract works

As a result of the amendments introduced by Decree Law 106/09 the organisational procedures for safety in contract works have been updated. In collaboration with the sectors concerned, specific instructions are being issued with the aim of operating with respect for the regulations in the respective processes. In parallel, standard contractual clauses on matters of safety and the environment for contract works have been implemented and simplified, in accordance with recent regulatory measures.

Accidents at Telecom Italia

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

	2009	2008	2007
Number of accidents	1,079	932	969
Severity index ^(*)	0.42	0.45	0.24
Frequency rate ^(*)	11.28	9.77	10.28
Average duration in hours	127.73	127.31	136.01
Rate of unproductiveness ^(*)	1.44	1.24	1.40
Accidents per 100 workers	1.97	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.

Alongside the many training projects intended for the technical personnel, there has been a reduction of more than 1% in workplace accidents, that is, those closely related to occupational hazards.

In particular, we draw your attention to:

- the annual program of training and instruction for the routine and general maintenance of the TLC plants which require attention at a high altitude (telegraph poles, ladders and pylons). These programs have made possible a reduction of work related accidents in this area equal to 1.6%;
- the Project "Drive Safely", in its third year of activity, has allowed the attainment of a notable reduction in the accident index related to road accidents whilst in service. In fact, only in the last year, the reduction has been equal to 7.26%, whilst in the last three years it has been reduced by some 40%;
- the training program has included, via a video course, the entire workforce of Telecom Italia and through a pluriannual program, the technical personnel who use a company vehicle intensively in everyday activities (in 2009 this was 613 technicians).

During the year, we also recorded an increase in non-work related accidents, not connected to working activities and two fatal accidents, of which one was work related.

In 2009, Tim Brazil has carried out certain activities to ensure and promote health and safety at work, including:

- updating the company document of Risk Evaluation and drawing up specific documents on issues of the environment, health and safety in work places;
- the carrying out, in the field of the supervision of health and medicine at work, of 7,300 medical examinations;
- the carrying out of controls and monitoring on buildings, plants, equipment and processes, including 119 micro-climatic and noise measures in the call centres and company shops;

- the carrying out of 8 evacuation rehearsals to check the efficiency of the Emergency Management Plans.

Customers: Safeguarding privacy and personal data protection

Telecom Italia Group is firmly committed to ensuring compliance with the regulations on the protection of personal data (Decree Law 196/03, the so-called “Privacy Code”).

To this end, Telecom Italia’s organization 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 instructions of the Privacy Guarantor is assured by constantly updating the regulations and policies of the Group. In particular, in 2009, the complete revision and updating of the “System of rules for the treatment of personal data in the Telecom Italia Group” has been completed, which defines, for each commitment concerned, the respective measures and operational instructions. For the purposes of the correct application of the Privacy Code, therefore, a significant campaign of information and awareness has been mounted from December, 2009, for the managers concerned and those responsible for the treatment, which will also continue in 2010 with a series of meetings, broken down according to the topics covered and the organizational structures involved.

Regarding the treatment of the personal data of customers, the review and adaptation of the company’s digital systems of customer profiling - carried out in previous years – have allowed the provision of all the information and documentation required by the Privacy Guarantor (Provision of 25/11/2009) to the providers of electronic communication services, in order to enable the prior checking of the conformity of the customer profiling activities with the provisions on matters of privacy.

In the matter of data security, an important project, launched in 2008, was continued in 2009 to further raise the level of information protection both for voice traffic and data transmissions, including with regard to the specific instructions of the Privacy Guarantor for suppliers of electronic communications services (Provision of 17/01/2008). The new measures have mainly regarded the introduction of strong authentication systems for digital access to systems which hold data traffic, including biometric recognition for physical access and the use of dedicated systems for the judicial authorities. These measures required multiple interventions (adaptation of digital systems, definition of operational processes, activities of communication, training and help desk).

In 2009, on the instructions of the Privacy Guarantor on matters of system administrators (Provision of 27/11/2008), measures were adopted to improve the security and control of the operations entrusted to internal personnel and outsourcers who run digital systems for companies. The implementation of the project, with the involvement of the technical, legal, organizational and customer relations departments, and the suppliers, allowed the realization of the interventions required to conform with the instructions of the Guarantor, and raise the level of protection of personal data. In particular, a list of formally appointed system administrators has been established.

In addition, an assessment has been carried out on all aspects of privacy and security connected to the provision of services of “data centre solutions” (housing and hosting services, remote archiving and disaster recovery, outsource management of customers’ digital systems etc.) aimed, in particular, at business clients for the purposes of identifying the areas for improvement.

Training interventions have continued to spread the culture of privacy in the company which, in 2009, have regarded, in particular, the prerequisites of compliance in the treatment of the customers’ data in the commercial departments, including the external sales network, and

customer care, with special reference to the structures which take care of the conciliation of disputes with the customers.

The effective application of the regulations is monitored through a control system based on regular self-evaluation procedures by those responsible for the treatment of data, and on checks by sampling, carried out by the relevant central departments, based on procedures and methodologies prepared with the contribution of the Group's Auditing and Compliance firm.

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 2009. This document lays out the technical and organizational 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.

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 in line with the expectations of the relevant stakeholders.

In particular, customer care and the quality of the products and services offered is recognized by the certificate UNI EN ISO 9001:2008, concern for environmental protection is the basis of the certificate UNI EN ISO 14001:2004, health and safety at work is certified under the provisions of regulation BS OHSAS 18001:2007, data security is certified under ISO 27001:2005, Information Technology services are covered by the certificate ISO/IEC 20000-1:2005, and software production and digital solution processes are certified under CMMI-DEV (Capability Maturity Model Integration – Development), a new generation standard.

The attainment of the following certificates is planned in 2010:

- UNI EN ISO 14001:2004 for the Open Access department;
- UNI EN ISO 9001:2008 and UNI EN ISO 14001:2004 for Tim Brazil (Business Unit of Rio de Janeiro and São Paolo);
- CMMI-DEV (Maturity level 3) for the company Shared Service Centre;
- ISO/IEC 27001:2005 for the company Shared Service Centre, focused on the Security Assurance processes in the phases of Risk Analysis, Risk Assessment and Security Operations.

In the following table, the certificates obtained by the various departments/companies of the Group for particularly important company procedures and activities are listed below. Detailed information is available at www.telecomitalia.it (Sustainability/Our Model/Certifications).

Company	Regulation	Structure
Telecom Italia	ISO 9001	Departments: Domestic Market Operations <ul style="list-style-type: none"> • Business • Top Client Market & Networked IT Services • Customer Operations (regarding the processes for the business customer) • Consumer/Sales (Territorial Areas) Technology & Operations Technology & Operations/Open Access ⁽²⁾ Purchasing Operational units involved in the mobile invoicing process for business customers Subsidiary companies: TI Sparkle (retail services), Elettra Tlc, Path.Net, Loquendo, Telsy, Shared Service Centre
	ISO 14001	Departments: Technology & Operations Purchasing <ul style="list-style-type: none"> • Infrastructure procurement • Service Centre Facility Operational units involved in the Rome and Naples call centre process Subsidiary companies: TI Sparkle, Elettra Tlc.
	ISO 27001	Departments: Technology & Operations Domestic Market Operations <ul style="list-style-type: none"> • Top Client Market & Networked IT Services/Project & Service Management (Data Centre and Security Services for the market)
	OHSAS 18001	Departments: Operational units involved in the Rome and Naples call centre process Subsidiary companies: TI Sparkle
	CMMI-DEV	Shared Service Centre
	ISO/IEC 20000-1	Shared Service Centre
Olivetti	ISO 9001	Processes: Business & Market Development, Product & Technology Development, Industrial operations, Market Communication
	ISO 14001	Olivetti factory in Arnad (Aosta)
Tim Brasil	ISO 9001	Companies: Tim Brasil s.a. (invoicing processes) and Time Nordests s.a. (network management)

⁽²⁾ The “Open access” structure, within the “Technology & Operations” department (fully certified), has achieved its own certification (by a different certifying body), also for the purpose of enhancing the independence of Telecom Italia’s processes, consistent with the company’s mission, which provides for equality of treatment of national operators.

Introduction: 2009 Objectives and Results

The results attained regarding the objectives published in the Report on Sustainability 2009 are reported below.

Telecom Italia S.p.A.

Area of reference	Indicator	Unit of measurement	Target 2009	Final result 2009	Target Status 2009
The Community	Telecom Italia Foundation – Financial commitment envisaged with respect to the Group's EBITDA	%	0.05	0.05	●
Human Resources - Training	Training in health and safety issues	Training hours	90,000	94,437	●
Human Resources - Training	Training – Italian companies ⁽¹⁾	Training hours per head ⁽²⁾	33	30.7	●
Human Resources - Training	Training – Italian companies ⁽¹⁾ coverage (percentage of employees from the total workforce who have taken part in at least one training intervention)	%	71.5	80.1	●
The Environment - Eco-efficiency	Eco-efficiency indicator ⁽³⁾	bit/Joule	1,410	1,317	●
The Environment - Electromagnetism	SAR qualification ⁽⁴⁾	%	100	100	●
The Environment - Electromagnetism	Number of cells of the UMTS Radio Stations on which a second carrier has been installed ⁽⁵⁾	Number of cells	2,500	3,202	●
The Environment – Natural Resources	FSC certified paper procured for office use ⁽⁶⁾	%	90	100	●
The Environment – Natural Resources	Used paper sent for recycling	Tons	13,540	21,263	●
The Environment – Atmospheric impact	Reduction of CO ₂ emissions deriving from the replacement of diesel-fired heating systems with plants having less impact ⁽⁷⁾	Tons	200	214	●
The Environment - Atmospheric impact	Reduction of the quantity of ozone-harmful gas used in air-conditioning plants and cooling systems	kg	6,400	8,151	●
The Environment - Atmospheric impact	Reduction of CO ₂ emissions deriving from the replacement of Euro3 vehicles with Euro4 vehicles ⁽⁸⁾	Tons	1,630	2,169	●
Digital Inclusion	ADSL coverage ⁽⁹⁾	%	96.5	96.5	●
Digital Inclusion	IPTV coverage ⁽⁹⁾	%	54.8	57.6	●
Digital Inclusion	UMTS and HSDPA coverage ⁽¹⁰⁾	%	82.4	83.3	●

Target: reached ●
not reached ●

⁽¹⁾ The data includes all the Group's companies in Italy.

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

⁽³⁾ For more information on the eco-efficiency indicator, please refer to The Environment/Climate change chapter.

⁽⁴⁾ This is the percentage of mobile phones subject to the SAR (Specific Absorption Rate) qualification. The percentage is calculated on the most widespread and technologically innovative models of mobile handsets.

- (5) Under high traffic conditions, by using two radio frequency carriers instead of one, the total power emitted by the station is less.
- (6) Measured against the total amount of paper procured for office use. FSC = Forest Stewardship Council.
- (7) Most of the new plants are fuelled with gas.
- (8) A reduction of around 30% in CO₂ emissions is achieved with the Euro4 vehicles compared to Euro3 vehicles. The target was calculated by considering the emissions of the models of vehicles effectively replaced.
- (9) The percentage refers to fixed telephone lines.
- (10) The percentage refers to the residential population.

TIM Brasil

Area of reference	Indicator	Unit of measurement	Target 2009	Final result 2009	Target Status 2009
Human Resources	Satisfaction of employees measured through the questionnaire "TI Group Photo" ⁽¹⁾	Average level of satisfaction	7.5	-	(2)
Human Resources	Reduction in turn-over of employees	% (monthly)	2.2	2.5	●
Human Resources	Reduction in absenteeism	%	3.2	4.3	●
Human Resources	Training (total n° of hours: in class + on line + on the job)	Hours of training	715,000	405,095	●
Human Resources	Training - Coverage (percentage of managers out of the total eligible who have taken part in at least one training session)	%	95.2	99	●
Human Resources	Training - sustainability (n° of managers out of the total eligible who have taken part in at least one training session on sustainability issues)	%	47	76	●
The Environment	Reduction of the total of paper procured (office use only)	%	2.1	11	●
The Environment	Ratio between recycled waste and the total waste generated in the offices	%	43	49	●
The Environment	Mobile phones, batteries and accessories collected and sent for recycling	Tons	11	18	●
The Environment	SAR qualification Brazil ⁽³⁾	%	25	25	●
Suppliers	Percentage of the main suppliers assessed under sustainability criteria	%	30	90	●

Target: reached ●
not reached ●

- (1) The data is calculated on a scale of 1 to 10.
- (2) The TI Group Photo questionnaire was not carried out in 2009. The survey will take place in the first months of 2010 and the final results will be included in the respective Sustainability Report.
- (3) This is the percentage of mobile phones subject to the SAR (Specific Absorption Rate) qualification. The percentage is calculated on the most widespread and technologically innovative models of mobile phone handsets.

Introduction: 2010 Objectives

The sustainability objectives defined by the Group for 2010 are given below.

Telecom Italia S.p.A.

Area of reference	Indicator	Measurement Unit	End of 2009	Target 2010
The Community	Telecom Italia Foundation – Financial commitment provided with respect to the Group's EBITDA	%	0.05	0.05
Human Resources - Training	Training in Health, Safety and Environment issues ⁽¹⁾	Training hours	94,437	95,000
Human Resources - Training	Training – Italian companies ⁽²⁾	Training hours per head ⁽³⁾	30.7	33
Human Resources - Training	Training – Italian companies coverage (n° of employees from the entire population who have taken part in at least one training session)	%	80.1	80
Human Resources - Accidents	Accidents per 100 workers	Number	1.97	<1.97
Human Resources - Accidents	Reduction in the index of severity ⁽⁴⁾	Number	0.42	<0.42
The Environment - Energy	Eco-efficiency indicator ⁽⁵⁾	bit/Joule	1,317	1,410
The Environment - Energy	Self production of electrical energy from renewable sources	kWh	200,000	500,000
The Environment - Energy	Total electrical energy procured or produced	GWh	2,136	2,136
The Environment - Energy	Number of fuel cell plants in replacement of lead batteries ⁽⁶⁾	Number	100	80
The Environment – Atmospheric emissions	Reduction of the quantity of ozone-harmful gas used in air-conditioning plants and cooling systems	kg	8,151	5,970
The Environment - Atmospheric emissions	Reduction of CO ₂ emissions deriving from the replacement of Euro3 vehicles with Euro4 vehicles ⁽⁷⁾	Tons	2,169	1,660
The Environment - Paper	FSC certified paper procured for office use ⁽⁸⁾	%	100	100
The Environment - Paper	Used paper sent for recycling	Tons	21,263	20,000
The Environment – Electromagnetic emissions	SAR qualification ⁽⁹⁾	%	100	100
Digital Inclusion	ADSL coverage ⁽¹⁰⁾	%	96.5	97.2
Digital Inclusion	IPTV coverage ⁽¹⁰⁾	%	57.6	59.3
Digital Inclusion	UMTS and HSDPA coverage ⁽¹¹⁾	%	83.3	84.3

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

(2) The data includes all the companies of the Group in Italy.

(3) The data includes training in class, on line and on the job.

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

(5) For further information on the eco-efficiency indicator, please see The Environment/Energy.

- (6) The introduction of an additional 80 plants, laid down as a 2010 target, avoids the use (and subsequent disposal) of 240 tons of lead. An assessment of the total life cycle shows a benefit in CO₂ not emitted equal to around 100 tons, compared to traditional batteries.
- (7) A reduction of around 30% in CO₂ emissions is achieved with Euro4 vehicles compared to Euro3 vehicles. The target has been calculated considering the emissions of the models that have been effectively replaced.
- (8) Measured against the total paper procured for office use. FSC = Forest Stewardship Council.
- (9) This is the percentage of mobile phones subject to the SAR (Specific Absorption Rate) qualification. The percentage is calculated on the most widespread and technologically innovative models of mobile phone handsets.
- (10) The percentage refers to fixed telephone lines.
- (11) The percentage refers to the residential population.

TIM Brasil

Area of reference	Indicator	Unit of measurement	End of 2009	Target 2010
Human Resources	Voluntary service work (percentage of employees who benefit from at least 1 day's leave in lieu for taking part in voluntary activities)	%	- (1)	1
Human Resources	Training (total n° of hours: in class + on line + on the job)	Hours of training	405,095	715,000
Human Resources	Training - Coverage (percentage of employees out of the total workforce who have taken part in at least one training session)	%	99	97
Human Resources	Training - sustainability (n° of employees out of the total workforce who have taken part in at least one training session on sustainability issues)	%	(2)	20
The Environment	Ratio between recycled waste and the total waste generated in the offices	%	49	51
The Environment	Reduction of electricity consumption in the offices	GWh	(3)	1
The Environment	Reduction of water consumption in the offices	m ³	(4)	2,400
The Environment	Mobile phones, batteries and accessories collected and sent for recycling	Tons	18	12
The Environment	SAR qualification Brazil ⁽⁵⁾	%	25	25
Suppliers	Percentage of the main suppliers assessed under sustainability criteria	%	29	70

- (1) In 2009, acknowledgement for days paid to employees for voluntary service work was not provided.
- (2) In 2009, the objective "Training – sustainability" only concerned managers.
- (3) In 2009, the objective of a reduction in the consumption of electrical energy was not provided. The reduction target for 2010 of 1 GWh comes from the difference between 2009 consumption, equal to 73 GWh, and that expected for 2010, equal to around 72 GWh.
- (4) In 2009, the objective of a reduction in water consumption was not provided. The reduction target for 2010 of 2,400 m³ comes from the difference between 2009 consumption, equal to 173.000 m³, and that expected for 2010, equal to 170,600 m³.
- (5) This is the percentage of mobile phones subject to the SAR (Specific Absorption Rate) qualification. The percentage is calculated on the most widespread and technologically innovative models of mobile phone handsets.

Human Rights

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

The commitment of Telecom Italia Group to respect and uphold human rights and labour standards is stated in its Code of Ethics and in the Group Organizational Model, in accordance with the ten principles of the UN Global Compact concerning human rights, labour standards, environmental protection and fight against corruption. Telecom Italia SpA and its subsidiaries endorse and promote these principles, as well as all relevant UN's and ILO's conventions, in particular, the Universal Declaration on Human Rights, and they act with the aim of mainstreaming those principles within the Company and its suppliers. As for suppliers, a specific policy has been published, available on the Company's WEB site (http://www.telecomitalia.com/TIPortale/docs/sostenibilita/SUPPLIERS_POLICY_sett_2006_REVISSED_4_3.pdf).

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

(http://www.telecomitalia.it/content/dam/telecomitalia/documents/Sostenibilita/Policies_ENG/SOCIAL_RESPONSIBILITY_IN_TELECOM_ITALIA.pdf).

References related to the 2nd principle (2009 Telecom Italia Sustainability Report Chapter):

- Suppliers: Strategy;
- Suppliers: General Matters;
- Suppliers: Main Sustainability Initiatives;
- Suppliers: Controls;
- Suppliers: Main Initiatives of Involvement;
- Suppliers: 2009 Results and 2010 Commitments;
- Customers: Strategy;
- Customers: Focus on Customers;
- Customers: Customer Satisfaction;
- Customers: Digital Divide;
- Customers: Research and Innovation in e-security
- Customers: Relations with Consumer's Associations and Conciliation;
- Competitors: Strategy;
- Competitors: Relations with Stakeholders;
- Competitors: Services to OLO (Other Licensed Operators);
- Competitors: Commitments regarding the access network;
- Institutions: Strategy;
- Institutions: Relations with Stakeholders;
- The Community: Strategy;
- The Community: Macro areas of intervention;
- The Community: How the projects to be implemented are identified;
- The Community: How the individual projects are carried out;
- The Community: Responses to the stakeholders;
- The Community: Traditional Media;
- The Community: Social Media and Digital Communication;
- Shareholders: Strategy;
- Shareholders: Financial Communication.

Suppliers: Strategy

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

The Group is committed to guaranteeing the quality of the procurement process and its continual improvement, in the light, too, of green procurement, by 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/organizational characteristics are assessed. The positive evaluation of these characteristics allows inclusion in the Group's Register of Suppliers. The Group requires every supplier to make a 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.

Registered companies which have received purchase orders are usually subject to controls throughout the course of the supply, which range from vendor rating monitoring (the systematic assessment of the supply) to incoming quality control (mandatory for the acceptance and use of the goods acquired).

In the course of 2008, a Global vendor rating index was introduced experimentally, in order to assess the performance of the supplier in its entirety. The index takes into account aspects of the various supplies in which the sustainability criteria count for 20%. These criteria include indexes of accidents and contributory propriety, as well as possession of 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 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/organizational 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: Main sustainability initiatives

The Purchasing Department is organized in specific divisions, in order to give the best responses to the requirements expressed by internal customers and external stakeholders. These expectations are constantly monitored through surveys of both the internal customers and the suppliers to check the quality of the services delivered.

The following initiatives were undertaken during 2009:

- the application continued of the “Guidelines for the Evaluation of the Life Cycle of the Products” (issued in 2007) regarding 23 products. These guidelines allow the assessment, through an eco-compatibility index, of how far the acquired goods that are managed or marketed by the Group meet the prerequisites of the key environmental regulations, 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, defined on the basis of the volume acquired, their impact on the company’s reputation, the economic and legal risks and dangers, are as follows:
 - 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, exchanges);
- for 52 suppliers, this evaluation has also been supplemented by checks on aspects of social and environmental sustainability, such as respect for the principles of ethical conduct in business, the adoption of procedures to ensure the health, safety and rights of workers and the protection of the environment. These checks are conducted through an appropriate check list, in the process of being updated, and have the objective of promoting a better application of the sustainability criteria throughout the entire supply chain;
- in November, 2009, the certification of conformity with the regulation, ISO 9001:2000, of the “Management System for Quality” for the Group’s Purchasing Department was confirmed, with specific acknowledgement of the initiatives undertaken in the field of sustainability. This initiative has led to the mapping of 27 Department processes with the identification of 149 performance indicators that permit the monitoring and improvement of the administration of services supplied to internal clients and suppliers. Moreover, the ISO 14001 certification has been confirmed for the operations of Service Centre Facility and Infrastructure Acquisitions;
- in order to align Telecom Italia with the best practices in the sector and ensure conformity with the strategy of sustainability adopted, a Policy of Green Procurement was defined which furnished the guidelines to establish the environmental prerequisites for the products/services acquired;
- the Policy considers all the phases of the product life cycle: planning, production, use, end of life. The document, published on the supplier portal (https://suppliersportal.telecomitalia.it/AreaPubblica/Greenproc_policy_22.pdf), in the sustainability channel of the corporate site and on the company Intranet, contributes to directing acquisition policies in support of products and services with low environmental impact.

Under the perspective of the continuous improvement and greater involvement of the suppliers, questions on the Policy of Green Procurement and the adherence of the suppliers to the principles enunciated by it have been included in the usual satisfaction survey dedicated to them. The action plan for green procurement which has just been drawn up will bring a wider use of the LCCA (Life Cycle Cost Assessment) methodology in 2010, applied to the tenders for the procurement of products/services.

Suppliers: Controls

In 2009, in the technical field, around 23,000 controls were carried out on the execution of work, mainly on the installation of new equipment, on the delivery of services and works and on the maintenance of the network. The controls were focused on the network businesses division, made up of nine companies, divided between individual businesses and regional business groupings, which cover the entire country operating on the access network.

Also in 2009, further controls were carried out on suppliers by the Purchasing Management.

- Supplier Evaluation: 960 evaluations were carried out on 511 suppliers, of which 100 produced negative outcomes and 68 in which judgement was reserved for a specified period of time.
- Subcontractor Evaluation: 345 evaluation checks were carried out, with 18 negative outcomes.
- Vendor rating monitoring: 29 six monthly reports were issued, concerning 198 suppliers and 36 categories of procurement.
- Technical-organizational audits were conducted at suppliers' headquarters for Incoming Quality controls regarding products and services. 402 product batches were checked, of which 75 were blocked due to non-conformity.
- Technical-organizational audits were conducted at suppliers' headquarters for evaluation procedures: 226 checks were carried out on 143 suppliers, of which 15 produced negative outcomes and 12 in which judgement was reserved for a specified period of time.
- Technical/organizational audits were conducted at the headquarters of high-risk subcontractors (equipment/operational activities) for evaluation procedures and authorizations of use on the part of supplying businesses: 213 checks on 150 suppliers were carried out, of which 10 produced negative outcomes and 2 in which judgement was reserved for a specific period of time.

Suppliers: Main initiatives of involvement

- For the third consecutive year, the Group's main suppliers have been involved in surveys of satisfaction with the Purchasing Management and, more generally, with Telecom Italia. The on line questionnaire, made up of 33 questions, remained active for two weeks and the analysis involved 1,022 suppliers with access to the Portal.
The overall average outcome of the 328 questionnaires compiled was 72/100 (69/100 in 2008 and 71/100 in 2007) with a percentage of participation of around 32%, compared to 43% in 2008 and 35% in 2007.
- Regarding the network works, the activities of the e-community (launched in 2008) have continued, aimed at improving communications with and between suppliers, chiefly on subjects regarding social and environmental sustainability.
To this end, an appropriate Internet site was created called "TelecHome," which can be reached through the Suppliers Portal using the correct access credentials. The site, developed on the web 2.0 logic, contributes to the dialogue in the e-community in order to:
 - integrate the best operational practices adopted in specific subject areas;
 - publish the results obtained, in terms of the environmental and social certification attained;
 - support voting campaigns on various initiatives, for their assessment.
- In 2009, discussions were held regarding the correct management of processing waste and the process of training personnel on health and safety in the workplace.
- In June, the first seminar on the "green economy, sustainability and green procurement" was held. The seminar, which involved around a hundred people from various company managements (Purchasing, Group Sustainability, Open Access, TILab, Marketing and

Services of Prevention and Environmental Protection), had the objective of disseminating the recent Policy of Green Procurement and, generally, to illustrate the issues connected to the green economy. Speakers from public organizations, other companies and Telecom Italia suppliers took part.

- A review of the check list used to assess the social and environmental sustainability was launched with the aim of improving and extending the audit of the suppliers on these issues. The changes led to an increase in the number of questions and their definition in three fields of inquiry: ethics, environment and labour policies, with particular attention to the latter. The new check list has been applied as an experiment to certain suppliers. Downstream of the observations that emerge, a definitive check list will be drawn up in the first months of 2010 which will be used for subsequent audits.

Suppliers: 2009 Results and 2010 Commitments

Subject	2009 commitments	Status	2010 commitments
ISO 9001 and ISO 14001 certifications	Retention of the ISO 9001 for the Group's Purchasing Department and ISO 14001 for the service centre facility and infrastructure procurement operations of the same Management.	Achieved	Retention of the ISO 9001 for the Group's Purchasing Department and ISO 14001 for the service centre facility and infrastructure procurement operations of the same Department.
E-community project	Development and extension of the e-community to additional divisions and suppliers	Partially achieved ⁽¹⁾	Development and extension of the e-community to additional divisions and suppliers
Green Procurement	Introduction of environmental criteria, with a weighting no less than 10%, in tenders for some of the main products for marketing.	Achieved in the redefined version in the course of 2009 ⁽²⁾	Introduction of environmental criteria in the procurement specifications of additional products/services.
Controls on suppliers			Definition of the new check list of ethics and sustainability, to be used during the 2010 audit to assess the socio-environmental sustainability of the suppliers.
Controls on suppliers			Extension of the sustainability to production establishments in the Far East ⁽³⁾ .
Green Procurement			The continuation of the application of the "Guidelines for the evaluation of the life cycle of the products" to the product families already identified.
Green Procurement			Implement the green procurement action plan and consequently increase the volume of "green" procurement through the use of the instrument of the life cycle cost analysis in carrying out procurement tenders.

⁽¹⁾ The development of the existing e-community has continued with the discussion of other issues, and agreements have been entered into with suppliers for the extension in 2010 to additional divisions.

- (2) The objective was achieved in the following version, redefined in the course of 2009: in the acquisition of certain products (corded, cordless, fax) obligatory procurement specifications were incorporated for suppliers regarding eco-sustainability criteria covering energy consumption, packaging and materials (plastics, paints...).
- (3) It is planned to extend the sustainability audit to suppliers with production establishments in the Far East. A specific check list will be defined including assessments on: child labour, health and safety, freedom of association, non-discrimination, disciplinary practices, working hours, remuneration, environment and ethics. The audits will be carried out by company personnel and third parties.

Customers: Strategy

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

Customers: Focus on Customers

To improve the level of care of customers within the company and attain high levels of customer satisfaction, Telecom Italia has adopted a series of formal commitments, summarized in the Customer Promise published on the Group Intranet.

The Customer Promise, drawn up by listening to the views of important stakeholders (customers, employees, Institutions), is broken down into:

- an all-round provision of high quality and reliability;
- services which improve the quality of life of customers and contribute to the development of the Country;
- offers and communications in clear, simple and direct language to win and maintain the trust of customers;
- a company which is not remote but accessible, grounded in human relations, easy to deal with in resolving any problems connected to the service;
- people who listen to and understand the needs of the customers, with whom they build a relationship of partnership.

To increase the level of awareness of the Customer Promise and make its application concrete within the organization, the programme "Expressing quality" has been launched. The first phase of the programme involved 2,140 managers of territorial areas/units, and groups who are in contact with customers, in 71 sessions for a total of around 940 hours of training. The discussions, centred on the Customer Promise, covered the operational conduct and concrete actions that can facilitate its application with regard to customers. "Expressing quality" is continuing with the involvement of the company's entire management through inter-departmental discussion roundtables, with the participation of special guests.

To manage the main projects to improve the quality of the service, a specific committee has been established, the Steering Committee of Quality Governance (SCQG), which meets monthly, under the supervision of the Chief Executive Officer, with the aim of:

- directing and supervising the initiatives and activities aimed at improving the quality of the processes "end-to-end";
- monitoring the results in terms of the quality achieved, and analyzing them also in relation to the quality requirements demanded by the Guarantor Authority, the most

important/recurring complaints by customers and, more generally, the feedback coming from all the stakeholders;

- supervising the process of quality certification and the launch of new products/services offered to the customers – in particular, those of greatest impact in terms of image and competitive positioning on the market.

Customers: Customer Satisfaction

Telecom Italia listens to its customers through a system that encompasses both an overall assessment over time of all contacts with Telecom Italia, and a specific evaluation of the most recent contacts (for example, the activation of an ADSL line, a request for information or the reporting of a fault). The contributions received are used to improve the organizational procedures with the aim of supplying a service that is ever more responsive to the needs expressed.

The Customer Satisfaction surveys carried out by the company are of two kinds:

- the “**reflective**” **survey** is based on the overall perceptions of the customer and is not connected to a moment in time when contact was made for some specific reason. This method permits the analysis of the causal relationships that determine the customer’s level of satisfaction. On the basis of telephone surveys conducted by specialized agencies through a specific questionnaire, the CSI (Customer Satisfaction Index) is calculated. This survey, similar to the one used for the ACSI (American Customer Satisfaction Index), yields an indicator which is stable and has a predictive capacity, and that can be used to make comparisons between sectors and countries. This indicator furnishes important suggestions about the levers that can be employed to improve the levels of customer satisfaction. This type of survey has been extended to cover all categories of customers, consumer and business;
- the “**reactive**” **survey** is conducted immediately after the specific event that is the object of the inquiry (a contact with the Call Centre). Those interviewed are asked to express, with the experience of the call still fresh in their minds, an overall assessment of the service received (overall satisfaction) and an assessment of the individual aspects of the experience (for example, the time waiting to speak to an operator, courtesy and competence).

The data below refers to the last three months of the year and shows the overall CSI of Telecom Italia S.p.A.

Customer segment	2009	2008
Consumer	69.86	68.33
Business	63.42	60.63
Top Clients	70.30	70.74
Total	68.60	67.19

The information contained in the following two tables refers to the 2009 average considered progressive value revealed by the “reflective” survey.

Fixed telephony	Customer segment	Satisfaction with access service^(*)		Satisfaction with billing^(*)	
		2009	2008	2009	2008
	Consumer	8.18	7.98	7.27 ⁽¹⁾	7.14 ⁽¹⁾
	Business	7.80	7.59	6.73	6.56

Mobile telephony	Customer segment	Satisfaction with network coverage^(*)		Satisfaction with billing^(*)	
		2009	2008	2009	2008
	Consumer	8.36	8.34	7.79 ⁽²⁾	7.60 ⁽²⁾
	Business	8.15	8.10	6.83 ⁽³⁾	6.97 ⁽³⁾

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

(1) As for the consumer segment - fixed telephony, starting from 2009 the satisfaction item "Ease of reading the bill" has been replacing the one used in 2008 "Transparency and accuracy of info in the bill". For this reason data are not comparable.

(2) As for consumer segment - mobile telephony, starting from 2009 the satisfaction item "Ease of reading the bill" has been replacing the one used in 2008 "Transparency and accuracy of operators and management of credit /bonus in the bill. For this reason data are not comparable.

(3) As for business segment - mobile telephony, starting from 2009 the satisfaction item "Ease of reading the bill" has been replacing the one used in 2008 "Transparency of the bill". For this reason data are not comparable.

The data given in the following table refers to the 2009 average considered progressive value revealed by the "reactive" survey for Telecom Italia S.p.A.

Customer satisfaction with Customer Care							
	Customer segment	Overall satisfaction^(*)		Courtesy and kindness^(*)(**)		Ability to understand and satisfy needs and requests^(*)(**)	
		2009	2008	2009	2008	2009	2008
Fixed telephony	Consumer ⁽¹⁾	7.19	6.63	8.47	8.34	8.01	7.67
	Business ⁽²⁾	6.39	6.07	8.14	8.13	7.47	7.23
Mobile telephony	Consumer ⁽³⁾	7.81	7.50	8.81	8.74	8.46	8.16
	Business ⁽⁴⁾	6.67	6.49	8.27	8.31	7.49	7.32

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

(**) Starting from January, 2009, in the survey questionnaire, the operator item "Courtesy and kindness" replaced "Courtesy" and the operator item "Ability to understand and satisfy needs and requests" replaced "Competence of operator."

(1) Assistance given by the 187 (commercial) service for information and commercial and administrative requests, reminders and complaints (excluding calls regarding faults).

(2) Assistance given by the 191 (commercial) service for information and commercial and administrative requests, reminders and complaints (excluding calls regarding faults).

(3) Assistance supplied by the 119 Service for information, changes and complaints.

(4) Assistance supplied by the Toll-free Business Number for information, changes and complaints.

Customer satisfaction within the managerial incentives scheme

Telecom Italia's short term management incentives scheme provides, among the targets for all those within the scheme, one linked to customer satisfaction, in line with the Industrial Plan for the period. This target is measured through the Customer Satisfaction indexes monitored through periodical "reflective" surveys (including CSI). In addition, there are further targets on parameters of quality measured by "reactive" surveys for the front end areas (caring, technological etc.).

Customer satisfaction within collective incentives schemes

Telecom Italia's collective incentives schemes also envisage an objective linked to customer satisfaction. In particular, performance-related pay for all Telecom Italia resources without a system of individual incentives incorporates both a total customer satisfaction target, across the whole company, and specific targets for those parts of the organisational structure responsible for customer satisfaction.

Customers: Digital Divide

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

Geographical Digital Divide

In 2006, Telecom Italia launched an important Anti Digital Divide Plan, aimed at covering, at relatively-limited investment, the largest possible number of towns which generate low revenues and/or are not as yet equipped with optical infrastructure.

The plan provides for the best combination of innovative, technological solutions and methods of raising the necessary investments. By the end of 2009, 96.5% of the total of Telecom Italia's fixed lines were covered by ADSL and 57.6% were covered by IPTV.

As regards the accessibility of Broadband on mobiles, the percentage of residents covered by Telecom Italia through UMTS (Universal Mobile Telecommunication System) was 83.3% by the end of 2009. The same percentage was able to access another important radio mobile technology, HSDPA (High Speed Downlink Packet Access), which allows speeds of 14.4 Mbp/s (megabits per second) to be reached.

From the point of view of local investment, cooperation with the regional authorities takes place according to two principal means of intervention; the first is "contributive" (the so-called "claw back" model), 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.

Specifically:

- the claw-back model (already used in recent years in Tuscany and Sardinia and now applied in other areas) has been adopted by the European Union to accelerate the dissemination of broadband in areas of market failure. The model envisages the allocation of contributions in compensation for the lack of yield on investments, distributed on the basis of public tender;
- the collaborative model includes some of the main agreements signed by Telecom Italia in the course of 2009, among which is the letter of intent with the Marche Region (now being worked out with other territories).

In 2009, the development and implementation has continued of the company's data processing instrument for operational and decision-making support called the "Digital Divide Project" (DDP), which contains the complete coverage map for ADSL, ADSL2+, 20M/IPTV, and UMTS of Italian territory, taking into consideration the industrial districts, territorial initiatives and complaints. DDP is used not only for the daily handling of requests and complaints about Broadband but also to direct the technical network interventions in the districts exposed to the Digital Divide. In December, a "Digital Divide Day" was staged, an internal workshop attended by Telecom Italia's Chairman and CEO and two specific stakeholders in the Broadband ecosystem (Marche Region and the Autonomous Province of Trento). On this occasion, the first edition of the Yearbook on Digital Divide was presented,

the document in which Telecom Italia illustrates to the stakeholders the quantitative data on the status of the Digital Divide in Italian regions.

To enable those who live and work in areas not covered by ADSL to access the Internet, Telecom Italia launched the offer “Alice without barriers” which, thanks to a special modem and a TIM Card, allows high speed navigation on the Internet.

Socio-cultural Digital Divide

In a world in which technology enables contact between people, Telecom Italia is contributing to the breaking down of the socio-cultural barriers which restrict the possibility of participation in the information society, allowing people to enjoy its benefits.

Telecom Italia offers certain provisions and economic assistance aimed at promoting the use of TLC services and the internet in favour of specific social categories, and certain services of assistance aimed at customers with specific needs (the elderly, the sick etc.) or to health organizations.

Assistance services

MYDoctor@Home

Thanks to this service, patients suffering from chronic illnesses, or in post-hospital care, may monitor their physiological parameters (body weight, blood pressure, heart rate, blood oxygen levels, glycaemia, lung capacity, electrocardiography etc.) directly from their own homes or in properly equipped areas (health centres, chemists', doctors' surgeries etc.). The measurements are carried out by combining technologies developed by Telecom Italia with the standard medical electronic apparatus on sale. Telecom Italia and the University Hospital of San Giovanni Battista in Turin (Ospedale Molinette) have signed an agreement to run trials of this service. The objective is to assess the benefits in terms of both the improvement of the patient's quality of life and the optimization of costs for the health organization.

The use of MyDoctor@Home is, moreover, under trial in Rio de Janeiro by Tim Brazil in a number of health centres across the territory, giving rise to a collaboration between the Brazilian authorities and the Telecom Italia Group in support of the dissemination of technologies in the health field.

The e-health platform

The e-health platform allows the delivery of health services at the national, regional and local levels. The services, designed to improve the management of the Italian health service and increase the quality and effectiveness of health treatments, allow doctors, nurses and patients to carry out many activities remotely. The main applications of the electronic health care and telemedicine of the platform are:

- the creation of electronic health files and digital clinical records for the local health agencies and hospitals;
- centralized management of health records;
- portals aimed at the citizen, giving access to the platform's various services, and at health workers, for publishing medical information of interest to the public;
- the management and transmission of data and bio-images in order to allow remote consultation.

Line@Medica Diabete

This is an Impresa Semplice service for the management, on the move, of people with diabetes through the technological support of DominoMobile®. The service allows the

visualisation of glycaemia data on a mobile phone and automatically updates the patient's glycaemic diary, which is archived in electronic form. The service is exclusively reserved to associations in the diabetes field which have signed a framework agreement with Telecom Italia.

Big Angel

The difficulty in using electronic equipment with ever more functions can represent a form of social exclusion. Big Angel was created to tackle this difficulty.

It consists of an emergency device composed of two items of equipment: a telephone with a large keypad and highly visible display, compatible with acoustic equipment, and an additional cordless handset, specifically to request help. The latter, of a small size, can be carried on a belt or around the neck with a cord. It has only two buttons, of different sizes but much bigger than normal: the largest is for making emergency calls while the other can be customized to remember a number of the user's choice. Moreover, the cordless is furnished with specific safety functions, such as automatically and periodically sending a signal to the central exchange, automatic activation of hands-free operation in the event of calls and sending a signal to the central exchange when the batteries are about to run out.

Customers: Research and innovation in e-security

The activities of research and innovation in the sector of information security are mainly concentrated on:

- devising logics and innovative models in order to implement automatic mechanisms of control and protection that are able to automatically adapt to suit the context of the threat;
- the definition and development and new solutions in order to monitor and protect the network infrastructure and emerging services, with particular attention to the Next Generation Network and the Next Generation Data Centre;
- the definition of innovative algorithms and frameworks to avoid security leaks caused by computer viruses;
- the definition of new algorithms for the treatment of sensitive information.

The identification of the issues subject to the research and innovation initiatives was done with consideration of the requirements of the various internal/external stakeholders and development trends in the risk and external threat scenarios. The methods of responding to the expectations of stakeholders have varied, according to the degree of novelty in the fields investigated and the possibility or otherwise of reaching the security objectives through the integration of solutions coming from the market rather than specific, internal programmes of research and development.

On December 21st, 2009, the Chief of Police - Director General of Public Security – and the Chief Executive Officer of Telecom Italia S.p.A. signed an agreement to improve the prevention and suppression of crimes that cause damage to critical digital systems, such as the main network telecommunications infrastructure on Italian territory run by Telecom Italia.

The accord between the parties, which last three years and follows on from the agreement signed in 2004, has been stipulated in implementation of the decree of the Interior Minister of January 9th, 2008, which identified critical national digital infrastructure, that is, those infrastructures, public or private, that manage the sectors that are nerve centres for the operation of the country through digital and data transmission systems.

Customers: Relations with consumer associations and conciliation

Telecom Italia Group pays the utmost attention to the protection of consumers' interests and its relations with the associations that represent them, in the context of reciprocal collaboration and shared information.

Launched in 1991 in trials carried out in Sicily (Palermo) and Lombardy (Milan), collaboration with consumer associations was launched across the entire national territory in 1993. In 1995, the project was recognized by the EU as a "Pilot Project for the access of consumers to justice."

In 2004, a new regulatory framework for conciliation was signed, followed, in July, by a protocol of understanding for the procedure of on line conciliation for mobile phones.

In the course of the years, an ever greater number of associations have signed the accord. By December 2009, the Telecom Italia Group was collaborating with 20 of the leading associations. This collaboration includes meetings aimed both at guaranteeing the protection of customers' rights concerning new products and services supplied by the Group, as well as presenting the main organizational development projects that might impact on customers (for example, the reorganization of certain customer care procedures, or methods of keeping customers informed, the option of enabling/disabling non-geographic enumeration through an appropriate PIN number etc.).

Telecom Italia regularly brings the associations up to date regarding:

- "Telecom News", attached to the Telecom Italia bill; information sent monthly to customers concerning price changes, the launch of new services and offers, institutional information and, in general, any news of interest to customers;
- "On line with You;" corporate information announcements generally concerning tariff matters and initiatives arising out of specific regulations, published in the national daily newspapers.

In addition, the Group is a founder member of the Consumers' Forum, an independent association that brings together consumer associations, businesses, the academic and research worlds, and national and international public institutions in order to initiate forms of dialogue, shared endeavour and participation in the development and diffusion of responsible consumption. In 2009, various conventions were organized ("How we can change the consumption habits of Italians. First edition of the Consumer's Forum observatory on consumption and consumers," "Authority: between market development and protection of the consumer," "Class Action. Swapping notes: universities, businesses and consumer associations" etc.) which have attracted the attendance of several of the highest institutional figures.

The conciliation procedures

The Telecom Italia Group was the first major Italian company to successfully adopt the "parity" conciliation procedures, based on the ADR (Alternative Dispute Resolution) model. This procedure provides for the establishment of a commission of conciliation, formed by a member of the consumer associations (representing the consumer) and a representative of the business. There is no third party in the role of mediator or referee because the resolution arises solely from the discussions between the parties. Another particular feature is the presence of a regulatory framework, the so-called "rules of the game", signed by the parties, which must be applied by the commissions.

The system is simple: the person who has a problem lays a complaint. If within 30 days (as laid down in the Services Charter) the customer does not obtain a satisfactory response, they can ask Telecom Italia, or one of the associations that adhere to the accord, to activate the procedure. Conciliation applications are presented at appropriate offices hosted in Telecom

Italia's premises over the national territory. The application is discussed by the conciliation commission, which identifies possible ways of resolving the dispute. At the end of each stage of the procedure, a conciliation report is drawn up. The procedure is free of charge and is concluded, on average, within 45 days.

At the end of 2008, on the basis of the conciliation case histories, it emerged that positive outcomes from conciliations under the ADR model were higher (more than 90%) than those of conciliations conducted at the Co.Re.Com (Comitati Regionali per le Comunicazioni, Regional Committees for Communications) and the Chambers of Commerce (around 62%), which the customer can choose as an alternative. This fact can be mainly attributed to the different client targets (consumers for the first, businesses for the second) and the different methodological approaches (technical-legal for Co.Re.Com and CCIAA, and caring in the case of the "parity" conciliation).

As part of the commitments made obligatory by AGCOM in December, 2008, under Resolution No. 718/08/CONS, Telecom Italia, to reduce disputes with customers, undertook the simplification of the procedures for avoiding legal actions in 2009, by applying a single, uniform administration to all the conciliation proceedings at the offices of Co.Re.Com and the Chambers of Commerce, pursuing the organizational model for fair conciliation.

The objective was to move to a "one-stop shop," based on an approach of caring and loyalty, independently of the procedure chosen by the customer, thereby improving the dialogue and relationship with them. In the light of this, Telecom Italia has:

- strengthened its own Customer Operations structure, whose task is to assist in the handling of conciliation formalities, adding 100 people to the 200 already operational, which in the first six months of operation allowed the elimination of legal actions pending from 2008, and the attainment of a positive overall outcome in 87% of the cases (exceeding the 90% target for consumer customers);
- launched a series of training initiatives for "conciliators," with the participation of members of AGCOM and Co.Re.Com;
- concluded a protocol of understanding with Unioncamera, which defines trial guidelines to propose to the CCIAA for conciliation in the electronic communications sector.

The initiatives undertaken have permitted a reduction of more than 70% in the number of demands for conciliation waiting to be dealt with, falling from 1,230 at December 31st, 2008, to 351 at the end of 2009.

Competitors: Strategy

The Group's companies are committed to promoting fair competition, a factor considered to be in the interests of the Group, all those who operate in the market and customers and stakeholders in general. They promote and participate in initiatives and projects, in collaboration with the competitors, concerning the management of technical round tables and the activities of the trade associations.

Competitors: Relations with stakeholders (a few information)

The Group subscribes to 100 national associations and, in particular, to Confindustria – Innovative and Technological Services, Asstel, Assoelettrica, and, from 2010, also Assinform, the national association of the main Information Technology companies operating in the market. The role of the latter is to act as a link between the main economic, political and institutional forces with regard to the objectives and problems connected to the development of Italy as a National System, also through recourse to innovation and new technologies.

Together with the other operators, Telecom Italia takes part in the Fondazione Ugo Bordoni (FUB), an institution of high culture which aims to carry out research and studies on matters of communication and digital technology in order to promote scientific progress and technological innovation. FUB, which carries out consultancy activities in relation to Parliament, the Government and the independent administrative authorities, has a new bylaws since 2009, which assign control and management to the Public Administration.

Telecom Italia participates in the Audiovisual and ICT District, a Consortium of around 60 enterprises that operate in the information technology, telecommunications, networking and media sectors. Sponsored by the Municipality of Rome, the Union of Industrialists and the Rome Chamber of Commerce, the objective of the District is to express and represent, within its field, the industrial activities and services which operate in the new economic area, alternatively known as major convergence or multimedia.

Telecom Italia and Telecom Italia Media are founding members of the Forum on High Definition ("HD Forum") which pursues the objective of promoting and disseminating high definition technology in Italy. Membership of the Forum enables constant updates about the activities of competitors in the high definition field (in particular, Sky, Mediaset and Fastweb) and the promotion of initiatives addressing questions of regulation and standardization.

Furthermore, Telecom Italia Media subscribes to the Radio and Television Federation (RTF) in its role as a member of the Presiding Committee. Besides the national and satellite broadcasters, RTI and Sky, RTF brings together 150 local radio stations. The general meeting of the Federation is held every six months; the ordinary activities are carried out by the internal structure, which takes part through its representative in various working discussions and publishes a monthly newsletter.

Telecom Italia Media is associated with DGTVI, the national association for digital terrestrial broadcasting, together with RAI, Mediaset, D-Free and the associations which bring together the local television broadcasters, Aeranti-Corallo and FRT. In 2009, the activities of the Association have taken place through the task forces established for each region which, according to the ministerial calendar, has tackled the passage from analogue TV to digital: Valle d'Aosta, western Piemonte, Trentino-Alto Adige, Lazio and Campania. The activities and objectives of the Association are established by the Administrative Council, in which Telecom Italia Media participates through its own representative.

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

Telecom Italia Media takes part in the work of the CNID (Italian National Digital Committee), which brings together all the representatives of the value chain in the digital market. The Committee is chaired by the deputy Minister of the Ministry of Economic Development with responsibility for Communications, alongside two deputy chairmen (an AGCOM Commissioner and the Chairman of DGTVi). It acts through four different operational groups covering the following areas: Networks Technology and Development; Monitoring and Data;

Communications and Customer Assistance; Specific Problems in the Public Broadcasting Service.

Competitors: Services to OLO

The commercial management of Telecom Italia – National Wholesale Service (NWS) – is the point of commercial reference for the other licensed operators (OLO) for the provision of network infrastructure and/or services, aimed at the subsequent marketing by the said OLO of electronic communication services to their own end customer. In relations with Telecom, and in particular with NWS, respect for the principles of equality of treatment and non-discrimination, sanctioned by the current regulatory framework and in particular by resolution 152/02/CONS, is ensured through the organizational and administrative separation between Telecom Italia's Retail Management and NWS: this separation is certified annually with technical verifications conducted by an outside organization.

NWS annually defines and proposes the offer of reference for the various wholesale markets. The process of approval of each offer of reference involves joint examinations and reviews designed to provide the clarifications requested by AGCOM, which approves its contents, checks the work of NWS to ensure the protection of competition, and identify macro issues open to examination by all the OLO. AGCOM is also the guarantor and the authority of reference in the causes promoted by the OLO and the end users on regulatory matters.

Telecom Italia, under the perspective of the improvement of the company processes, has presented a complex, integrated series of "Commitments" designed to improve the performance of the delivery of services supplied to the OLO which, following the Procedure, 351/08/CONS, were approved by AGCOM and came into force on January 1st, 2009.

Telecom Italia, through NWS, has promoted ongoing technical discussions to encourage dialogue with the OLO. With reference to the processes of provisioning and technical assistance (assurance), suitable National Assistance Centres have been created which work through operational and specialized support structures and which communicate with the internal departments of Telecom Italia to ensure the level of service and the implementation of the agreements with the OLO.

The dialogue with the OLO is further helped by the NWS portal, which contains the historic data, updated in real time.

In order to measure the degree of satisfaction of the OLO, Telecom Italia (NWS) has recently conducted surveys of customer satisfaction aimed at all the operators with contractual relationships with NWS.

The surveys, carried out through interviews preceded by an exploratory phase, have allowed the disclosure of the items of greatest importance for the OLO. To make the internal personnel of Telecom Italia aware of the caring of the customer-OLO, specific training courses are regularly held.

NWS, finally, annually organizes the "Wholesale Forum," meetings with the OLO to explain news regarding Telecom Italia's products, services and technological developments for the wholesale world. On these occasions, any organizational changes carried out to ensure services remain in line with the needs of the market are communicated. Outside experts also take part in the Forums on economic, technical and regulatory issues that give rise to round table debates, together with representatives of the OLO and NWS, on issues of greatest interest.

Competitors: Commitments regarding the access network

In December, 2008, AGCOM approved the voluntary undertakings presented by Telecom Italia with resolution 718/08/CONS, subdivided into 14 main groups, plus three additional groups of a methodological nature (variation, expiry, modulation).

The impact of the commitments on the stakeholders, both internal (shareholders) and external (customers, Institutions, competitors and the Community in general) can be broken down into different aspects. Specifically:

- greater satisfaction of the wholesale and retail customers, promoting innovation in internal processes, the qualitative development and improvement of the fixed access network and respective services, the reduction of disputes;
- the development of fair competition with competitors, considering this to be in the interests of the Group, the market, the customers and stakeholders in general, promoting a more efficient and effective equality of technical and economic treatment among the marketing departments of Telecom Italia and the other operators;
- the maintenance of competitive conditions in the transition to new generation networks in order to ensure the creation of an open network able to offer the Community high quality services;
- more transparency in the evolution of Telecom's fixed access network for competitors and Institutions through the communication of the technical plans for quality and the development of the infrastructure;
- the acceptance of petitions from AGCOM, consumer associations and alternative operators, contributing to the development of a model for relations and solutions to problems through constructive relationships founded on a climate of trust and continuous discussion.

At the centre of these commitments is the role of Open Access, the structure created in February, 2008, within the Technology & Operations Management, which acts in a logic of efficiency, quality and equality of treatment:

- all activities of development and maintenance of the technological infrastructure of the access network;
- the process of the provision of the access services for the customers, both of Telecom Italia and the other operators, and the respective technical assistance.

The creation of Open Access is linked to the strategic role of Telecom Italia's fixed access network, with its potential for development and connected investments. Open Access is a fundamental infrastructure, not only for the Group but for the entire Country, through which all the alternative players in the market have constructed their own infrastructure, and provided new services to the Community.

In particular, Open Access provides access services to the Retail Marketing Management of Telecom Italia and the alternative operators through the National Wholesale Services department. The activities of Open Access and NWS for the production of access services are separate, and independently managed, from the other commercial departments of Telecom Italia Group.

In addition to the creation of Open Access, the implementation of the commitments, with their complexity and significant impact on the system of external stakeholders, requires the provision of appropriate governance in which each organization plays its own role.

Specifically, AGCOM has established:

- the Monitoring Group which supervises the proper execution of the commitments;
- the OTA (Office of Telecommunications Adjudicator) which gives notice of and settles disputes between operators and improves the flow of information and associated processes;
- the Next Generation Network Committee which draws up solutions regarding questions concerning technical, organizational and economic aspects connected to the transition to new generation networks.

Telecom Italia has established:

- the Supervisory Body, a committee with guaranteed independence established in 2008, which verifies the proper execution of the commitments, ensuring equality of access for the other operators to the fixed network infrastructure through the Open Access department and the attainment of the objectives of quality of the service;
- the Commitments Coordination Committee, set up by the departmental managers of Telecom Italia, reporting directly to the Chief Executive Office, which monthly supervises the whole process, monitors the progress and defines the position of Telecom Italia in the various work groups;
- Telecom Italia's Equivalence department, dedicated to guaranteeing the implementation of the commitments on competition, which meets regularly in technical work groups with competitors, providing the results achieved and examining the issues of interest raised with AGCOM and other institutions;
- the department of Operations Governance – Equality, Efficiency and Quality of Open Access which ensures the supervision of the plans arising from the regulatory issues in line with the commitments, including the reporting and monitoring of the data regarding the equality of treatment of TLC operators.

The work groups have absorbed the spirit of innovation and improvement set forth by the commitments, developing them in terms of efficiency and quality of the service offered to the end customers, and allowing the attainment of the pre-established formal objectives, above all in the technical work groups on access services conducted with the other operators.

Institutions: Strategy

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

Institutions: Relations with stakeholders

Among other, Telecom Italia provides information to ministers (mainly the Minister for Economic Development) concerning the activities of the inspection body (parliamentary questions) directed at the Group. Projects and Protocols of Understanding have been defined with the national Institutions aimed at the dissemination of ICT, broadband connections and the digitalization of the country. For example, the Protocol of Understanding, signed with Minister Gelmini for the diffusion of ICT tools for teaching in schools, forms part of this activity.

The monitoring and constant interaction with the decision-making centres of local Institutions occurs by means of hearings, participation in workshops, the work of regional Commissions

and ministerial and specialist work groups. Furthermore, Telecom Italia regularly organizes communication initiatives on specific issues of local interest.

Coordination with the company departments operating at the territorial level is fundamental in acquiring information regarding the approaches and expectations of local Institutions and providing suitable solutions.

Relations with European and international institutions are also collaborative in nature and are broadly carried out according to the logic previously described with, in many cases, the involvement of the other ICT operators. The actions carried out are both of the institutional kind (for example, participation in public consultations, workshops, meetings of parliamentary Commissions) and the collaborative type, with other operators (meetings with the EU Commission). Among the issues tackled at the European level, the subjects of the main regulatory/legislative documents of interest to the Group, are the revision of the Community Directives, the Recommendation on termination, the Recommendation on regulated access to the Next Generation Networking (NGN), the roaming Regulation and the review of the Universal Service.

Telecom Italia Media also maintains a constant dialogue with the institutions on subjects of interest to the company and has carried out a series of actions with regard to regulatory acts, public consultations, positioning requests by AGCOM (Italian Communications Authority), including:

- the request for the partial postponement of the obligations for scheduling and investment in support of European works established by the Regulation approved by AGCOM under 66/09/CONS. The decision to take advantage of the possibility for postponement, established by the said Regulation, for the stations of the Telecom Italia Media Group, and in particular for La7, MTV, QOOB and for the satellite channels of MTV, was dictated by the needs of balance and scheduling;
- public consultation (launched under the resolution 526/09/CONS of September 30th, 2009) concerning the identification of the emerging platforms for the marketing of broadcasting rights for sports, which was concluded on October 30th, in which Telecom Italia Media, in concert with the other companies of the Group, gave notice of the necessity of incorporating among the emerging platforms IPTV, DVB and the mobile platforms such as GSM, GPRS and UMTS.

Regarding relations with the UN, the activities carried out as part of the Global Compact were of particular importance, taking the form of participation in the work group on human rights and the Network Italia.

The Community: Strategy

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

Consistent with these objectives, and the responsibilities assumed towards the various stakeholders, the companies of the Group see research and innovation as priority factors in growth and success.

Compatible with its role as a private company, and the associated demands of a financially efficient management, the Group, in making decisions, takes into consideration the social impact of telecommunication services, responding to the needs of even the weakest members of society.

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

The Community: Macro areas of intervention

On Telecom Italia's Internet site, the "Group's guidelines on voluntary contributions to the Community"⁽³⁾ are published, aimed at regulating the multiple ways in which these investments may be carried out.

Two main areas for intervention have been identified:

1. voluntary activities consistent with the Group's core business (connected to the provision of ICT services)⁽⁴⁾;
2. activities aimed at the general development of the Community (principally, the activities of the Telecom Italia Foundation).

The objectives of the interventions consistent with the core business are:

- to reduce the Digital Divide in society through the dissemination of knowledge and the use of communication technologies among civil society, with special attention to those sectors suffering discrimination for individual or social reasons. Examples of activities carried out by the Group with this aim are internet courses for the elderly, technological innovation in schools, technology exhibitions, science festivals etc.;
- to meet the requirements and needs demonstrated by the Community through the use of company know-how. This includes the "SMS solidarity" and other fund raising initiatives in which the Group makes available infrastructure, customer care and other operational sectors, initiatives to develop solutions for those with disabilities, the sick, the elderly and minors.

Among the activities aimed at the general development of the Community are initiatives and projects without a direct connection with the services and products provided by the Group. Examples of these activities include the projects in Brazil for the social inclusion of children who are living in conditions of degradation, initiatives in support of the fight against disease, support for associations which combat organized crime, educational projects fostering respect for the environment, cultural initiatives to safeguard the artistic heritage etc.

The Community: How the projects to be implemented are identified

Telecom Italia identifies the projects to be implemented on the basis of:

- consultation with the stakeholders and direct contact with the associations of civil society;
- partnership projects with stakeholders and associations;
- benchmarking against the other European TLC operators;
- participation in industrial associations (for example, the London Benchmarking Group);
- sharing knowledge of the industry's problems with the other departments of the Group;
- external lobbying in response to social emergencies (for example, the earthquake in Abruzzo).

The Community: How the individual projects are carried out

The implementation of each project passes through four phases: planning, selection, management and control.

⁽³⁾ The complete text of the Telecom Italia Group's Guidelines for voluntary contributions to the Community is available on the Group's Internet site (www.telecomitalia.it), in the section, Sustainability/Stakeholder/The Community.

⁽⁴⁾ In this chapter, only those products/services provided at no charge are reported, while those which, although they have a significant impact on the Community, are provided for payment, are included in the chapter, Customers.

1. In the planning phase, the objectives to be reached, the beneficiaries of the project, the timescales of the individual activities, the overall duration of the initiative, the methods of monitoring the project and the budget are identified.
2. The selection of the projects may take place:
 - through public tenders (as in the case with many projects pursued by the Telecom Italia Foundation);
 - by a decision of the company, which takes place downstream of the consultation described above, consistent with the guidelines for voluntary contributions to the Community.
3. The management of the properly selected projects takes place in partnership or within the framework of agreements. Sometimes cash disbursements are made, leaving the management of the activity to the beneficiary organization/association.
4. The current monitoring system provides ex-post control, customized to the specifics of the individual projects. In tenders put out by the Telecom Italia Foundation, for the selection of projects, one of the prerequisites of entry is the existence of a control system, which in turn constitutes one of the assessment parameters of the projects presented. Indeed, the Committee for Internal Control and Corporate Governance, composed only of independent Board Members, controls sustainability activities in general, including the projects carried out by the Telecom Italia Foundation, in terms of consistency with the ethical values of the Group.

Contributions made by the Telecom Italia Group to the Community during 2009 were calculated according to the guidelines of the London Benchmarking Group (LBG).

The Community: Responses to the stakeholders

Initiatives consistent with the core business

By way of example, some activities carried out in 2009 are given below, concerning initiatives to respond to the needs of the Community using the technologies that underlie the provision of services by Telecom Italia.

Internet Saloon

The objective of the initiative, launched in 2000 in partnership between the Association for Metropolitan Interests of Milan and the Telecom Italia Company, Gruppo Credito Valtellinese, HP and Microsoft, is to support the dissemination of the internet and new technologies among people over 50. The basic internet courses, run by university students, last a day and are set up in a way that anyone, even without any knowledge of personal computers, can navigate the internet and use emails after a few hours of lessons. Currently, Internet Saloons are active in Milan, Sondrio, Pavia and Catania and have recently been opened in Ancona, Bari and Naples. In nine years of operation, more than 35,000 people have successfully attended courses.

Telemouse

This initiative, set up in partnership with the Digital World Foundation, provides for the establishment in Rome of 180 courses in digital literacy and widespread territorial dissemination aimed at the over 60s.

The basic course are conducted in the digital lecture theatres of 60 Roman schools and are run by selected students, who, through this commitment, obtain scholastic training credits.

In parallel, Telecom Internet Corners have been set up in 50 Social Centres for the Elderly of the Municipality of Rome: welcoming, homely places when the elderly can put the expertise acquired into practice and, thanks to the experience of the central granny-tutor figures, introduce their peers to new technologies.

In the two years, 2009-2011, a total of more than 17,000 elderly people are expected to have taken part in the initiative.

Fund raising

Technology often assists in the collection of funds. Indeed, the ease, immediacy and simplicity of the tools made available by TLC services have allowed more direct appeals to the generosity of people and made making donations easier. Fund raising has taken on particular importance above all in cases of unexpected, immediate and urgent need in the Community. For years, Telecom Italia has supported important humanitarian causes, including through innovative ways of making donations. In addition to SMS and telephone solidarity, "Click solidarity" has been available since 2007, a new tool that allows donation via the web, with direct deductions on the Alice ADSL bill.

Telecom Italia is among the organizers of the first telephone prize competition in support of scientific research aimed at beating diabetes.

The money raised was passed on in its entirety, without any deductions, either by the tax authorities, who, thanks to an awareness campaign mounted by TLC companies and non-profit organizations, have exempted such operations from the application of VAT, nor by the company for the disbursement of its costs.

In 2009, 99 fund raising events were organized with a total collection of around 27 million euros⁽⁵⁾.

TIM Mobile care

Developed with the National Organisation for the Protection of the Deaf (ENS), "TIM Mobile Care" is a multimedia video assistance service which allow non hearers to receive, free of charge, in Italian Sign Language, all the necessary information to use mobile telephone services (for example, configuring emails, SMS/MMS, remaining credit, tariff profile etc.). Internet navigation services are also available on mobile handsets which use voice recognition technologies, voice synthesising and audio streaming in order to customise various information services (tourism, entertainment etc.) for use by those with visual and auditory disabilities.

TIM Mobile Speak

Launched in 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 is 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.

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

The Solidarity Ponies

This initiative was launched in 1997, in collaboration with the Social Policy Departments and several of the largest voluntary associations in six major Italian cities (Turin, Milan, Bologna, Rome, Naples and Palermo). Its objective is to supply free assistance in the home to people over 65. The elderly can call a telephone number to ask for help of various types (assistance, companionship, accompanying etc.). The Municipality operators, connected to an operational centre, pass on calls from the mobiles of volunteers who promptly take action. In addition to supplying the technical tools, Telecom Italia contributes to the initiative by financing the non-

⁽⁵⁾ The amount collected is not directly attributable to the initiatives mentioned due to the time lag between invoicing and payment.

profit associations that take part in the project in order to create and run, through the work of volunteers, the social assistance network. In 2009, more than 37,000 interventions were carried out.

Telecom Italia Future Lab

This is a laboratory staged in Genoa from October 23rd to November 1st as part of the Festival of Science in which it was possible to try out new applications of digital technology and their impact on daily life. A voyage through technology in which visitors could discover the many faces of “digital potential,” that is, the many small revolutions that the technologies can bring in terms of the worlds of relationships, safety, health, work, knowledge, travel, respect for the environment and natural resources. Among the most popular programmes being tried out were the 3D video chat, e-learning, interactive infomobility (for the real time acquisition of information useful for improving the travel experience), user generated digital art (artistic creations on digital media), MyDoctor@home (for the remote control of certain types of diseases), Mobile Payment (for using a SIM card as a dynamic and secure payment method). From January 13th to 17th, 2010, Telecom Italia Future Lab was also staged in Rome, again as part of the Festival of Science.

Social initiatives

Interventions for the general development of the Community in terms of charity are carried out by Telecom Italia Foundation and, to a lesser degree, by other arms of the Group.

The Telecom Italia Foundation

The Telecom Italia Foundation, established at the end of 2008, is one of the main Corporate Social Responsibility instruments of Telecom Italia regarding the Community. Through its initiatives, the Group’s commitment to support the communities in which it operates is strengthened, promoting ideas and projects designed to improve people’s quality of life. In particular, the Foundation is active:

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

The Telecom Italia Foundation is a business foundation of a predominately distributive kind, with a management fund tied to the profitability of the Telecom Italia Group. This fund, in 2010, is expected to be equal to 0.5 per thousand of the consolidated EBITDA, 2009. Telecom Italia Foundation’s action plan is defined annually and approved by the Board of Directors, which draws on the support of a Scientific Direction Committee, made up of experts in the various fields of intervention.

In order to guarantee maximum transparency in the decision-making processes within the Foundation, a programme of stakeholder engagement was launched in 2009, with the support of authoritative experts from outside the Foundation in the process of analysis and definition of possible initiatives and projects in the “historic-artistic heritage” field. This involvement has shown itself to be an important instrument in better understanding the dynamics and opportunities which open up for interventions in support of this heritage, in harmony with the Foundation’s mission.

The Foundation’s projects are monitored on the basis of the specific characteristics and objectives envisaged. The monitoring system is a requirement built into the Foundation’s

tenders and represents one of the prerequisites for admission of the projects, in addition to an assessment parameter.

The projects pursued by the Telecom Italia Foundation in 2009 are shown below.

- Dyslexia Programme: this has been organized with the Italian Dyslexia Association as a multifaceted programme of interventions, within the framework of an agreement signed on July 15th, 2009, for three scholastic years.
- Earthquake in Abruzzo; the Telecom Italia Foundation made of donation of 200,000 euros to the Civil Protection, and allocated 1 million euros for a project to restore the cultural heritage of the library of L'Aquila, which will be digitized and archived on computer, to be returned within a short term to the citizens.
- Telecom Italia Foundation Tenders: in June, 2009, the Telecom Italia Foundation published two tenders on its website (www.fondazionetelecomitalia.it), expiring on September 16th, 2009:
 - The "Work and Social Inclusion" tender, through which six projects to find stable and qualified work for disadvantage people will be financed;
 - Educational and new technologies tenders, through which two projects to disseminate digital technologies in schools, and to stimulate education through the creation and delivery of multimedia and interactive lessons, will be financed.
- St Francis of Assisi Wood; is an educational project carried out with the FAI (Fondo per l'Ambiente Italiano, Fund for the Italian Environment) as part of the operations to recover the St Francis of Assisi Wood, with the objective of making children, young people and adults aware of the need to respect and protect the environment and landscape.
- Theatre on the ward: in the pediatric wards of certain important Italian hospitals, young patients are entertained with the vision of the theatrical performances of the Teatro Antoniano, thanks to ADSL connections. It is an initiative run in partnership with Antoniano Onlus.

The Community: Traditional media

Involvement through the Group's website

The corporate site of Telecom Italia (www.telecomitalia.com) is the point of on line access to the commercial, service and institutional content of the Group. The key stakeholders are:

- the general visitor interested in finding out about the company and/or Telecom Italia's offers: the home page is dedicated to them, acting as hub directing them to the institutional content or to various commercial sites, according to their requirements;
- customers or potential customers who wish to find out about the provisions and promotions of the Group; the Private and Business channels are dedicated to them, subdivided by the type of public and nature of the offer;
- customers who wish to find areas for dialogue with the company and/or who need support and assistance: the channels Parla con noi and Info & Assistance are dedicated to them, with different types of channels of contact for private, business and institutional customers;
- researchers and scholars interested in finding out more about the Group and its innovations;
- institutional and retail investors, analysts and bondholders, both Italian and international;
- the ethical funds;
- people looking for work;
- journalists.

There is a dedicated section for each part of the public, with content and in-depth material to meet their specific needs. Various methods are provided to give and receive feedback.

The site is continuously updated, enriched and modified with new content and functionality of ever greater interest to the users.

Involvement through the Group's broadcast stations

Through Telecom Italia Media, the Group controls the televisions broadcast stations La7 and MTV. In order to select the programmes to be made, a dedicated office conducts regular market research on the needs of current and potential audience. La7, whose programmes are aimed at a mainly adult, culturally aware public, measures the satisfaction and enjoyment of the choices in the programme schedule mainly through Auditel and, additionally, through the blogs dedicated to specific programmes.

MTV, which is aimed at a young public, does not use Auditel but instead creates specific focus groups to assess and formulate the programmes.

Among the most appreciated programmes are the information services (particularly TG La7). The editor is responsible for the broadcast content and is therefore the guarantor of respect for the regulations, including independence, press freedom and journalistic expression. Furthermore, the membership of the journalists of a specific, professional body determines their rights and responsibilities.

La7 and MTV have always been committed to the promotion of social issues. Some examples of activities undertaken in 2009 are given below:

- free access to the programme schedule of La7 to Save the Children and Unicef (space taken from the advertising pool) and free access for the representatives of these organisations to certain TV programmes;
- La7 has decided to give away a kit to the people in the areas in which Save the Children operates instead of Christmas presents to its staff, who received a token marking the donation made on their behalf;
- La7 dedicated an evening's transmission to the Copenhagen Conference on Climate Change;
- MTV broadcast two specials entitled "MTV 4 Peace," a project carried out in collaboration with the 9th World Summit of Noble Peace Laureates and Kids' Rights, in which several young people were given the chance to meet some of the most famous winners of the Nobel Prize for Peace and question them on how to build a better world;
- MTV launched a fund-raising campaign for the earthquake in Abruzzo, in collaboration with the Ministry for Youth, with the broadcasting of 3 spots in support of the reconstruction of structures for young people. A television special was also broadcast of the concert "Women for Abruzzo," which was held at San Siro (Milan) on March 21st.

In addition, the following campaigns have been conducted:

- The planet we will become: the campaign, on the occasion of the World Environment Day organised by the United Nations, involved the television platforms La7 and Alice Home TV from the end of May to the beginning of June. On the La7.it website, the initiative "Your promise to safeguard the future climate" and an ad hoc publicity campaign were conducted, running to the end of the year;
- Road Safety Messages; this is an initiative in collaboration with the Ministry of Education, aimed at the television audience of the Superbike championship and the world of two wheels, with the aim of increasing awareness of proper, responsible driving. The campaign involved all the Telecom Italia Media Group platforms from April to November 2009, with dedicated television programmes and the publication on the La7.it site of informative

articles, clips and competitions aimed at bloggers, which saw the participation of 2,500 people.

The awareness campaign launched on La7 and Alice Home TV individually reached more than 20 million television viewers. The respective support campaign on the web reached more than 10,000 individual users overall.

The Community: Social Media and Digital Communication

Social media means the on line technologies and practices that users adopt to share words, pictures, video and audio content. Through the social media, a merger takes place between sociology and technology, and the type of conversation it gives rise to ranges from a form of monologue (by one person to many) to one of dialogue (by many to many). People are thereby transforming themselves from content users to editors and generators of content. The dominant feature is no longer simply exploring, but interacting and doing.

The popularity and wide availability that the social media have achieved is such that companies cannot underestimate the effects on their businesses.

Telecom Italia has identified the need to launch a true dialogue with its stakeholders, bringing together its traditional and innovative communication channels: the Italian social community, the emerging subjects of the new internet (young talent, entrepreneurs, early web adopters, research centres, incubators and financiers, universities, Institutions, hi-tech companies), opinion leaders (bloggers and journalists) and private and public subjects who represent the engine of innovation in our Country and who can stand for and safeguard the criteria of sustainability, based on the expected development, as well as the traditional stakeholders (customers, suppliers and institutions).

Objectives and strategies of stakeholder involvement

The strategy of involvement is developed around the new dimensions of the conversation in the 2.0 world, through the positioning of Telecom Italian on the new internet with the aim of creating a digital ecosystem, through:

- the development of projects according to the latest updated standards of web 2.0, thanks also to active contributions to the ecosystem;
- the involvement of the opinion leaders through the creation of communication initiatives on and off line;
- the extension of events to the mass media and the Network, to create a more general cross-media link-up between environments, traditional media and social networking;
- constant monitoring of the feedback from the social media and the respective KPI.

Projects

A few of the projects launched and developed in 2009 are shown below.

- **Working Capital:** backing the ideas put forward to support Italian innovations and entrepreneurial initiatives in the web 2.0 environment, supplying expertise, technologies and services in support of their realization and helping the growth of a new generation of Italian entrepreneurs. The initiative takes place on the internet, but also involves a series of meetings (barcamps) with aspiring young entrepreneurs and authoritative guests, which are rolled out across the entire national territory.
- **Digital capital:** this is a project for the diffusion of digital culture focused on the city of Rome, with meetings and events that have seen the participation of national and international rapporteurs who summarize the changes underway, bringing together the different environments and cultures that operate in the capital and which already, each through their own projects, demonstrate today the ecosystem of tomorrow.

- avoicomunicare (www.AVoiComunicare.it): this is a project created by Telecom Italia to encourage an open discussion on issues of great importance: environment, sustainable development, biodiversity, possible equilibriums between different worlds and cultures, integration, building peace through familiarity and reciprocal listening.

The blog, launched in September, 2008, began by dealing with the issues of integration between different cultures and ethnic confrontation, with the support of outstanding testimonials (such as Mikail Gorbachev, Joaquín Navarro-Valls, Tara Gandhi, Tahar Ben Jelloun and Bob Geldof). Since the early months of 2009, avoicomunicare has been focusing on the issue closest to the heart of the community: the environment and sustainability in the fullest sense, decisive factors in safeguarding the future of the planet. The issue was chosen by the users themselves in an on line survey.

In November, the World Conference of Science for Peace was featured on the pages of avoicomunicare with a variety of activities, including direct on line streaming and video interviews. In December, the return to focusing on the environment arose spontaneously thanks to the UN summit in Copenhagen, and a blogger was sent to Copenhagen to cover the agenda and carry out ad hoc video interviews.

Avoicomunicare interviewed experts and witnesses - including Jeremy Rifkin, Giovanni Soldini, Stephen Schneider, Carlo Petrini, Antonino Zichichi, Bjørn Lomborg, Colin Campbell and Mario Tozzi – on topics such as pollution, the climate and renewable energy, but also talked to ordinary people involved in safeguarding the environment and in research into new solutions; it also hosted many bloggers who deal with environmental issues on their sites.

Results

The projects, all non-profit making, were carried out in collaboration and partnership with the emerging players in the media and the digital culture, and with leading subjects in the respective fields of innovation.

Through the Working Capital project, 6,000 aspiring web 2.0 entrepreneurs have been involved and relationships have been established, and later consolidated, with the leaders in digital innovation and influential Italian figures in the sector, especially journalists and bloggers with expertise in innovation.

Avoicomunicare has been followed by around 1 million individual users during 2009, with a total of almost 2,5 million pages viewed. The projects has progressively opened itself up to the realities of the Network, inaugurating a fan page on Facebook, now followed by 11,500 fans, and a channel on YouTube which has clocked up more than 41,000 video viewings. More than 4,500 individual users watched 'For Peace Live', live from the Piccolo Teatro.

Shareholders: Strategy

While observing the requirement for confidentiality in the conduct of business, the companies of the Group keep the market and investors informed on the basis of the criteria of transparency, courtesy, clarity and equal access to information.

The companies of the Group are committed to ensuring equality in the treatment of all categories of shareholders, without preference.

Shareholders: Financial communication

In the course of 2009, the Company organized three-monthly conference calls, road shows abroad, meetings at the Group's institutional centres (reverse road shows) and participated in sector conferences. Around 300 investors were met during these events. In addition to these events, direct meetings and telephone conversations on a daily basis should be taken into

account.

The responses to the financial market by the Group are based on the criteria of relevance, the sensitiveness of information, the congruence and topicality of the issues dealt with to the Group structure and the actions undertaken to achieve the targets of the Strategic Plan.

The financial communication also takes into consideration the needs of investors linked to Socially Responsible Investing (SRI), which favours companies that pay attention to ethical, social and environmental factors as well as financial aspects. The communication to this particular category of investor, administered in concert with the Group Sustainability department, is developed through individual contacts and participation at dedicated events. In 2009, a road show was organized in Frankfurt during which several issues were touched on, such as the extent of the planned investments in the development of the NGN (Next Generation Network) and the NGN2, and the environmental performance information concerning energy consumption, dematerialization and other sustainability indicators.

Regarding relations with individual shareholders (retail) - today there are nearly 600,000 holders of ordinary shares – Telecom Italia's strategy is aimed at increasing channels of communication to respond in a rapid and effective way to queries about the performance of the shares and, more generally, of the Group. The indications and ideas that emerged from the dialogue with the retail investors were collected and communicated to top management.

The Shareholders' Club, "TI Alw@ys ON" (www.telecomitaliaclub.it) was launched in 2006 as a virtual meeting place between the company and its individual investors. However, the Club is also open to those who do not have shares in the Group, and just by joining the Club, members can obtain the same free services that are reserved to shareholders, that is:

- SMS alert, which every day reports the closing price and the percentage variations of Telecom Italia's ordinary and savings shares compared to the previous day, as well as the daily percentage variations in the FTSE/Mib index;
- Weekly Market report: a summary of the week's progress, sent every Friday evening following the close of trading on the markets;
- Three monthly newsletter: contains a commentary on the most recent economic-financial results and a focus on the phenomena and the trends which have influenced the course of the results, as well as clarifications on the financial and industrial strategy adopted by the top management.

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

As regards on line financial communication, Telecom Italia's website (www.telecomitalia.it) is constantly updated with regular innovations.

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.

(http://www.telecomitalia.it/content/dam/telecomitalia/documents/Sostenibilita/Policies_ENG/SOCIAL_RESPONSIBILITY_IN_TELECOM_ITALIA.pdf).

References related to the 3rd principle (2009 Telecom Italia Sustainability Report Chapter):

- Human Resources: Industrial Relations.

Human Resources: Industrial Relations

On December 31st, 2008, the validity of the Collective National Work Contract (CCNL) for personnel in telecommunications businesses expired. Negotiations for its renewal, begun in January, 2009, with coordination by the trade association Asstel, led to the signing, on October 23rd, of the new CCNL for the years 2009-2011. Specifically the Contract provides for:

- the adjustment of minimum salaries on the basis of the IPCA (Indice dei Prezzi al Consumo Armonizzato per I Paesi dell'Unione Europea, Harmonized Consumer Price Index for the European Countries);
- the updating of all the institutions regarding the labour market, incorporating the latest legislative amendments;
- the institution of a form of supplementary health assistance for all workers of the sector;
- the increase in leave days for student-workers;
- the establishment of a bilateral agency for sector training which will arrange the provision of a catalogue of courses on the subjects of the environment and safety at work, a responsibility under the law 231/2001, regulations on matters of privacy, basic computing and basic language training, work relations, CCNL and social security.

In addition, the Contract has introduced a new and more multifaceted system of relations between companies and unions, according to European Community guidelines. Indeed, the Observatory on Remote Control and the National Forum, the leading centres of analysis, verification and discussion between the parties on the issues of financially dynamic,

technological development in the sector, the evolution of legislative activities, relations with consumer associations, social corporate responsibility, the labour market, equal opportunities and safety at work. The new system of industrial relations will further encourage the dialogue between Telecom Italia and Trade Union Organizations.

In the months of January and February, with successive in-depth meetings, the Company explained to the Trade Union Organizations the organizational considerations in the Strategic Plan, 2009-2011. In the context of the subsequent changes to the workforce, a mobility procedure was launched on May 25th under law 223/91 for 470 workers operating in the Directory Assistance sector (Service 1254, Data Lists Assurance, Exchanges, International Work Services Centre, Territorial Support). On July 21st, the Company renounced the recourse to mobility and stipulated with the Trades Union Organization, at the Ministry of Labour, a Contract of Solidarity of the “defensive” type, under the legal measures in force, regarding the workers concerned. This Contract provides for the reduction of the working hours to avoid, wholly or in part, the reduction or the declaration of redundancy of personnel. For the workers in question, a partial integration is envisaged, by INPS (Istituto Nazionale per la Previdenza Sociale, National Social Security Institute), of the payment not received due to the reduction in working hours.

On February 5th, 2009, specific agreements were signed with SLC-CGIL, FISTER-CISL and UILCOM-UIL on conducting the elections of the Unitary Union Representative Body (RSU) and Health and Safety representatives (RSL), on conformity with union standards and on the Joint Health and Safety Committees. The latter, in order to maintain the participatory system as the preferred instrument for verification, analysis and discussion, are composed of an equal number of company and union members. Their task is to adopt initiatives aimed at the protection of the health and the physical integrity of the workers, to examine the development of the phenomena of accidents and where necessary propose actions of improvement, to contribute to the definition of the position on matters of training and information for workers and the RLS.

Following the earthquake of L'Aquila, making the company offices inoperable, on April 7, the Company and the Union subscribed to the joint examination under article 5, paragraph 1, of the law 164/75, activating for a period of four weeks the Ordinary Temporary Unemployment Compensation for 62 workers. Furthermore, the company has provided instruments of further economic support, thereby enabling workers to manage the problems caused by the earthquake, assured of income and free from usual daily work activities.

Still in 2009, on October 12th, Companies and Unions defined the 2009-2010 calendar of the collective holidays, identifying the days and the company structures involved in the closures (so-called non-operative structures).

According to the provisions of the Accord signed between the Company and Trades Union Organizations on May 14th, 2008, on the issue of Performance-Related Pay, on May 5th an agreement was signed with SLC-CGIL, FISTEL-CISL, UILCOM-UIL, the National RSU and UGL Telecommunications Coordination, which defined the organizational macro-fields and the parameters of quality/productivity required for the definition of the Performance-Related Pay, 2009-2011, of Telecom Italia S.p.A. This agreement allows for a more direct correlation between the contribution to the results of the business by specific groups of workers, encouraging the involvement of the workers and a greater sense of belonging to the business. As envisaged by the CCNL and the Protocols of Industrial Relations of Company and Trades

Unions, during the year numerous meetings were held at the national level on many issues, including: the contracts signed by the Company with suppliers and partners, the new reference model for company training, the reorganization of important company structures such as the Technology & Operations Management and the Security Department, the process of professional mobility from staff areas towards operational structures.

On January 22nd, an understanding was reached with SLC-CGIL, FISTEL-CISL, UILCOM-UIL and the RSU of Matrix S.p.A. on the second level of negotiations, under which improved treatment was defined for workers compared to that provided by the CCNL, according to the guidelines already adopted by Telecom Italia S.p.A. On December 16th, 2009, furthermore, the establishment of Performance-Related Pay for the workers of Matrix S.p.A. was signed with the same Trades Union Organizations, which links the variable part of the pay to the progress of the company's earnings.

As regards Shared Service Center S.c.r.l., on March 17th, 2009, a supplementary agreement of the National Collective Agreement was signed with SLC-CGIL, FISTEL-CISL and the RSU, which set a one off payment for all workers covered by the Performance-Related Pay Award of 2008. On May 21st, furthermore, negotiations were launched to define the Award for 2009 with the company's RSU and the National Secretaries of the SLC-CGIL, FISTEL-CISL and the UILCOM-UIL, which led to the signing, on December 18th, 2009, of a specific understanding.

As regards the industrial relations activities conducted by Telecom Italia Media:

- on February 2nd, 2009, an understanding was reached with the journalists' Trades Union Organizations with regard to the procedure of collective dismissal regarding 25 journalists, which occurred in September, 2008. The agreement, reached through the institution of a solidarity contract, revokes the procedure of collective dismissal, lasts two years, from March 1st, 2009, to February 28th, 2011, and provides for the reduction of working hours and pay by 16%. The reduction in pay will be compensated, to the amount of 50%, by a specific indemnity distributed by the National Institute for the Welfare of Italian Journalists (INPGI) which also provides for the accreditation of the notional contributions;
- on October 15th, 2009, an agreement was signed with the national and territorial RSUs of Telecom Italia Media, UILCOM UIL and FISTEL to raise the overall limit laid down by law for the maximum duration of the fixed-term contract from 36 to 63 months overall. The agreement has, moreover, regulated certain aspects in matters of hiring on fixed-term contracts.

Finally, as regards Telecom Italia Sparkle S.p.A., on October 29th, 2009, the new company organizational model was presented to the Trades Union Organizations and the agreement was signed on collective holidays for 2010.

In Tim Brazil, the collective union agreements of 2009 are in line with the current economic, political and juridical situation of the Country. Three agreements have been negotiated by TIM Brazil with the two federations that represent the entire work forces, FITTEL and FENATTEL, concerning:

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

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 4.17% from January, 2010.

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.

(http://www.telecomitalia.it/content/dam/telecomitalia/documents/Sostenibilita/Policies_ENG/SOCIAL_RESPONSIBILITY_IN_TELECOM_ITALIA.pdf).

References related to the 4th principle (2009 Telecom Italia Sustainability Report Chapter):

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

Human Resources: People caring

Telecom Italia Group, over the years, has developed a series of "works in progress" and interventions in support of its Italian and Brazilian employees, to improve the quality of their working lives and also support those outside the company.

Human Resources: Actions in support of employees - Italy

People Caring is the structure created by Telecom Italia to respond to the expectations of the personnel on certain important issues, identified through active listening carried out both on line (intranet, community, e-mail) and through meetings and focus groups.

The issues identified are as follows:

- work-life balance;
- support for the needs of children and families in general;
- support for initiatives of voluntary service by employees;
- encouraging the forms of diversity present in the work context through diversity management activities and projects.

The work-life balance of employees

- Reconciling work and family life is not an easy task: however, the company can make an effective contribution. Telecom Italia was awarded the “Family-Work 2009 Prize,” devised and promoted by the Lombardy Region in collaboration with ALTIS (Alta Scuola Impresa e Società, Catholic University) for creating the best integrated system for reconciling the family-work balance in support of its employees and their families. The initiative, now in its second edition, rewards businesses and public administrations whose planning and implementation of projects reconciling family and work life are outstanding.
- Pink Parking: for pregnant employees, throughout the working period until the beginning of maternity leave, a car park space is reserved in all the offices with company parking lots.
- Nurseries: in addition to the nine company nurseries at the offices in Rome (3), Turin, Milan, Ancona, Naples, Catanzaro and Palermo, two agreements have been reached with the same number of outside nurseries (Rome and Naples).
- Loans for mums and dads: 259 loans have been granted to new parents of children up to three years old.
- Christmas day: visits to parents’ offices for children up to 10 years, around the Christmas period, and tea parties in 120 offices, with the distribution of little gifts.
- Parents’ Days Off: booklets of time vouchers for 150 hours’ off annually, to be repaid through overtime, for employees up to level 5 of the collective agreement with children up to 8 years of age.
- Time off to attend pre-natal classes: time off, up to a maximum of 12 hours a month, to be recuperated, for working mothers and fathers to be.
- Intervention to ease the reentry in 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, renewable, for mothers of children up to 8 years of age.
- Time saving: Agency Services: within 31 company premises (Turin, Milan, Padua, Venice, Bologna, Florence, Rome, Bari, Naples and Palermo), another three counters have been opened for dealing with various practicalities (administration, post etc.).
- Wellbeing Areas; in the company offices in 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: open in two offices in 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: 555 loans have been granted, of which 67 were for buying/building homes and 86 to finance renovation works on homes.

Balance between working life and free time for the children of employees

- Traditional summer camp: a 15-day stay for children aged between 6 and 12 years old. 4,559 participants.
- Themed summer camp: a 14-day stay for children between 11 and 17 years old, dedicated to the study of English or Spanish, and sporting activities (football, tennis, sailing, horse-riding, volley ball, basket ball, canoeing etc.). 1,651 participants.
- Study visit to England: a 14-day stay at colleges in three locations. 228 participants between 14 and 17 years old.

- Foreign study bursaries: 80 four-week visits abroad, dedicated to the study of the English language, for young people between 15-17 years old (41 in Ireland, 31 in Finland and 8 in Spain); 20 study trips for an academic year for young people between 15-17 years old (Europe, United States and Canada).
- Reimbursement of fees for the first year of University for children of employees of Group companies who achieved a score of 90/100 in their school-leaving diploma.

Support for voluntary service initiatives

- In December, 2009, a number of employees of the Group chose to spend a week at the Dynamo Camp, of which Telecom Italia is a founder member, thanks to repayable time off from the company. It is the first camp that was purpose-built to host, at no charge, children suffering from serious and chronic diseases during treatment and in the post-hospitalization period. At the camp, children give great support to each other and build up their self confidence, which sustains them during the course of the treatment and on their return home. The volunteers had the task of welcoming the guests (children, young people or families), accompanying and supporting them in their every need and necessity, ensuring the camp was an entertaining and stimulating environment, but also a safe and physically protected one.
- The “noi.perloro” Community, launched on the Intranet in 2007, brings together solidarity initiatives carried out by employees of the Group, offering a place where these initiatives can be given visibility in order to increase the possibility of networking. Currently, 109 associations and non-profit organizations participate in the Community. In 2009, five charity initiatives were organized in the cities of Rome and Naples, while “Solidarity Banquets” were arranged during the Christmas festivities (from Monday, December 14th, to Friday, December 18th) in Telecom offices in Turin, Milan, Rome, Naples and Palermo, involving 17 associations.

Diversity Management activities and projects

- To give value to all forms of diversity in the workplace (disability, single parents, ethnic and religious diversity), several focus groups were organized in 2009 on the issues of disability and diversity in gender, culture and age.
- All members of management in the Human Resources and Organization Department were involved in a specific training/information initiative, which was then broadened to other personnel, through activities run on the intranet, such as, for example, the “Diversity Contest,” which consists of the publication of articles on specific aspects of diversity, accompanied by tests to make the reading more stimulating and increase involvement.
- The “Comunico-io” project was launched with the objective of identifying and implementing instruments which facilitate communication between around 80 colleagues who are affected by deafness and those with whom they are in contact at work. The hearing-impaired employees are supplied with devices which aid communication with others through chat services and LIS – the Italian Sign Language.

ALATEL and the Gold Pins

The Association of Senior Workers of the Group (22,873 members, of which 3,555 are current employees) has continued to carry out its institutional activities, confirming its collaboration with Olivetti’s Gold Pins Association (3,417 members).

ASSILT

ASSILT conducts campaigns in support of preventive medicine and health education, in collaboration with public health-care centres and scientific institutes. Moreover, the

Association distributes reimbursements for integrated health services supplied by the National Health Service (498,000 carried out in 2009, for a total of more than 50 million euros).

In 2009, the health education campaign on proper nutrition was completed, organized in collaboration with the National Institute for Food and Nutrition Research, which was aimed at all members and, in particular, users of the company's catering facilities.

At December 31st, 2009, the Association had 185,656 members, of whom 61,220 were employees, 38,844 were pensioners and 85,592 were families.

ASSIDA

ASSIDA distributes reimbursements for health services, supplementary to those supplied by the National Health Service. In 2009, 60,000 cases were handled for an overall amount of 20 million euros.

At December 31st, 2009, the Association had 5,080 members among managers, in-service or pensioners, making a total, with their families, of 11,800 beneficiaries.

CRALT

CRALT organizes 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 events (guided tours, painting courses, theatre and cinema evenings);

The contribution in support of members can reach 40%. The fees to participate in the initiatives can be paid by instalments, through deductions from salary.

Moreover, CRALT allows members and their respective nuclear families, through the stipulation of appropriate agreements, to acquire goods and services of particular importance and usefulness (such as, for example, school books, season tickets for public transport) at especially favourable prices/fees, taking advantage of payment by instalments.

At December 31st, 2009, there were 50,380 members, of whom 44,034 were employees and 6,346 were pensioners.

Human Resources: Actions in support of employees - Brazil

The work-life balance of employees

In 2009, Tim Brazil supported various initiatives, including:

- "TIM opens the doors": allows children to get to know their parents' working environment during Brazil's Children's Day; recreational activities were staged for the occasion, open to 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 offices in Rio de Janeiro, Belo Horizonte, São Paulo, Curitiba, Recife, Santo André, Brasília, Salvador, Florianópolis, Porto Alegre and Belém, gymnastic sessions are held in the workplace, in order to encourage correct posture and the proper use of work tools. 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, cultural and entertainment services, restaurants, health and well-being and the practice of sport. In 2009, agreements were entered into with Universities for language courses and other types of instruction.

Private health assistance in Brazil

The private Health Assistance programme for employees of the companies of the Group in Brazil includes both medical and dental services through an accredited network, and a system of reimbursements - with predefined maximums – for services outside the network. The overall cost of health services during 2009 was more than 12 million euros. As in 2008, a programme of voluntary vaccination, aimed at preventing influenza, was also carried out in 2009.

At December 31st, 2009, there were 18,074 members, of whom 9,454 were employees and 8,620 were relatives.

Supplementary social security in Brazil

Since 2006, Tim Brazil has operated the Private Social Security Plan for all employees. At the end of December, 2009, the membership ratio reached 85% of employees, in confirmation of its appreciation.

Human Resources: Listening activities and projects

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

In Telecom Italia and Tim Brazil, employees can make a series of approaches of an informal nature to various dedicated e-mail addresses, obtaining prompt responses on the services required and the issues raised.

Nevertheless, in a complex organization such as Telecom Italia, unilateral communication is no longer sufficient to encourage involvement and give value to ideas, including lateral or, more simply, “different” thinking. For this reason, there is a gradual “conversion” of the traditional communication channels to more innovative ways of favouring two-way communication, the exchange of ideas, the dialogue between members of the company community. The aims are several, but central to this is finding and giving value to the contribution of each employee in improving the present and building the future.

In this sense, the intranet and the portal are ever more important components. Other instruments exist capable of reaching everyone, in order to disseminate information but also to arrange broader occasions for formal and informal “listening”, such as climate analysis, the blogs and the open virtual communities. In this way, discussion and debate are encouraged on internal issues linked to the business and more general current topics, including environmental and social issues.

In this framework, other recent experiences have been included which, in different ways, see the participation of personnel as a determining factor and which, for this reason, provide structured channels for the collection of contributions and proposals. Among these is the “Archimede” project, developed by the Open Access structure to provide a climate for reinforcing the team spirit, but also to collect good ideas, which can contribute to resolving problems and improving relations with the customer, giving those who put them forward recognition, a sense of belonging, an enthusiasm for feeling an active part of the system. The project involved 20,000 Open Access personnel and ended with the awarding of prizes by interdepartmental juries for the 34 best ideas (out of 2,521 received). The project was also broadened in 2009 to the Wholesale Management.

The third edition was conducted of “The Lighthouse,” the listening project launched in 2006, which involves employees in putting forward ideas and opinions on matters of interest to the company, and in experimenting with the Group’s new products and services. The latest edition attracted 3,177 subscribers among colleagues through the on line questionnaire. All the participants were successfully enabled in the use of the blog, “The Lighthouse.” In July, 20

“lighthousers” were involved in two focus groups on the company identity and, in the same month, two experiments were conducted. To encourage listening, the experiments provided a dedicated blog, with the application of a questionnaire, and three evaluation focus groups. One focus group was conducted with a number of employees to test the new questionnaire in order to find out about the atmosphere within the company, which will be sent to the whole Group in January, 2010. The questionnaire, which has been redrawn in its language and structure, is intended to stimulate reflection and participation by employees. New questions were introduced in order to find out about and value the internal interactions of the company, the value of the relations and the exchange of knowledge within the professional communities.

Human Resources: Internal communication

In 2009, internal communication continued the process of greater encouragement and listening to employees in order to bring the company and the personnel closer together.

The internal communication events of 2009 were conducted with the intention of involving the greatest possible number of employees and making them the driving force behind the choices connected to the business and the growth of customer satisfaction. A limited number of people took place live, while the majority watched the video streaming from their workstations and took part in the discussion with managers via blogs and the virtual networks. The on line method also allows the impact of the Group on the environment to be minimized in terms of greenhouse gas emissions. In any event, the emissions of CO₂ generated were compensated for all the events.

The Group's personnel have been the subject of photographs, videos and stories that have enriched and empowered the company's media.

Scenarios

“Innovation, Quality, Commitment”: this was the title of the meeting organized for 1,400 managers of the Group. The objective of the meeting was to present the company in the 2009 scenario, the Industrial Plan, the competitive system, the rules, objectives and challenges for the management, a new style of leadership. At the centre of the work was the Business that we want to become, the relations we want to have in our ecosystem, the dialogue with all the components of the country, simplicity in relations with the market and with the customers, the style that it is necessary to adopt.

Information and company media

- Intranet: around 480 news items were published and the homepage was renewed, with the reorganization of the contents to facilitate its use and encourage navigation to the channels on specific issues. Special information leaflets on the earthquake in Abruzzo were produced with the participation of colleagues in the areas affected, on behalf of whom a fund-raising campaign was conducted on the web.
- Noi.flash: four issues of the newsletter dedicated to sustainability were published, on the analysis of the atmosphere ‘Group Photo 2008,’ the training project ‘Expressing Quality’ and on the training on the Organizational Model 231.
- Internal communication newsletter: this is sent regularly via e-mail to all employees and summarizes the most important news published on the company Intranet.
- Noi.tv: 88 editions of the bi-weekly news programme, “Videonews” were produced, with 60 monographic type services and 186 videos, plus selections of articles from the press.
- DVD Network Nuggets and Innovation Nuggets: retakes of the specials shown on noi.tv for information purposes. They are produced to spread awareness of the technical and innovative aspects of Telecom Italia to staff personnel.

- The Visual Q project: commercial artwork at the territorial, central and management offices in order to develop communication on the issues of Customer Satisfaction and Customer Promise, and to emotionally involve the personnel and diffuse the culture of quality. The dissemination of the messages is initially aimed at Open Access colleagues, putting the accent on operational and behavioural aspects in line with the training project, “Expressing Quality”.
- 2010 diary: implemented with the contribution of Telecom Italia’s historic archive and with photographs produced by a number of photographer colleagues, it traces a photographic journey through the story of the Telecom Italia company from the twenties to the present day.

Integration activities and projects

- The Intranet community has recorded an increase in participation by employees of 5% in each section in which it operates. The average monthly participation of the employees in the community and blogs stands at 150,000 hits, with an average of 6,000 hits a day. The Community is intended to allow colleagues to share their experiences, needs and opinions on various issues. In the various sections into which the community is broken down – company events, buying and selling, photography, blogs, music, films, exhibitions and plays, travel stories, PC help, books, cooking recipes, noi.perloro – it is possible to find ideas, advice, solutions, taking part and making contributions for the benefit of colleagues. The noi.perloro section contains an interactive area dedicated to voluntary work and solidarity projects.
- Various issue-based blogs have been set up for sharing the suggestions and ideas of employees on social issues (dyslexia), experimentation (“TIM Net,” “The Lighthouse”), Quality (“Expressing Quality”), research (“New generation TLC network”, “Research and Trends”), interest in photography (“Emotional Zoom”). Regarding the latter, 13 colleagues were involved in the project on the new company magazine and the diary, becoming suppliers of images for all the reportage.
- Convention involving certain company departments (Business Market, Purchasing, Administration, Finance and Control, Corporate and Legal Affairs, External Relations, National Wholesale Services), with the aim of promoting team work and sharing results and objectives. In certain cases, the multimedia convention model has been successfully used with the participation, via web streaming, of many colleagues following the event from their own workstation, with the opportunity to intervene in the discussion and ask questions.

In Tim Brazil, internal communication has mostly been carried out through the company intranet, “TIM Mobile” (notice board), e-mail and certain specific initiatives.

In particular, information has been supplied through the intranet to employees about the business, TIM services and products, and on initiatives promoted by the Human Resources Department. On the intranet, a specific HR area is also provided so that all employees can access, among other things, the electronic pay packet and associated benefits.

TIM Mobile is constantly used to disclose important news and supply information on internal/external campaigns.

E-mails are used, on the other hand, to communicate extraordinary events or specific initiatives aimed at employees.

Among the main initiatives promoted in 2009 by Tim Brazil, were:

- “Mentes sem fronteiras”: repositioning of the TIM brand on the Brazilian market, also disseminated to employees through all the internal vehicles of communication;

- the celebration of World Environment Day (June 5th), with the launch of a campaign to make employees aware of their role in relation to natural resources and the environment. In 2009, the commitment continued to the differentiated collection of used batteries and the promotion of behaviour aimed at favouring the use of recyclable materials and saving water and energy;
- the setting up, in certain company offices, of a library room open to all staff for the loan of books and DVDs, backed by a specific, internal communication campaign to encourage the donation of books and the use of the library;
- the launch, in December, 2009, of an initiative to make employees aware of requests for Christmas presents sent by the children of low income families.

Customers: Customer Satisfaction

The involvement of the call centre operators

To support and help people who work in customer care, the Group employs certain web tools based on the “social networking” concept. These provide effective assistance 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 the people who respond to 119 calls (for residential customers) and the Toll-free Number (for business customers). The project is characterized by the extent of customization 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 all other content produced on the same platform (in forums, blogs etc.). A personalized virtual training section has also been set up that allows the individual’s learning programme to be automatically updated and checked. 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 system by “experts” directly chosen from the network, guarantees ready answers to the various subjects that can arise in handling customers’ requests.

Campus can be used both by internal personnel and by workers in outsourcing, creating synergy between the two groups thanks to the possibility of freely exchanging ideas and content.

TUO (meaning “your,” an acronym for the Italian words for Find, Use and Organise) is web-based digital platform supporting operators in the 187 and 191 call centres, the consumer contact administrative centre and the Toll-Free business mobile numbers, in selecting the necessary information and better assisting the customer.

In developing this platform, customer care telephone operators in the various call centres were consulted. In particular, a new format has been devised for the guides in order to furnish prompt responses to customers about all the various types of calls. Consultation about the contents is assisted by the use of the latest generation algorithms.

TUO (meaning “your”, an acronym for the Italian words for Find, Use and Organize) is not just for consultation: the system also offers operators the possibility of entering their own suggestions and those of customers. In addition to containing technical information, the platform allows operators to converse with colleagues, directly or through forums subdivided by subject, and share knowledge and solutions in order to create a collaborative social network.

Thanks to suggestions from operators during 2009, three new versions of the portal have been implemented. Adding together all the visits to all the operative environments, more than 27.5 million pages had been visited by the end of the year.

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 18⁶.

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.

(http://www.telecomitalia.it/content/dam/telecomitalia/documents/Sostenibilita/Policies_ENG/SOCIAL_RESPONSIBILITY_IN_TELECOM_ITALIA.pdf).

References related to the 5th principle (2009 Telecom Italia Sustainability Report Chapter):

- Customers: Protection of Minors;
- Competitors: Relations with Stakeholders ;
- The Community: Responses to the Stakeholders (a few cases).

Customers: Protection of Minors

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

Guidelines have been issued for the classification and checking of content distributed by the Group. These guidelines cover not only content that is offered directly but also content owned by third parties offering their own services on space acquired within Telecom Italia's portals.

Filtering systems and procedures have been defined for the provision by the Group of adult content on the internet, aimed at preventing access by minors to any such content available on the Group's portals.

Regarding premium voice services, Telecom Italia requires a PIN to access any services with obscene content, which, in any case, are not part of the services offered by the Group.

The Group's television services do not transmit content that would require filtering systems. The transmission methods are in accordance with the current regulations and conform with the TV and Minors Self-Regulation Code, subject to the supervision of the designated Committee, to which Telecom Italia Media belongs.

The Italian legislative framework imposes precise obligations on matters of controlling abuse, the protection of minors, and the prevention and suppression of digital crime. With the passing of the law 48/2008, the latter have been brought within the range of the regulations laid down by Decree Law 231/2001, which attributes greater responsibility to the company in the prevention of these crimes.

From the organisational point of view, Telecom Italia has identified, within the company structure, Security - Risk Prevention department – Protection of Information, the role of the

⁽⁶⁾ Occasional exceptions might occur when some of the Group's companies dealing with content provisioning hire people over 16 for marketing purposes. In such cases, which are kept under strict supervision, the parents' written consent is required and the letter as well as the spirit of international norms (Conventions and Recommendations) and national laws on Child Labour are fully complied with.

“Key contact for the Postal Police.” This professional figure manages relations, and the flow of information, with the Postal Police (CNCPO - National Centre for the Fight against Child Pornography on line, CNAIPIC – National Centre against Digital Crime for the Protection of Critical Infrastructure etc.) and the competent authorities, and has the task of coordinating, within the Telecom Italia Group, the process of abuse control, in accordance with the relevant legislative framework.

In addition, the Telecom Italia Group has adopted an organisation model, in accordance with Decree Law 231/2001, in which instruments have been defined to safeguard against, and anticipate, the commission of crimes, in particular the dissemination of child pornography, as well as the organisational/disciplinary management of illegal digital information. For this purpose, Telecom Italia has fielded resources, technologies, processes and instruments for the prevention and combat of “abuse,” that is, any activity committed in violation of the rules of conduct and the legislation that governs the use of network services, digital systems or means of communication in general.

In the light of this, information initiatives have been implemented, aimed at minors, parents and teachers, on the risks connected to the new technologies and navigation on the internet (chat lines, instant messaging, forums, communities etc.). These initiatives have required the involvement of certain important stakeholders, including various public and private organisations, selected, above all, on the basis of the activities and commitment to safeguarding the rights of children (including, for example, the Postal and Communication Police, www.ilFiltro.it⁽⁷⁾, Save the Children, Adiconsum, GSMA, ITU etc.).

The commitment of Telecom Italia, alongside the aforementioned institutions, international bodies and associations, is evident in its participation in specific work groups that have led to the implementation of targeted services for users (minors, parents, teachers etc.), such as:

- the “abuse” topic area on the company intranet, for the protection of minors and the prevention of computer crimes, to inform and make company staff aware of the activities conducted and the tools in existence for preventing digital crimes and protecting minors who use the internet services provided;
- the “Protection of Minors” topic area on the portals telecomitalia.it and alice.it, dedicated to the protection of minors, to inform and make end users, and all the other stakeholders, aware of the correct behaviour to adopt during navigation on the network, as well as the values and objectives that Telecom Italia pursues to combat digital abuse and protect minors. Multimedia content has been posted on the Alice portal to attract and actively involve minors who visit the site;
- the notification form for customers/internet users. This form, available on the Group’s institutional and commercial portals, can be used by Telecom Italia’s end customers, or by outsider users, to give notification of any crimes involving child pornography that are encountered during navigation on the internet. There is a guide to compilation, and notification can also be made anonymously;
- the booklet “Born with the Network,” distributed through company shops, dedicated to the adult-parent public for the purposes of:
 - illustrating the fundamental rules for the safe use of the internet;
 - alerting people to the dangers that can be hidden on the network;

⁽⁷⁾The www.ilFiltro.it portal was launched on the initiative of Prof. Michele Crudele in 2001 in response to requests for information from parents and teachers on the issue of protecting the navigation of minors on the Internet.

The ELIS Centre Association manages activities connected to the portal as part of its institutional mission, and in collaboration with other organisations that adhere to the ELIS Manifesto.

- furnishing the tools to convey to children the rules of conduct and to guide them in the selection of content to consult;
- web filtering: in line with the Implementing Decree of the law 28/2006 (Gentiloni Decree) which defines the technical prerequisites of the filtering tools which providers of internet network connections must use to prevent access to sites identified by the Postal Police through the CNCPO, Telecom Italia has also introduced a filtering system on external websites with child pornography content;
- Alice Total Security - Magic Desktop: to allow minors to explore the web safely, Telecom Italia provides the services “Alice Total Security” and “Magic Desktop.” Alice Total Security protects internet navigation from any digital attacks or threats, thanks to anti-virus programmes and a centralised firewall. In addition, it is equipped with parental controls that allow parents to decide which categories of sites can be displayed to their children.
Magic desktop is an operating system software that works in parallel with the standard one. Children learn to use the computer in a simple and entertaining way. Parents can select the sites to which the children have access and set up the management of e-mails so that they can only exchange e-mails with people known to them;
- the drawing up of “Guidelines for combating child pornography on line” which facilitate the objective and uniform identification of cases of child pornography to be notified to the Postal Police. The aim is to minimise any interpretation uncertainty in the minds of the subjects concerned (chat moderators and/or community services, the developers, the abuse desk operators etc.) and to ensure compliance with the current regulations. The guidelines are also modelled on those provided and implemented by the CNCPO and the major external organisations active in the area (Save The Children, Telefono Arcobaleno etc.);
- the management of the abuse desk; operational groups who handle abuse differentiated by type of service (residential and business), formed in accordance with the national and community regulations on the protection of minors, the prevention of criminality and the fight against sexual exploitation (juvenile pornography). Their task is to receive alerts from outside users/customers on alleged digital crimes or the presence of child pornography material on the Group’s networks, and then direct them to the competent department, where necessary involving the competent authorities through the key contact of the Postal Police;
- participation in the work group “ITU Child Online Protection: Guidelines for industry,” which is coordinated by ITU (International Telecommunication Union). Telecom Italia is taking part in drawing up the Guidelines on “Child Online Protection – COP” aimed at companies in the sector of broadcasting, internet and mobile telephony. A document has been drawn up, “Guidelines for Industry,” which was presented at the World Summit Information Society Forum 2009. On October 7th, in Geneva, the Secretary General of the ITU presented Telecom Italia with an award for its contribution to the “Child Online Protection” initiative, which comes under the broader international project, “Global Cybersecurity Agenda” under the aegis of the United Nations. To find out more: www.itu.int/osg/csd/cybersecurity/gca/cop/index.htm ;
- participation in the Work Group “GSMA - Mobile Alliance against Child Sexual Abuse Content,” within the ambit of the GSM Association, for all technological and communications initiatives aimed at the protection of minors in the sector of mobile phones. In particular, the website <http://teachtoday.eu/> has been created, aimed at educating children and young people in the safe use of the internet. The portal supplies a wide range of content, including practical suggestions for teachers in managing any problems connected to the use of mobile phones;

- participation in the European project under the Safer Internet Work Programme, 2009; Telecom Italia has collaborated in the project promoted by Save the Children and Adiconsum, in response to the EU initiative “Safer Internet 2009 – 2013,” taking part in the permanent Round Table as part of the Italian group, Safer Internet. The priority is to protect minors in the wider European social context, supplying tools to safely use web services that enable socialising on the network, blogs and instant messaging;
- co-operation with Telefono Azzurro: Telecom Italia made available its own infrastructures and services for the Toll Free Number “114” Infancy Emergency (since 2003) and the European Toll Free Number “116000” for missing children (since May, 2009).

Competitors: Relations with Stakeholders

In 2003, TI Media and MTV subscribed to the Self-regulation Code for the protection of minors on TV, as part of which the TV and Minors Committee was established with responsibility for control of the commitments under the Code. TI Media has been elected as the broadcasters’ representative and therefore has a privileged position as observer with regard to the institutions for the purpose of maintaining a constructive dialogue with the sector.

The Community: Responses to the Stakeholders (a few examples)⁸.

Initiatives consistent with the core business

The dissemination of ICT in schools

Telecom Italia has signed a Protocol of Understanding with the Minister of Education, Universities and Research (MIUR) for the dissemination of ICT in schools, with the objective of assisting young people in the use of new technologies and promoting their use for educational purposes. The partnership envisages both the definition of specific offers of price reductions and ease of payment for the acquisition of TLC products and services and the development of research plans to improve the teaching and learning process. The agreement also provides for the realization of cultural and educational initiatives aimed at increasing the awareness of young people about issues connected with environmental sustainability, bullying and the safe use of the network.

Safe navigation

The project is based on a twice yearly course aimed at making children, young people and adults (parents and teachers) aware of how to use the internet and digital technologies sensibly and responsibly. The initiative has its own dedicated site (www.navigaresicuri.org) and is aimed at the various interlocutors using appropriate language and tools, including an illustrated handbook and publications signed by the character of Geronimo Stilton for the young ones, circulated materials and interactive experiences for adolescents, information and a specialised assistance service for adults.

The project takes advantage of the collaboration and injection of expertise, authority and reliability of the Fondazione Movimento Bambino, Save the Children and Atlantyca, copyright holder of the character of Geronimo Stilton.

The project also has the objective of drawing up a Code of self-regulation for the protection of minors on the web, updating the Treviso Charter of 1990.

⁽⁸⁾For a complete information, please, see the following web site:
http://www.telecomitalia.it/sost_stakeholder/en/stakeholders/comunita.html

Smart Inclusion

The project, entirely supported and sponsored by Telecom Italia, is aimed at reducing the discomfort of hospitalised children and maintaining their contact with school. Through the installation of a “Smart Care” touchscreen terminal at every bedside in certain wards of the Ospedale Sant’Orsola-Malpighi of Bologna and a teleconference and remote teaching system at the Irnerio middle school of Bologna, a technological bridge has been formed between the place of hospitalisation and the place of education. The child patients, thanks to sophisticated tools, can actively take part in school lessons, study recordings of missed lessons, complete exercises and use individual courses of self-learning. Moreover, the children can communicate with their loved ones through video calls and access various entertainment programmes (cartoons, films, documentaries and sport). The medical staff can use the system to display all the clinical files of patients with the option of updating them. Smart Inclusion has also been extended to Rome’s Ospedale Pediatrico Bambino Gesù and the Azienda Ospedaliera in Padua and will become operational at the Azienda Ospedaliera Meyer of Florence and, soon, it will also be extended to the hospitals S. Anna of Turin, Gaslini of Genoa and S. Matteo of Pavia.

Other social initiatives of the Group

Dynamo Camp

Telecom Italia is a founder member of Dynamo Camp, the first camp purpose built to host, at no charge, children suffering from serious and chronic diseases during treatment and in the post-hospitalisation period. Here, in December, Telecom Italia carried out the first initiative of corporate volunteering.

Music in schools

The project, launched in 2003 as a collaboration between the Group’s mobile companies in Latin America and the Brazilian government, is designed to promote, 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 co-existence are disseminated. In many cases, the musical knowledge acquired has smoothed the way for participants into the world of work.

To date, 20,540 students from 62 public schools have benefited from the project.

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.

(http://www.telecomitalia.it/content/dam/telecomitalia/documents/Sostenibilita/Policies_ENG/SOCIAL_RESPONSIBILITY_IN_TELECOM_ITALIA.pdf).

References related to the 6th principle (2009 Telecom Italia Sustainability Report Chapter):

- Human Resources: Headcount and Changes;
- Human Resources: Gender Balance;
- Human Resources: Development;
- Human Resources: Recruitment;
- Human Resources: Training;
- Human Resources: Remuneration Policy;
- Introduction: 2009 Objectives and Results;
- Introduction: 2010 Objectives.

Human Resources: Headcount and Changes

Telecom Italia Group

The headcount of personnel at December 31st, 2009, was divided as follows:

(units)	December 31, 2009	December 31, 2008	Changes
• Italy	60,829	63,521	(2,692)
• Abroad	10,499	11,017	(518)
Total personnel on payroll	71,328	74,538	(3,210)
Leased personnel	56	782	(726)
Total personnel	71,384	75,320	(3,936)
Non-current assets held for sale	2,205	2,505	(300)
Total	73,589	77,825	(4,236)

Excluding personnel concerned with "Discontinued operations/Non-current assets held for sale" (HanseNet) and leased personnel, the Group's workforce has been reduced by 3,210 units, compared to December 31st, 2008.

The changes can be itemized as follows:

- the departure of the company TM News (105 units) from the area of consolidation;
- the entry into the area of consolidation of the company INTELIG Telecomunicações (580 units);

- net turnover down by 3,685 units, as specified for individual Business Units:

(units)	Recruited	Departed	Net change
Domestic	630	3,082	(2,452)
Brazil	2,024	3,109	(1,085)
Olivetti, Media and Other activities	255	403	(148)
Turn over	2,909	6,594	(3,685)

Telecom Italia S.p.A.

(units)	December 31, 2009	December 31, 2008	Net change
Personnel on payroll	54,236	56,650	-2,414
Leased personnel	-	635	-635
Total	54,236	57,285	-3,049

At December 31st, 2009, Telecom Italia S.p.A.'s on-payroll personnel numbered 54,236 units.

Compared to December 31st, 2008, an overall reduction of 2,414 units was recorded, due to:

- a balance of 61 units coming from other Group Companies;
- net turnover down by 2,475 units, as specified:

(units)	Recruited	Departed	Net change
Turn over Telecom Italia S.p.A.	384	2,859	(2,475)

Tim Brazil Group

(units)	December 31, 2009	December 31, 2008	Changes
Total Tim Brazil Group	9,783	10,285	(502)

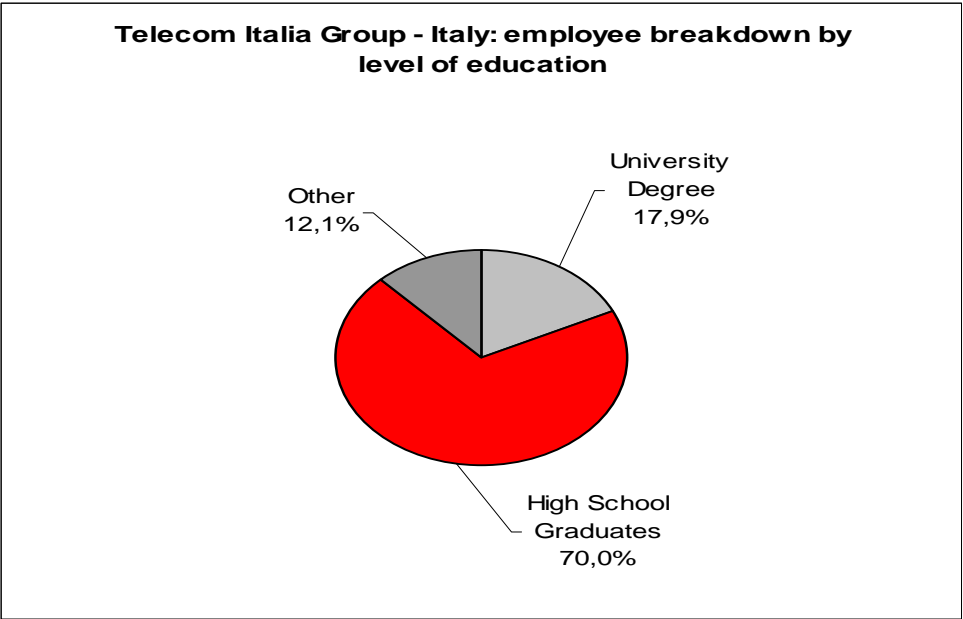
The headcount of personnel of Tim Brazil Group as of December 31st, 2009, was equal to 9,783 units.

Compared to December 31st, 2008, an overall reduction of 502 units was recorded, due to:

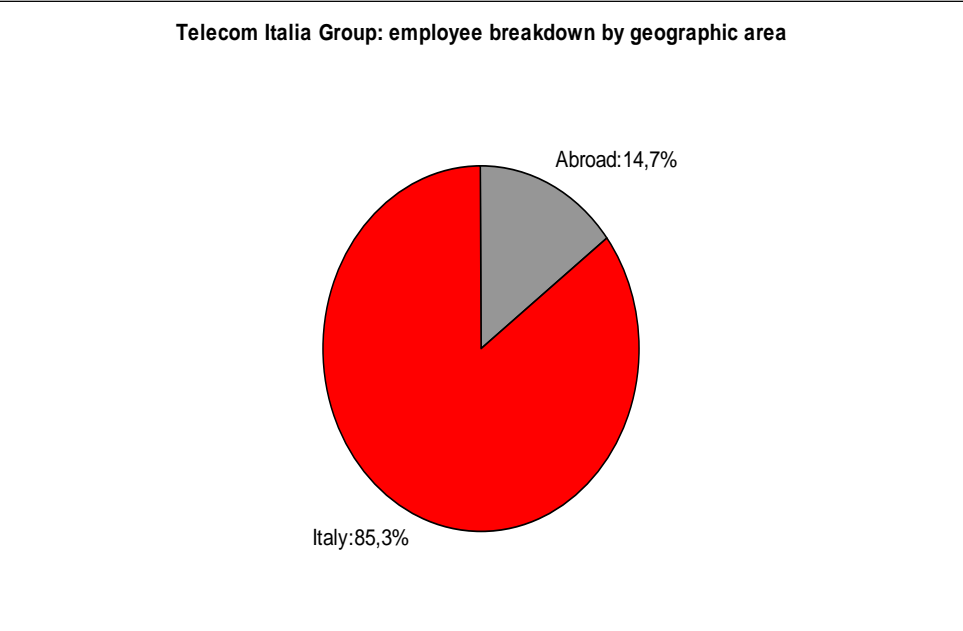
- a balance of 3 units coming from other Group Companies;
- the entry into the area of consolidation of the company INTELIG Telcomunicações (580 units);
- net turnover down by 1,085 units, as specified:

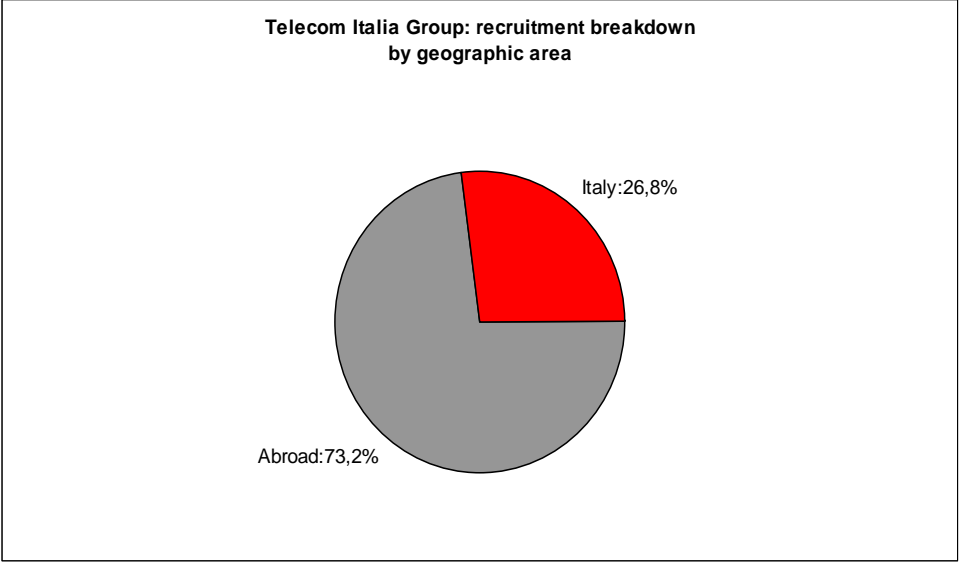
(units)	Recruited	Departed	Net change
Turn over Tim Brasil Group	2,024	3,109	(1,085)

Excluding leased personnel and personnel involved in “Non-current assets held for sale,” the number of personnel operating in Italy is equal to 85% of the Group total and can be broken down as follows:

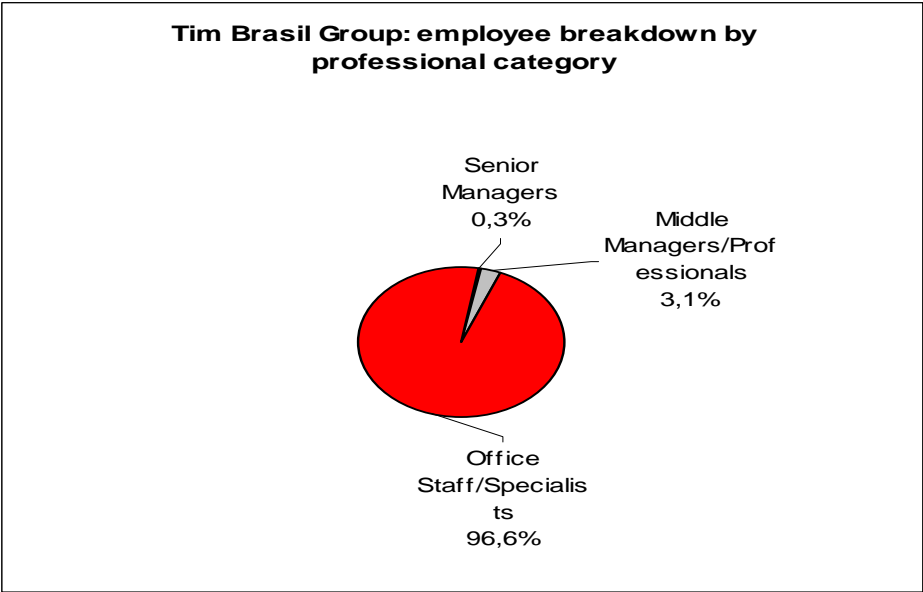


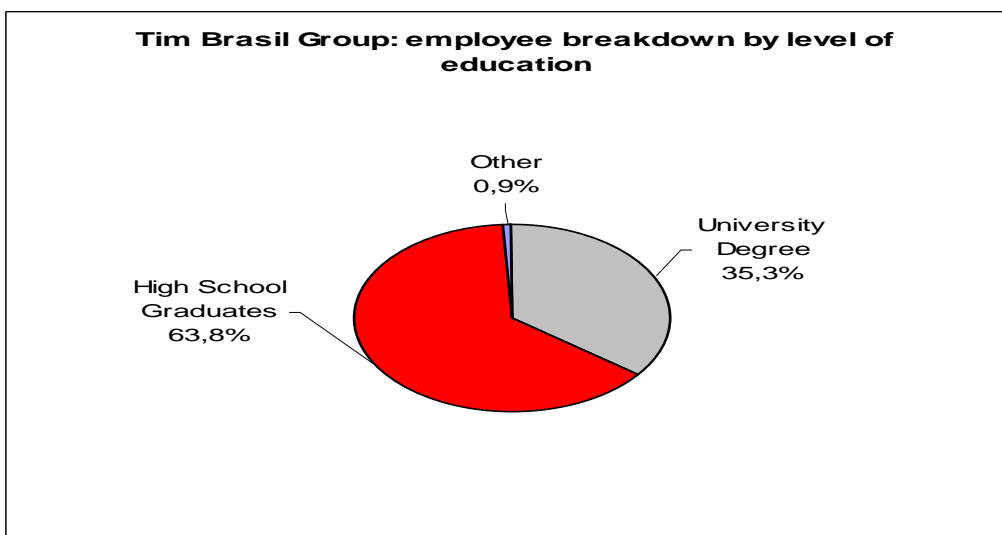
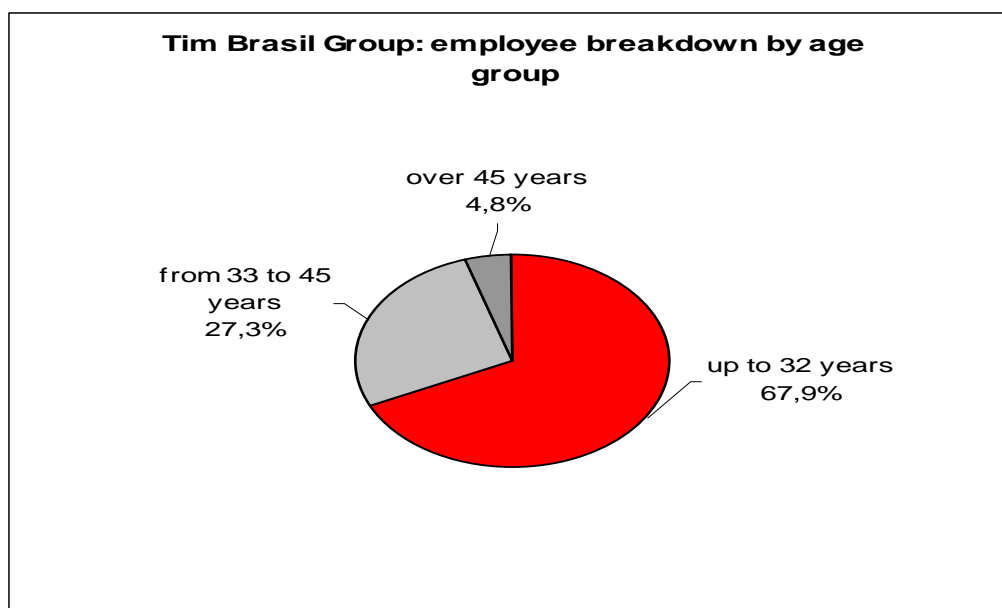
The distribution of personnel by geographic area, and the recruitment carried out by the Group, excluding leased personnel and personnel concerned in “Non-current assets held for sale,” are shown below:





The number of personnel operating in Tim Brazil Group is equal to 14% of the Group total and can be broken down as follows:





Human Resources: Gender Balance

In 2009, the percentage of women holding senior management positions in the Group (in Italy) was approximately 15% and, in middle management, the proportion was 26%.

In 2009, the percentage of women holding senior management positions in Tim Brasil was approximately 19% and, in middle management, the proportion of the total was 27%.

In Tim Brasil, women employed by the company rose from 3,263 in 2003 (54% of the total) to 6,220 in 2008 (60% of the total), and stood at 5,726 in 2009 (58% of the total).

Distribution of men and women Telecom Italia S.p.A. (2007-2009):

- Year 2007: Women 26.9%, Men 73.1%;
- Year 2008: Women 27.2%, Men 72.8%;
- Year 2009: Women 27.8%, Men 72.2%;

Distribution of men and women (in Italy) Telecom Italia Group (2007-2009):

- Year 2007: Women 29.4%, Men 70.6%;
- Year 2008: Women 29.7%, Men 70.3%;
- Year 2009: Women 30,3%, Men 69.7%.

Distribution of men and women Tim Brazil Group (2007-2009):

- Year 2007: Women 58.5%, Men 41.5%;
- Year 2008: Women 60.5%, Men 39.5%.
- Year 2009: Women 58,5%, Men 41,5%.

Human Resources: Development

The department for human resources development has the objective of demonstrating the technical and managerial competence of the resources, drawing up plans for their development and loyalty, with particular regard for talent. The instruments used for this purpose, drawn up with regard also to the national and international benchmarks, are described below.

Assessment of performance

In the course of the year, a process of reappraisal has been underway of the Performance Assessment System, with the introduction, underway since 2008 in a stocktaking phase, of certain significant developments.

Interventions have been provided aimed at:

- increasing the selectivity of the instrument and making it more consistent with meritocratic choices, through the introduction of guidelines for the distribution of the assessments;
- improving the uniformity of the assessment criteria, through the establishment of Calibration Committees;
- underlining the centrality of the feedback interviews between bosses and collaborators in laying the foundations for a process of improvement in performance and the development of professionalism, through the introduction of a new on line facility through which those assessed can give notice of any cases of feedback interviews not received.

The 2008 performance assessment process, which was completed in the first months of 2009, involved around 99.3% of those eligible, that is more than 53,000 people (nearly 17% more than the number assessed in the previous year). Following the results achieved and the experience gained, further new developments were introduced in the performance assessment process in 2009, which will be carried out in the first months of 2010.

The new developments are designed to:

- simplify the process, making an overall assessment of the contribution of each collaborator in reaching the objectives of the sector to which they belong;
- disseminating a single model of conduct ("house style") through the identification of a set of behaviours, guided by the Customer Promise, which are regarded as fundamental in achieving the company's objectives and the continual improvement of the satisfaction of the end customer.

The Performance Assessment in Tim Brazil involved 96.5% of the collaborators⁽⁹⁾. This year, competence in "focus on the customer" was included as an obligatory assessment for all

⁽⁹⁾ The process concerns employees who have worked for a minimum of six months in the year in question, apart from managers and those who work in customer care centres (for which an appropriate assessment is made).

collaborators. The feedback was also regarded as an obligatory stage in concluding the assessment process. The individual development plan, which follows the assessment process, has, for the first time, been made available on line.

Assessment of Potential and Succession Schemes

In 2009, a new assessment of readiness for management was designed in Telecom Italia, through which around 200 managers were assessed.

The Assessment Programme is aimed at broadening awareness of the capacity and potential of the resources, in order to give direction to the decisions on the issue of succession management and to guide training. The information collected, together with that concerning professional experience, is used to define the Succession Schemes organized, from this year, in a new digital system.

In Tim Brazil, the assessment programme has involved 70 managers in positions of responsibility.

“The professions of the future” project

In 2009, a project was carried out, using the methodology of the Delphi provision, to identify the “Professions of the Future” in the technological and commercial sectors, through the involvement of a panel of 40 internal professionals, to assess the implications that the development of the ICT market may have on the professional system.

The methodology used allowed the development within the company of a methodological approach to the solution of complex problems, reinforcing the commitment and motivation of the resources involved in evaluations and strategic choices.

Development project for the Marketing area

Starting from the analysis of the competence gap, an action plan has been defined to launch a process of knowledge transfer, aimed at the resources in the Marketing structures. The plan has allowed the implementation of a series of actions of development and training, both individually and as a group.

The project involved a total of 11 senior managers, 55 middle managers and 116 employees.

Human Resources: Recruitment

In 2009, an external selection policy was implemented, applicable at the Group level, which ensures uniformity in the processes of the selection of the resources coming into the company, in line with the measures of the Group’s Code of Ethics. The policy is founded on the recognition of the value of the diversity of each individual, irrespective of gender, religion, ethnicity, opinion and ability, and ensures equal opportunities for people who take part in the selection processes that lead to hiring by Telecom Italia.

The year 2009 was packed with new projects aimed at creating training courses for the young. In particular, among the new initiatives undertaken, the “School-Business Network” project stands out. Planned together with the Elis Centre and aimed at students in the fourth and fifth classes of the Higher Technical Institutions, the project provides an educational course on TLC subjects, co-designed with the lecturers of the technical institutions and colleges directly involved in the subject, the so-called “masters of the profession.” In the second semester of 2009, the first edition was successfully completed, involving 323 students, 11 institutions and 9 colleges of the territorial Open Access structures. In parallel, the second edition was launched, redoubling the training challenge with the broadening of the network to another 11 technical institutions, making a total of 22 schools across the entire country (7 in the north and 15 in the centre-south), more than 600 students and 22 “Masters of the profession.”

Another initiative of particular importance is the “Campus” project. Carried out in collaboration with Elis, it features a structured course in employer branding, recruiting and training over three years, aimed at the best students of the Masters’ course in Economy, Engineering Management and Business Communication. Currently, eight young people from various Italian universities have been included in the project. In September, the first phase was completed, which saw the young people in close contact with colleagues from the Domestic Market Operations Management in the two project streams of IPTV and MTV Mobile. The second phase of the project, which will be run in 2010, is about to begin and will see the young people involved in a period of on-the-job training in various parts of the company.

Among the new initiatives of an international nature, there is the “Future Skills” project, with the on-the-job training, during 2009, of 8 young researchers from Brazil, Japan, Korea and India. The projects developed during the period of internship, at the Future Centre office in Venice, concerned the analysis of the emerging business ecosystems in order to identify future opportunities.

Among the established training courses, there are collaborations with the Polytechnic of Turin for the creation of the Master’s in Innovation and the continuance of the partnerships begun in previous years through the distribution of study bursaries and on-the-job training.

In 2009, Tim Brazil carried forward the following selection programmes:

- “Nosso Aprendiz”: 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, enrolled 158 participants in 2009;
- “Talentos sem fronteiras”: launched in 2009, with the objective of researching the market of new graduates, in order to create a pipeline of talent to be trained and developed to build the company management of the future;
- “Estagio Sem Fronteiras”: on-the-job training offers young university students an opportunity for development and preparation for the jobs market, thanks to the training and real professional experience aimed at increasing the professionalism of the young trainees. In addition, all the trainees were invited to take part in the “Concurso sem Fronteiras” programme, whose objective is to propose a project that could contribute to the improvement of Tim Brazil. In 2009, furthermore, a new programme was set up aimed at the selection of talented trainees with the objective of increasing their chances of being hired by the company and their possible entry to the project “Talentos sem fronteiras.”

Also in 2009, the hiring of personnel who had already worked within the company was favoured, through the adoption of processes, criteria and instruments aimed at ensuring equal opportunities and transparency.

Human Resources: Training

In the Telecom Italia Group, training activities undertaken in the period January-December, 2009, amounted, for personnel in Italy, to around 1.8 million hours, as the following table shows, involving around 19.8 million euros in direct costs, excluding the labour cost and travel expenses.

In all, 80.1% of the Group’s personnel have participated in at least one training session.

Organisational fields	TOTAL BY TRAINING TYPE						
Type of Training	HOURS		COSTS		PARTICIPATION (*)	PARTICIPANTS	COVERAGE
	TOTALS	PER HEAD	TOTALS	PER HEAD			
Specialist training	1,650,721	27.7	12,242,604	206	270,720	42,909	72.1
Senior Managers	4,162	4.1	229,962	225	404	262	25.7
Middle Managers	30,753	7.1	1,800,681	413	3,229	1,800	41.3
Office Staff/Workers	1,615,805	29.8	10,211,961	189	267,087	40,847	75.4
Management training	94,430	1.6	6,893,905	116	6,593	4,930	8.3
Senior Managers	10,741	10.5	1,725,185	1,691	850	405	39.7
Middle Managers	17,390	4.0	1,694,627	389	1,295	857	19.7
Office Staff/Workers	66,299	1.2	3,474,094	64	4,448	3,668	6.8
Institutional training	13,832	0.2	116,606	2	4,633	4,370	7.3
Senior Managers	723	0.7	2,178	2	152	132	12.9
Middle Managers	3,501	0.8	99,690	23	589	513	11.8
Office Staff/Workers	9,608	0.2	14,738	0	3,892	3,725	6.9
Integration training	49,176	0.8	97,210	2	1,650	682	1.1
Senior Managers	0	0.0	0	0	0	0	0.0
Middle Managers	144	0.0	0	0	7	7	0.2
Office Staff/Workers	49,032	0.9	97,210	2	1,643	675	1.2
Language training	18,132	0.3	539,138	9	703	650	1.1
Senior Managers	3,858	3.8	170,991	168	104	90	8.8
Middle Managers	4,336	1.0	112,531	26	193	156	3.6
Office Staff/Workers	9,938	0.2	255,616	5	406	404	0.7
TOTAL	1,826,290	30.7	19,889,464	334	284,299	47,669	80.1
Senior Managers	19,484	19.1	2,128,316	2,087	1,510	603	59.1
Middle Managers	56,124	12.9	3,707,529	851	5,313	2,425	55.7
Office Staff/Workers	1,750,682	32.3	14,053,618	259	277,476	44,641	82.4

(*) Shows the overall number of participation in training sessions, in the various forms provided (classroom, training on the job, on line).

Cross-Group projects

The 2009 training plan had three priorities:

- the promotion, development and diffusion of expertise in line with the objectives of the Industrial Plan and organizational needs;
- the development of a management culture in line with the evolution of the business and the respective framework scenarios;
- the dissemination of knowledge in the socio-economic context and awareness of corporate responsibility.

In the six months from January to June, two Seminars were conducted on the issue of Environmental Emergencies, which involved around 40 resources in a total of around 1,500 hours of training, and an edition of the Seminar, “Green Economy – Sustainability and Green Procurements” – aimed at around 80 resources from middle and senior managers of various structures, for around a further 700 hours.

Following on from 2008, training sessions were carried out on effective conduct, and on ICT scenarios for senior managers, middle managers and levels 6 and 7 of the labour agreement, which were designed to reinforce the spread of a uniform managerial culture.

The 2009 training plan on the Sarbanes Oxley Act – 404 (SOA) was launched, with lecture sessions, aimed at updating awareness of the obligations arising from the legislation, and an in-depth examination was carried out of the issue of “Segregation of Duties” through an e-learning package. On the Organizational Model 231, in addition to the traditional classroom sessions, an e-learning course was provided to spread awareness and ensure its effective application. A special edition of noi.flash was dedicated to the subject and distributed to colleagues in all the Group’s companies.

To contribute to the diffusion and communication of the new Quality vision, founded on the Customer Promise and on the improvement of the Customer Satisfaction Index, the “Expressing Quality” Project was carried out. Aimed at all the management (1,400 people) and around 3,000 resources in the territory (“governance groups” and “touch points coordinators”), it was carried out through an interactive training method, and supported with specific actions of internal communication. Still of the issue of Quality, a “Quality” learning tour was conducted with the participation of 24 senior managers, who visited companies of excellence in Europe and drew up concrete proposals for improvement.

In order to make the company processes ever more efficient, in line with the actions laid down by the Industrial Plan, a training plan has been carried out to increase the awareness and implementation of the Lean Six Sigma (LSS) and Knowledge Management methodologies, which involved management and some of the professionals in the Human Resources area. In addition, courses in LSS certification have been set up, aimed both at Human Resources and the operational departments.

Training to ensure business and technological effectiveness

Specialist training has continued to be directed at specific departmental competence, with particular attention to the most innovative aspects: equipment, fixed and mobile network broadband services, digital systems, technological plants, supply plants, networks and new generation software, lean organization. In addition, broad-based programmes have been created, which will run in 2020, of information, awareness and training on the issue of the Commitments and Code of Conduct arising from the resolution 718/08/CONS, in compliance with the obligations assumed with regard to AGCOM.

Regarding the methodology employed, in addition to classroom and on-the-job training, the recently introduced e-learning platform was used extensively.

Training interventions have continued for staff in the Sales and Customer Operations structures, aimed at boosting technical knowledge and the management capacity in customer relations. Especially relevant was the “Value, together with the customer” project, a mapping of the knowledge and fundamental competence of the sales force, carried out through dedicated instruments.

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

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

In Tim Brazil, in June, 2009, the coverage of training reached 98%, and the average number of hours' training for employees was 46 hours per head, including e-learning, for which Tim Brazil created its own learning portal, "@aula.TIM." The training provisions favoured the safeguarding of technological competence and building up the competence that is characteristic of the Customer Care and Sales profiles, with particular attention to the launch of the new portfolio of products. The Programa de Gestão de Alto Desempenho is of particular importance, designed to assist 300 Customer Care managers in contributing to the improvement of productivity and efficiency of operations and ensuring greater satisfaction among customers.

Other initiatives carried out by Tim Brazil concerned three types of training:

- international: carried out at the Harvard Business School and aimed at a restricted group of managers with the aim of developing an integrated approach to management, broadening and consolidating the strategic vision;
- specialist: participation in seminars and conferences in order to develop the technical competence of employees, with the focus on new projects in the area of Network and Information Technology and on business competence in the staff areas;
- languages: the development of the linguistic competence of the staff who have direct contact with foreign countries or who occupy roles that require knowledge of a foreign language.

In November, 2009, a programme of subsidies and incentives for on line university training was launched for a group of 100 employees, with particular focus on Customer Care and Sales.

Human Resources: Remuneration Policy

The policies of remuneration in 2009 were directed at ensuring competitiveness in the labour market, in line with the objectives of attracting, developing and fostering loyalty in the workforce, as well as pay differentials from the perspective of internal coherence and on the basis of shared, objective criteria.

Therefore, the remuneration systems are designed to appreciate, in a differentiated way, the contribution in relation to the degree of coverage and the importance of the role, the strategic nature of the competence possessed and individual value, in line with market practices.

The management of the fixed components is inspired by criteria of ever greater selectivity in the pool of resources concerned, consistent with the instructions contained in the Industrial Plan, 2009-2011. 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 MBO (Management By Objectives) 2009 system, the sole instrument of formal, short term incentives, aimed at the management and particularly valuable employees, has confirmed, in continuity with 2008, the importance of the company and departmental macro-economic objectives.

To ensure aspects concerning Sustainability receive appropriate consideration in decisions by the Group's management, objectives regarding the MBO system have been defined by Telecom Italia and are reproduced for stakeholders in the following table.

Stakeholder of reference	Targets subject to incentives
Customers	Customer Satisfaction Quality of the service delivered Perceived quality of the service
Human Resources	Health and safety of employees Programmes of training and professional growth Welfare activities (People Caring) and the wellbeing of employees
Environment	Consumption of materials, energy and water
Shareholders and Institutions	Quality and speed of company information delivery
The Community	Organization of cultural exhibitions Quality of initiatives/projects for the Community

Regarding the non-monetary component of the remuneration package, its valuation has continued in 2009 with reference also to potential impact in terms of caring for employees (the provision of mobile handsets with evolved functions) and attention to the environment (the broadening of the fleet with cars producing less CO₂ emissions).

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 and variable remuneration connected to the company results.

In addition to 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 is redistributed among employees, as required under a federal law. These programmes have proved to be useful instruments in improving the quality of the service and productivity.

Introduction: 2009 Environmental Objectives and Results

The 2009 Human Resources Objectives and Results are reported at the end of the "Principle 1" in this Communication On Progress.

Introduction: 2010 Environmental Objectives

The 2010 Human Resources Objectives are reported at the end of the "Principle 1" in this Communication On Progress.

The Environment

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

Group companies pursue their own strategies with regard to the environment in compliance with the following principles: optimize the use of energy sources and natural resources; minimize negative environmental impacts and maximize positive ones; foster the spread of a culture based on a correct approach to environmental issues; ensure a commitment to continuously improving environmental performance; and adopt purchasing policies that take account of environmental issues (from the “Code of Ethics of the Telecom Italia Group”, http://www.telecomitalia.it/content/dam/telecomitalia/documents/Governance/en/Code_of_Ethics_Feb09.pdf)¹⁰.

References related to the 7th principle (2009 Telecom Italia Sustainability Report Chapter):

- The Environment: Stakeholders;
- The Environment: Atmospheric Emissions;
- The Environment: Climate Change;
- The Environment: Audit.

The Environment: Stakeholders

The representative figure of the stakeholder “The Environment” can be identified in future generations, in the sense of a subject who has the right to an environment that has not been compromised by the impact of the current generation. More specifically, the holders of interest include:

- the Community in general, with particular reference to the territorial areas in which Telecom Italia operates;
 - the local Institutions;
 - associations active on the issue and the initiatives in which Telecom Italia participates: EU Corporate Leaders Group, Global e-Sustainability Initiative (GeSI), European Telecommunications Network Operators’ Association (ETNO), European Telecommunications Standards Institute (ETSI), CSR Europe, European Academy for Business in Society (EABIS), Carbon Disclosure Project (CDP);
 - the environmental associations active on the issue: WWF, Legambiente, Greenpeace, etc.
- Telecom Italia pays close attention to the needs expressed by stakeholders concerned with the protection of the environment, keeping abreast of their expectations by maintaining multiple active channels of communication and dialogue such as AVoiComunicare, the Festival of Science, the Future Centre of Venice and the Group’s intranet site. In addition, it promotes, and in some cases coordinates, projects at the national and international levels on the issue.

⁽¹⁰⁾The above-mentioned principles describe also the Telecom Italia Group Environmental Strategy which is published in the Telecom Italia Group 2009 Sustainability Report, at the beginning of The Environment chapter. Please, see the following web site:

http://www.telecomitalia.it/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2009/Bilancio_sostenibilita_ENG_2009.pdfGROUP

The Environment: Environmental performance/Atmospheric emissions

The emission of greenhouse gases by Telecom Italia and the Group can be attributed to the use of fossil fuels for heating, transport, production or procurement of electricity, as well as for travel (home-work and aeroplanes). In addition, the dispersal of hydrochlorofluorocarbons and hydrofluorocarbons (HCFC and HFC) used in the air conditioning plants is taken into account.

As with the classification of energy consumed, the guidelines of Global Reporting Initiative - GRI G3 have been followed, which refer to the definitions of the GHG Protocol⁽¹¹⁾ distinguishing between direct emissions (Scope1: use of fossil fuels for heating, transport⁽¹²⁾ and electricity generation) and indirect emissions (Scope2: procurement of electricity for industrial and civil use⁽¹³⁾) and other indirect emissions (Scope3).

Atmospheric emissions		Telecom Italia S.p.A. 2009	Changes %	
			2009 vs 2008	2009 vs 2007
Emissions of CO ₂ for vehicles	kg	47,672,817	-4.35%	-9.76%
Emissions of CO ₂ for heating	kg	53,043,281	-3.52%	-8.31%
Emissions of CO ₂ equivalents for HCFC/HFC dispersal	kg	29,386,020	-27.78%	-
Emissions of CO ₂ from cogeneration	kg	10,419,354	104.30%	-
Emissions of CO ₂ for diesel generation	kg	3,639,346	0.02%	-
Total direct emissions of CO₂ – under Scope1 GRI	kg	144,160,818	-6.54%	-
Emissions of CO ₂ from purchased electrical energy produced from mixed sources	kg	832,982,452	-0.60%	-2.59%
Total indirect emissions of CO₂ – under Scope2 GRI	kg	832,982,452	-0.60%	-
Emissions of CO ₂ for home-work commuting ^(*)	kg	65,478,775	-4.26%	-
Emissions of CO ₂ for air travel ^(**)	kg	11,855,978	-28.18%	-
Total of other indirect emissions of CO₂ – under Scope3 GRI	kg	77,334,753	-8.91%	-
Total emissions of CO₂	kg	1,054,478,023	-2.11%	^(***)

^(*) In determining the impact of home-work commuting, reference is made to personnel statistics.

^(**) The calculations of emissions for air travel are made on the basis of the coefficient proposed by the GHG Protocol which depends on extent of the duration of individual trips.

⁽¹¹⁾ The GHG Protocol (Greenhouse Gas Protocol Initiative), established 1998 at the heart of the World Resources Institute and the World Business Council for Sustainable Development, supports business on the issue of greenhouse gas emissions, through methodologies of calculation and studies aimed at promoting innovation and assuming responsibility on climate change.

⁽¹²⁾ 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.unep.org) and in the case of vehicles of Telecom Italia S.p.A. making reference to the specific type of motor vehicle (for the years, 2007 and 2008, a single coefficient was used, which took into account the different types of vehicles. For this reason data referring to these years have been recalculated for comparison purposes).

⁽¹³⁾ 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; the Netherlands 394. For Brazil, the coefficient worked out by the local Ministry of Science and Technology has been used, which is equal to 25 grammes of CO₂/kWh, which is held to be more accurate. For comparison purposes, data referring to 2007 and 2008 have been recalculated on the basis of these coefficients.

(***) Starting from 2008 the scope of measurement of CO₂ emissions has included new issues. For this reason, data referring to 2007 is not comparable to the others.

Atmospheric emissions		TI Group 2009	TI Group breakdown by BU (%)		
			Domestic/Brazil/Other activities	Media	Olivetti
Total emissions of CO ₂ under Scope1 GRI	kg	187,513,764	96.58%	0.46%	2.96%
Total emissions of CO ₂ under Scope2 GRI	kg	870,513,631	98.41%	1.31%	0.28%
Total of other emissions of CO ₂ under Scope3 GRI ^(*)	kg	86,586,321	100.00%	-	-
Total emissions of CO ₂	kg	1,144,613,716	98.23%	1.07%	0.70%

(*) The calculation of the Scope3 emissions refers to Telecom Italia S.p.A. and Tim Participações.

Notwithstanding the disclosure of data regarding additional sources not considered previously (electricity production from cogeneration and diesel generators, dispersal of HCFC/HFCs, home-work commuting and air travel), the atmospheric emissions of Telecom Italia S.p.A. overall have been reduced, for the following reasons:

- lower consumption by vehicles;
- lower consumption for heating;
- reduction of the CO₂ equivalents emissions, with respect to the dispersal of HCFC and HFC used in air conditioning plants, through the adoption of more meticulous methods for preventing leaks and the replacement of these gases with solutions with low environmental impact;
- an increase in CO₂ emissions that can be ascribed to the cogeneration resulting from the company's decision to invest more in this technology, which is characterized by promising financial and environmental benefits. The increase is compensated, however, by the reduced acquisition of electricity from the network, which overall has led on balance to fewer emissions;
- stable emissions from diesel electricity generators in situations where the electricity distribution network is unavailable;
- reduction of the emissions from the acquisition of electricity from mixed sources due to the increased production of energy from cogeneration plants and the acquisition and in-house production of energy from renewable sources;
- reduction of the impact from home-work commuting, dependent on the number of employees;
- reduction of the emissions for air travel by employees due to the reduction of the number of trips following the greater use of video conferences.

HCFC gases, in addition to being classified as greenhouses gases with high global warming potential¹⁴, destroy the ozone layer. From 2010, the use of new HCFCs in maintenance will be forbidden, while their use in plants is allowed until 2014.

Telecom Italia has conducted experiments:

⁽¹⁴⁾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 considered 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.

- in collaboration with Naples University, with other gases that do not cause damage to the ozone layer for the adaptation and replacement of these substances (R22) in air conditioning plants;
- in collaboration with Turin University, with innovative air conditioning systems of the Extraction Full Free Cooling (EFFC) type and cooling systems using air condensed natural refrigerating gas (propane).

The Environment: Climate change

The scientific community attributes a significant role to industrial processes, and humanity in general, in the increase in the frequency and severity of extreme climatic phenomena and global warming. The containment of these phenomena within limits considered as non-catastrophic is one of the challenges that humanity must tackle, mainly by reducing the emissions of carbon dioxide and other greenhouse gases.

The Information and Communication Technology (ICT) sector can play a fundamental role, not only in containing its own CO₂ emissions, but above all by contributing to the reduction of the emissions of the other sectors, thanks to the provision of services which enable new ways of working, learning, travelling and, more generally, living. According to the Global e-Sustainability Initiative (GeSI Smart 2020), ICT will be responsible for around 3% of global emissions of CO₂ in 2020 but will contribute to the reduction in the CO₂ emissions of other industrial sectors of around 15%.

For this reason, Telecom Italia participates in various initiatives promoted by bodies such as CSR Europe, ITU, ETNO, ETSI, GeSI and Sodalitas. Telecom Italia is moreover among the coordinators 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 (TLC operators and suppliers of equipment), to accelerate the spread of low-energy consumption devices and to encourage the adoption of efficient technological options and standardization.

The Group also attained important results in 2009 in the measurement of greenhouse gas emissions, recognized by the Carbon Disclosure Project (CDP). CDP is an international initiative in its seventh year of operation which encourages companies to manage the risks and emerging opportunities from climate change. The Group has participated in the initiative since 2005. In 2009, in spite of growing selectivity, the Group had the best results among Italian companies belonging to the “Global500” index, and, in relative terms, has moved from 6th place in 2008 to 5th place among participating companies in the TLC sector.

Telecom Italia has subscribed to the Copenhagen Communiqué prepared by the Corporate Leaders Group on Climate Change (CLG) which operates with the support of the University of Cambridge. The communiqué has given voice to a significant part of the companies of the EU and the world (950 companies from 60 countries) on the expectations for the COP15 of the United Nations in December, 2009.

The approach followed by the Group to fight against climate change is conducted at two levels:

- reduction of its own direct and indirect emissions of greenhouse gases;
- encouragement and support for the dematerialization of goods and service by contributing to the reduction of the emissions of the other sectors.

Reduction of emissions

The environmental impact of Telecom Italia in terms of CO₂ is determined, as shown in the preceding paragraphs, by direct emissions from the use of fossil fuels, indirect emissions through the procurement of electricity and other indirect emissions such as home-work commuting and air travel.

The initiatives underway and planned in Telecom Italia are numerous, in particular:

- replacement of Euro3 vehicles with many kilometers travelled with Euro4 diesel vehicles with anti-particulate filters and the reduction of the number of vehicles. The modernization of the fleet has involved 1,504 cars with a reduction of emissions of around 30% compared to those produced by the decommissioned vehicles (around 2,169 tons of CO₂ emissions);
- substitution of most diesel-fired heating systems with methane-fired heating systems. The conversions in 2009 brought a fall in CO₂ of 214 tons (in line with the target set);
- adherence to the EEB (Energy Efficiency in Buildings) Manifesto, promoted by the WBCSD (World Business Council for Sustainable Development), for the development of a programme broken down into five actions: definition of a database of the energy consumption preceding the efficiency initiatives; publication of a policy on the energy performance of the buildings; definition and administration of audit programmes for verifying the implementation of the programmes defined; annual publication of the energy data, CO₂ emissions and the progress of the programmes; promoting the energy efficiency of buildings among suppliers, employees and other stakeholders.
- the initiatives, operational in 2010, will involve 50 company properties used as offices;
- the NGDC (Next Generation Data Centre) project with the aim modifying the Information Technology architecture through the physical concentration and virtualization of the servers, reducing the current 11,350 servers to less than 2,000 by 2011. This new configuration, based on the Service Oriented Data Centre model, allows the reduction of the costs of maintenance/management and energy consumption. The NGDC regime will allow energy saving in the order of 40% compared to the initial configuration.

Mobility management

Telecom Italia has launched the Mobility Management project in order to reduce the environmental impact of the home-work commuting and contribute to improving the quality of life of employees, in particular in Italian cities with urban traffic difficulties and high atmospheric pollution. For the management offices, public transport companies have been contacted in order to improve connections and incentives for the use of these means.

A space has been created on the intranet dedicated to the mobility of employees, by offering information and services and collecting opinions and suggestions, in order to promote sustainable transport practices. The space is divided into three: notifications and proposals, information on the accessibility and connections of the offices, car pooling. The car pooling between employees, proposed as an alternative solution to traditional means of transport, consists in grouping several people together to make journeys in a single car, and identifying people with compatible transport needs (hours, place of departure and arrival etc.). Car pooling leads to reduced impact on the environment, lower transport costs for the participants, less use of the car and a reduction in psychological and physical stress.

A link with Telecom Italia's Carbon Meter allows the quantification of the reduction of CO₂ emissions and the benefits reaped from car pooling, increasing the level of environmental awareness.

Telecom Italia as part of the solution

ICT can play a significant role in the fight against climate change through the promotion and diffusion of products and services which encourage behaviour that can reduce or eliminate the emissions of greenhouse gases generated by the transport of people and objects in the territory. In general, progress in ICT favours the replacement of traditional physical products and services with digital products and processes. For example⁽¹⁵⁾:

- video and audio conferencing services avoid the need for the transport of people;
- TLC services facilitate and allow teleworking, reducing the consequences of the home-office commuting;
- 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;
- telemedicine services reduce the need for doctor-patient meetings, limiting travel and, as a consequence, the emission of greenhouse gases;
- infomobility systems, using information obtained from mobile handsets, allows the optimization of traffic flows, reducing travel times and the emission of greenhouse gases;
- the systems for the monitoring and analysis of consumption allow the optimization of the energy efficiency of offices and dwellings.

ICT technologies can therefore modify the features of products and services (price, efficiency and, therefore, convenience) leading to increased demand. On a large scale, the environmental impact obtained can become negative (increase in the demand for energy, major problems in the management of waste generated by technologically obsolete products). It is the responsibility of the ICT sector, and therefore also of Telecom Italia, not to underestimate this effect, minimizing their own negative impact on the environment and putting faith in the research and development of products with low environmental impacts throughout their entire life cycle.

In 2009, Telecom Italia established partnerships and launched services to respond to the need to reduce environmental impact.

An agreement was signed between Telecom Italia, Electrolux, Enel and Indesit for the testing of an innovative technological system in which smart domestic appliances optimize the energy consumption in the home. People can find out their consumption directly on their PC, mobile phone or on the displays of domestic appliances, downloading customized programmes for the eco-efficient management of their own home. This is the first step towards the smart grid, intelligent networks that allow information to be sent to domestic appliances that allows them to be programmed automatically on the basis of the availability and price of energy, avoiding peaks in demand for energy and surges on the transmission networks.

Telecom Italia offers MyEnergy to its customers, an energy management service (www.tigreen.it) based on ICT solutions that allow the optimization of energy consumption through remote monitoring systems of the equipment, using evolved sensors and applications

⁽¹⁵⁾ It has been estimated that 100 million audio conferences in the place of physical travel could save more than 2 million tons of CO₂ emissions, that 10 million teleworkers working only two days a week from home, would lead to a saving of nearly 11 million tons of CO₂ and that if 10 million users received their telephone bills on line instead of the traditional paper ones, there would be a saving of around 11,000 tons of CO₂. The examples are indicative and are intended to give a concrete indication of the potential of TLC services. They are based on projects, verified by independent third parties, tested on a small scale by members of ETNO as part of the initiative, "Saving the climate @ the speed of light" developed together with the WWF (www.etno.be/sustainability).

made available by the Data Centres of Telecom Italia. Specifically, the following services are part of the offer:

- MyEnergy - Analysis: analysis of the energy expenditure;
- MyEnergy - Power Management: for the management and optimization of electricity consumption;
- MyEnergy - Lighting Management: for the management of public and private lighting equipment;
- MyEnergy - Gas Management: for the monitoring and optimization of the business of gas bottle distribution companies.

These solutions allow the reduction of the consumption and energy expenditure thanks to the following features: prompt, integral monitoring of energy consumption; the display of the data regarding various peripheral offices; the implementation of automation to reduce consumption; verification of the consistency between the energy bills and the consumption registered; support in the choice of the most suitable Energy Provider.

On the subject of the management of the territory and the optimization of the energy resources, Telecom Italia has offered Smart Town to local administrations. This solution, already adopted by a number of administrations, has led to significant energy efficiency: just the application covering public illumination is able to generate alone a reduction in electricity consumption of up to 30%.

Telecom Italia coordinates the E-Cube project which researches, develops and implements innovative ICT solutions which allow the efficient management of energy in the domestic and industrial fields. The project will develop smart plugs, smart appliances, optimal algorithms for the management of equipment and other components that may be used for the remote control and monitoring of consumption.

Particular attention is being paid to the protection of the consumers' privacy which will use solutions put forward by E-Cube, and to the definition of policies to guarantee their diffusion. In addition to Telecom Italia, which is also coordinating a work group, the project, partly financed by the Tender 2015 - Energy Efficiency of the Ministry for Economic Development, sees the participation of Edison Energia, Electrolux, Energy Team, NERA Economic Consulting, Neohm, Ospedale San Raffaele, RPS-Riello, STMicroelectronics, Telit, the "La Sapienza" University of Rome and the University of Verona.

In 2009, around 2,000 video conferences were staged between the Telecom Italia offices of Rome and Milan, and around 5,700 multi-video conferences and 18,000 audio conference between several company offices. In addition to these, managed centrally, a great number of video and audio conference have taken place continuously among personnel trained in the autonomous use of independent workstations. The use of these systems avoids substantial emissions of carbon dioxide (and other pollutants) connected to the use of means of transport⁽¹⁶⁾.

⁽¹⁶⁾ On average, around 10 people take part in each video conference and half of these would have travelled to take part in the meeting. It can be estimated, solely for video conferences carried out between the management offices in Rome and Milan, that there has been an overall reduction in emissions of 1,200 tons of carbon dioxide. Each person travelling between Rome and Milan would have led to an impact of around 120 kg and each event replaced would save not less than 600 kg (the estimate is made only for air traffic: around of 1000 km for the round trip with a medium range impact factor of 0.12 kg per km - source GHG Protocol).

The Environment: Audit

As in previous years, audits of an environmental nature have been carried out on company departments and outside businesses which carry out activities that may have an impact on the environment. The subjects covered by the audit include the verification of respect for the legal requirements, control of the fulfilment by businesses of the contractual clauses for the proper management of activities with environmental impact and checking the correct management of important activities (waste management, reclamation, implementation of the Integrated Environment and Safety Management Systems).

The Environment

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

Group companies pursue their own strategies with regard to the environment in compliance with the following principles: optimize the use of energy sources and natural resources; minimize negative environmental impacts and maximize positive ones; foster the spread of a culture based on a correct approach to environmental issues; ensure a commitment to continuously improving environmental performance; and adopt purchasing policies that take account of environmental issues (from the “Code of Ethics of the Telecom Italia Group”, http://www.telecomitalia.it/content/dam/telecomitalia/documents/Governance/en/Code_of_Ethics_Feb09.pdf)¹⁷.

References related to the 8th principle (2009 Telecom Italia Sustainability Report Chapter):

- The Environment: Environmental Performance;
- The Environment: Environmental Management Systems;
- Introduction: 2009 Environmental Objectives and Results;
- Introduction: 2010 Environmental Objectives.

The Environment: Environmental Performance

The information on the environmental performance has been drawn from management data. In accordance with the principle of materiality, only those subsidiary companies have been included in the consolidated accounts that have revenue greater than 300,000 euros and more than 40 employees, excluding discontinued operations/non-current assets held for sale. The environmental performance data given below cover energy, water, paper, waste and electromagnetic and noise emissions.

Energy

The energy consumption of Telecom Italia S.p.A. and the Group is shown below, calculated according to the accounting procedures established by the Global Reporting Initiative - GRI G3 Guidelines. Direct consumption for heating and transport (Scope 1) and indirect consumption through the acquisition and consumption of electricity (Scope 2) are given. In the following tables, under the heading Domestic/Brazil/Other activities, the domestic operations of fixed and mobile telecommunications are included, as well as the respective support activities, the Netherlands broadband services and the activities of the TIM Brazil Group.

⁽¹⁷⁾The above-mentioned principles describe also the Telecom Italia Group Environmental Strategy which is published in the Telecom Italia Group 2009 Sustainability Report, at the beginning of The Environment chapter. Please, see the following web site:
http://www.telecomitalia.it/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2009/Bilanci_o_sostenibilita_ENG_2009.pdfGROUP

			Changes %	
Telecom Italia S.p.A. 2009			2009 vs 2008	2009 vs 2007
Energy consumed in diesel fuel	MJ	112,979,718	-20.80%	-24.45%
Energy consumed in methane fuel	MJ	689,048,720	0.67%	-4.48%
Total energy for heating	MJ	802,028,438	-3.03%	-7.86%

Heating systems		TI Group breakdown by BU (%)			
		TI Group 2009	Domestic/Brazil/ Other activities	Media	Olivetti
Total energy for heating	MJ	919,813,181	92.05%	0.35%	7.60%

The data in the table regarding Telecom Italia S.p.A. shows an overall reduction of consumption for heating systems and, in particular, the consumption of diesel. The change in the composition of the energy mix of diesel and methane fuel is due to the modernization of the plants, which has favoured solutions of reduced environmental impact. A specific environmental objective has been defined and reached in this area.

Vehicles		Changes %		
		Telecom Italia S.p.A. 2009	2009 vs 2008	2009 vs 2007
Consumption of unleaded petrol	l	5,335,302	-47.51%	-62.02%
Diesel consumption	l	17,678,505	21.84%	63.98%
Total energy consumption ^(*)	MJ	802,128,520	-5.02%	-4.11%

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

Number of vehicles and distance travelled		Changes %		
		Telecom Italia S.p.A. 2009	2009 vs 2008	2009 vs 2008
Total number of company vehicles	no.	21,068	-1.77%	-2.27%
Number of low-emission vehicles(*)	no.	20,787	-1.47%	-1.98%
Total distance travelled	km	308,682,237	-1.68%	-1.05%

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

In Telecom Italia S.p.A., the reduction of energy consumption for vehicles is due, as well as to the reduction of the overall distance travelled by the vehicles, to the gradual change in the composition of the fleet in favour of vehicles meeting high environmental standards (Euro4 or higher) with diesel engines that are more efficient compared to petrol engines. This change has also led to an increase in the consumption of diesel and a fall in that of petrol.

Number of vehicles and distance travelled^(*)		TI Group breakdown by BU %			
		TI Group 2009	Domestic/Brazil/ Other activities	Media	Olivetti
Total number of vehicles	n.	22,703	98.82%	0.43%	0.75%
Total energy consumed	MJ	1,263,639,200	98.29%	0.69%	1.01%
Total distance travelled	km	340,392,214	97.67%	0.96%	1.37%

(*) The data shown refer to the number of all vehicles (including ships, for which the number of kilometers travelled is not shown) of the Group (industrial, commercial, used by senior and middle management and the sales force), both owned and hired. Only where usage is significant and continuous, the vehicles, consumption and travel distances of vehicles owned or in use by the sales force of TIM Partecipações have been included.

Consumption of electrical energy for the operation of transmission and civil/industrial plants.

Purchased or produced energy	Telecom Italia S.p.A. 2009	Changes %	
		2009 vs 2008	2009 vs 2007
Electrical energy from mixed sources ^(*) kWh	2,093,375,618	0.00%	-1.34%
Electrical energy from renewable kWh sources	42,955,444	15.41%	34.24%
Total electrical energy kWh	2,136,331,062	0.27%	-0.81%

(*) Electrical energy acquired from mixed sources is equal to around 2.067 GWh. Self-produced electrical energy from mixed sources is equal to around 26 GWh and is supplied by a co-generation plant which has allowed a saving in purchased energy of more than 5GWh with an associated consumption equal to 6.925 million m³ of methane gas. The production of electrical energy from continuous generators (not shown in the table) is estimated to be around 4 GWh.

Purchased or produced energy	TI Group 2009	TI Group breakdown by BU %		
		Domestic/Brazil/ Other activities	Media	Olivetti
Total electrical energy kWh	2,517,799,605	98.10%	1.12%	0.78%

The increase in the consumption of energy is connected to the greater volumes of telephony/data traffic on the transmission networks. This increase has been mainly met through recourse to the acquisition of renewable sources. In future, Telecom Italia S.p.A. will achieve a significant increase in internal production from these sources.

The initiatives to optimize energy consumption already undertaken in preceding years have continued and interventions during 2009 have mainly regarded:

- the technological improvement of air conditioning equipment and interventions to reduce electricity consumption through the segregation of environments with different temperature needs;
- the modernizing of AC/DC conversion equipment through the introduction of technological solutions that guarantee a better performance;
- the maintenance of the efficiency of the fixed traditional switching network and the data networks;
- the technological upgrading of mobile network equipment in order to improve the performance in terms of transmission capacity, the need for air conditioning and energy consumption;
- the adoption of efficient technological solutions for the Data Centre servers, thanks to the concentration and virtualization of the machines and the consequent reduction of the respective energy consumption;
- remote control and measurement of energy of the centres' premises;
- the installation of time switches to turn off the lighting equipment;
- the sharing of technological sites and Radio Base Stations (RBS), thanks to co-siting agreements;
- the raising of the average operating temperature of the exchanges, servers and RBS;

- the introduction of free cooling equipment and other low environmental impact air conditioning systems.

Water

The total consumption of water by the Group reveals significant impact by Olivetti due to withdrawal from artesian wells for the industrial component.

Water consumption		Telecom Italia S.p.A. 2009	Changes %	
			2009 vs 2008	2009 vs 2007
Water consumption for non-sanitary use	m ³	85,225	-	-
Water consumption for sanitary use	m ³	4,370,350	-3.80%	5.38%
Total water consumption	m ³	4,455,575	-1.92%	7.43%

Water consumption		TI Group 2009	TI Group breakdown by BU%		
			Domestic/Brazil/ Other activities	Media	Olivetti
Water consumption for non-sanitary use	m ³	1,310,503	7.07%	0.00%	92.93%
Water consumption for sanitary use	m ³	4,727,734	99.02%	0.60%	0.38%
Total water consumption	m ³	6,038,237	79.06%	0.47%	20.47%

Paper

To reduce the environmental impact connected to the use of paper, three areas for intervention have been identified: procurement, rationalization of use and recycling.

In 2009, for paper procurement for office use and telephone bills, Telecom Italia S.p.A. decided only to use paper from forests managed according to the standards of the Forest Stewardship Council (FSC).

As regards the use of paper, the activities aimed at the overall reduction of consumption have continued. For this reason, Telecom Italia encourages the use of invoicing and statements in electronic form. In 2009, more than 11 million invoices referring to fixed telephony overall have been sent on line. That corresponds to a saving of over 200 tons of paper, as well as limiting the impact of CO₂ connected to the delivery material of the envelopes.

The process of printing in the offices is also connected to the use of paper. In order to optimize this, the project Printing on Demand has been launched in 675 offices. Around 35,000 identified printers have been replaced with little more than 4,000 high performance machines. All have a rapid system of stand by to reduce energy consumption and 12% have the Energy Star certificate, while 40% are able to print on both sides of the page. This project, in addition to reducing the consumption of energy and paper, allows more precise monitoring of the condition of the printer, the consumption of toner and the management of maintenance, improving the overall quality of the service.

In the offices, the use of paper for press reviews has fallen thanks to restrictions on the number of pages, the reduction in the number of recipients and the encouragement of the method of on line use, with pronounced benefits also in terms of archiving and information research. In 2010, a further reduction of paper use for press reviews of around 5% is envisaged.

On the recycling front, the collection of differentiated waste in offices, underway in nearly all company premises, has seen the recycling of 21,262 tons of used paper during the year.

PAPER FOR OFFICE USE		Telecom Italia S.p.A. 2009		Changes %	
				2009 vs 2008	2009 vs 2007
Non-recycled paper purchased	kg	0	-100.00%	-100.00%	
Recycled paper purchased	kg	0	-100.00%	-100.00%	
FSC certified paper purchased	kg	637,888	-	-	
Total paper purchased for office use	kg	637,888	-4.43%	-11.76%	

PAPER FOR OFFICE USE		TI Group 2009		TI Group breakdown by BU (%)	
				Domestic/Brazil/ Other activities	Media Olivetti
Non-recycled paper purchased	kg	2,231	74.41%	0.00%	25.59%
Recycled paper purchased	kg	90,768	100.00%	0.00%	0.00%
FSC certified paper purchased	kg	699,036	96.58%	2.53%	0.89%
Total paper purchased for office use	kg	792,035	96.91%	2.24%	0.85%

Waste

In 2009, there was a marked increase in hazardous waste due mainly to the replacement of the lead batteries used for back-up energy as well as the waste from the demolition works due to the leave of certain offices. The increase in non-hazardous waste can also be ascribed to the decommissioning of buildings and respective fittings. Compared to 2008, in 2009 the ratio between waste produced and that consigned for recycling/recovery has improved.

The differentiated collection of the materials in the offices of Telecom Italia is underway in 280 offices across the entire country. In the course of 2009 alone, differentiated collection of office waste has been extended to offices in which, locally, the differentiated collection of urban waste is carried out (50 additional offices of which 10 are in the north, 11 in the centre and 29 in the south and islands).

Regarding the application of the ADR regulation (Agreement concerning the international carriage of Dangerous goods by Road) covering the transport by road of dangerous goods, a training programme has been held aimed at those in charge of the Services of Prevention, Protection and Environment who collaborate with the ADR consultant in the control of the activities and support for the departments. Controls have been carried out during the withdrawal of waste by the transporters and a new procedure has been drawn up which adopts the provisions of the ADR 2009 (the procedure will come into force following publication in the Official Gazette of the Decree of adoption of the regulation).

Telecom Italia S.p.A. and Olivetti have launched a process across the entire nation for the collection, recycling and disposal of non-industrial batteries and rechargeable batteries. TI makes use of the "ReMedia" consortium and Olivetti the "ecoR'it" consortium, of which our company is the founder member. In TIM Brazil, the operation to increase awareness in the community on the issue of waste that is hazardous to health and the environment is continuing. In shops and company offices, suitable containers have been provided for the collection of drained batteries and to dispose of cell phones and accessories.

To contribute to the reduction of the waste produced, in 2009 Telecom Italia S.p.A. refurbished 515,698 devices (143,000 modems, 22,500 set top boxes for IPTV, 93,500 fixed terminals, 37,047 telephony products, 8,149 data equipment items, 1,895 MT4 devices, 92,820 ISDN devices and 116,787 mobile handsets). In addition to the environmental advantage in terms of

the lack of waste, these activities bring a financial benefit, in the sense of the positive difference between the procurement avoided and the costs of the reclamation.

Regarding Waste of Electrical and Electronic Equipment (WEEE), regulated by the Decree Law 151/05, Telecom Italia and Olivetti are, in some cases, producers and, in all cases, distributors of certain equipment. They are therefore obliged to organize the management of their end of life cycle for those aspects under their responsibility.

To effectively supervise the issue, in expectation of the implementing decree, Telecom Italia S.p.A. has established an appropriate work group which has, amongst other things:

- formalized membership of the consortium that is specialized in managing the end of life cycle of the equipment (Consorzio Re-Media);
- defined the collection and selection processes for WEEE for each direct sales channel;
- inserted appropriate clauses on the issues of WEEE and RoHS⁽¹⁸⁾ in the conditions of purchase contracts.

Following the Programme Agreement of 2003 for managing obsolete wooden telephone poles, upon the favourable opinion of the autonomous State-Region-autonomous Province Conference, with the Ministry for the Environment and Protection of the Territory, the Ministry of Production Activity and production and reclamation companies, the decommissioning also continued in 2009 with the substitution or elimination of 126,422 poles.

The data shown in the table refer to the quantity of waste consigned⁽¹⁹⁾ and legally accounted for⁽²⁰⁾.

Waste consigned^(*)		Telecom Italia S.p.A. 2009	Changes %	
			2009 vs 2008	2009 vs 2007
Hazardous waste	kg	6,268,050	22.42%	115.13%
Non hazardous waste	kg	11,536,683	6.97%	-11.12%
Total quantity of waste	kg	17,804,733	11.95%	12.02%
Waste for recycling/reclamation	kg	16,190,509	14.78%	4.07%
Ratio between recycle/reclaimed waste and total waste		90.93%	2.53%	-7.10%

(*) The data does not include telephone poles.

Waste consigned		TI Group 2009	TI Group breakdown by BU (%)		
			Domestic/Brazil/ Other activities	Media	Olivetti
Total waste consigned	Kg	21,327,467	92.57%	0.34%	7.09%

Electromagnetic and noise emissions

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

⁽¹⁸⁾ European Directive 2002/95/EC on the restriction on the use of prescribed hazardous substances in electrical and electronic equipment (Restriction of Hazardous Substances Directive).

⁽¹⁹⁾ 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.

⁽²⁰⁾ There may be slight variations in the situation from December 31 until the following March 31, in so far as the sources 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 is supplied to the producer of the waste within 3 months of the consignment and this explains the possible variations in the data.

- the careful and proper management of its equipment during its entire life cycle, in compliance with 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.

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

- the levels of electromagnetic field produced by the emissions 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 of workers does not exceed the values laid down by Directive 2004/40/EC, recently brought into force under Decree Law 257/2007.

Based on the controls carried out on Italian soil, electromagnetic emissions generated by La7 and MTV alone 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 optimizes emissions from mobile telephone Radio Base Stations (RBS). In 2009, the target was exceeded for installing second carriers, that is, additional antennas which allow the reduction of the power of the overall field of RBS emissions, during periods of maximum voice traffic. The use of two radio frequency carriers, also linked to the development of “High Speed” coverage, allows the total power of RBS emissions to be lower than 15% for the same amount of traffic. This reduction value has been verified in trials in the laboratory of TILab.

Similar concern is given to the emissions from mobile handsets operating on the frequency bands operated by Telecom Italia: GSM 900Mhz, DCS 1800MHz and UMTS. In 2009, in line with the established targets, all the models of technologically innovative mobile phones widely distributed in Italy and 25% of the Brazilian models have been subjected to the SAR qualification⁽²¹⁾.

The issue of electromagnetism and the possible effects on biological systems has been the subject in recent years of numerous studies and discussions involving the scientific community and public opinion. More details are available on the sustainability channel of the website www.telecomitalia.it.

In the area of the reduction of noise pollution, checks have continued on noise emissions by company equipment. Based on these checks, 21 sites were rectified in 2009 (11 of the fixed network and 10 of the mobile network). In addition, around 70 maintenance/replacement interventions have been carried out following notifications, implementing specific methods of operation (for example, putting a timer on the air conditioning) or creating anti-noise barriers.

⁽²¹⁾ SAR – Specific Absorption Rate: the value of electromagnetic power absorbed by a given mass of tissue. SAR is measured in Watt/kg.

Interventions to reduce the visual impact of the mobile network antennas in places of landscape of particular merit also continued in 2009.

The Environmentet: Environmental Management Systems

Environmental Management Systems (SGA) 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. So far, the Group's SGA has attained the certification ISO 14001 and, at two call centres in Rome and Naples, the Integrated Safety and Environment System has attained the certification OHSAS 18001.

In 2009, with the issuing of a new ISO 14001 certificate valid for three years, the effective application was confirmed of the environmental management of the Technology and Operations division for plant engineering and industrial and civil technological infrastructures. The environmental certificates attained or confirmed during the year are given in the "Principle 1" in this Communication On Progress.

Introduction: 2009 Environmental Objectives and Results

The 2009 Environmental Objectives and Results are reported at the end of the "Principle 1" in this Communication On Progress.

Introduction: 2010 Environmental Objectives

The 2010 Environmental Objectives are reported at the end of the "Principle 1" in this Communication On Progress.

The Environment

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

Group companies pursue their own strategies with regard to the environment in compliance with the following principles: optimize the use of energy sources and natural resources; minimize negative environmental impacts and maximize positive ones; foster the spread of a culture based on a correct approach to environmental issues; ensure a commitment to continuously improving environmental performance; and adopt purchasing policies that take account of environmental issues (from the “Code of Ethics of the Telecom Italia Group”, http://www.telecomitalia.it/content/dam/telecomitalia/documents/Governance/en/Code_of_Ethics_Feb09.pdf)²².

References related to the 9th principle (2009 Telecom Italia Sustainability Report Chapter):

- The Environment: Environmental Performance;
- The Environment: Climate Change;
- The Environment: Product Responsibility;
- The Environment: Training and Internal Communication;
- The Environment: Information;
- Customers: Innovative Services;
- The Community: Research and Development;
- Introduction: 2009 Environmental Objectives and Results;
- Introduction: 2010 Environmental Objectives.

The Environment: Environmental Performance

Energy

On the question of promoting non-traditional/alternative energy sources and experimentation with new technologies, the following initiatives have been completed or are underway:

- three cogeneration (trigeneration) plants are being installed in as many Data Centres. The energy needs will be met through a system that can produce electricity, heating and cooling, though not independently and therefore alongside the usual power distribution bodies, with an energy saving of around 30%;
- twelve small cogeneration plants (less than 500 kW) have been created;
- 13 Radio Base Stations have been powered with a supplementary mixed supply of wind and photovoltaic power (wind turbines from 3 to 6 kW and solar panels of 5 kWp);
- an innovative system of natural gas (propane) air conditioning has been tested;

⁽²²⁾The above-mentioned principles describe also the Telecom Italia Group Environmental Strategy which is published in the Telecom Italia Group 2009 Sustainability Report, at the beginning of The Environment chapter. Please, see the following web site:
http://www.telecomitalia.it/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2009/Bilancio_sostenibilita_ENG_2009.pdfGROUP

- 100 back-up plants of hydrogen fuel energy cells have been created in place of the traditional systems with lead batteries. The introduction of this type of plant avoids the procurement and later disposal of traditional batteries containing 300 tons of lead. The assessment of the life cycle reveals an environmental benefit with about 125 tons of CO₂ no longer being emitted. In 2010, the replacements will involve another 80 plants (see Target 2010 in the “Principle 1” of this Communication On Progress).

More specifically, regarding the initiatives adopted by the Company to contain energy consumption thanks to the new free cooling plants, systems of remote energy management and control and the co-siting agreements with other operators, this is what the Group has done:

Extraction Full Free Cooling (EFFC)

This cooling system meets the need to reduce consumption and not use greenhouse gases. EFFC is based on the principle of Free Cooling (forced ventilation without the use of air-conditioning), associated with an extraction system for the hot air produced by the equipment and, if necessary, a further cooling of the incoming air achieved by using an area with a high concentration of vaporized water. With an experimental system of this type, it has been possible, in the hottest period of the year, to reduce by more than 80% the energy consumption for air conditioning compared to traditional systems. The outcome of the trials has led to the extension of the system, in 2009, to 400 exchanges.

Kaleidos

This is an innovative system of monitoring and reducing the energy consumption of the equipment, installed in 90 exchanges. It takes advantage of wireless devices with ZigBee technology (a low energy consumption mobile communication standard) which allow the acquisition and processing in real time of information on the electricity power used by the equipment being monitored. The information collected is analyzed through mathematical models that allow the monitoring of the level of energy consumption of the plants and actions to be taken to improve the efficiency. Kaleidos will be extended to another 100 exchanges.

Codes of Conduct (CoC)

The commitment to contain energy consumption is also made clear by the collaboration with the working groups that define the Codes of Conduct (CoC) on energy consumption of Broadband equipment and the Data Centres. These working groups, supported by the European Union through the Joint Research Centre (JRC) and ETNO (European Telecommunications Network Operators' Association), draw up the guidelines and consumption targets for equipment, minimizing the energy consumption without interfering with technological development and the quality of the services. Telecom Italia is among the first TLC operators to have signed up to the Code of Conduct for broadband equipment (version 3); the adoption of devices that conform to the CoC allows a reduction of expenditure on energy of up to 40%.

Co-siting

With respect to the Code for Electronic Communications to encourage a more efficient use of the network infrastructure and optimize the coverage of the mobile network in urban and rural areas, the agreements with Vodafone for sharing access sites are continuing. In 2009, Telecom Italia and 3 Italia signed a three year co-siting agreement which covers both existing sites and those that will be built in the future (at least 2,000 sites). Each operator retains ownership of their passive infrastructure (poles and pylons, electricity and air conditioning

plants and civil infrastructure) and hosts the other, with a saving in energy consumption estimated to be in the order of 30%.

TiLab initiatives to contain environmental impact

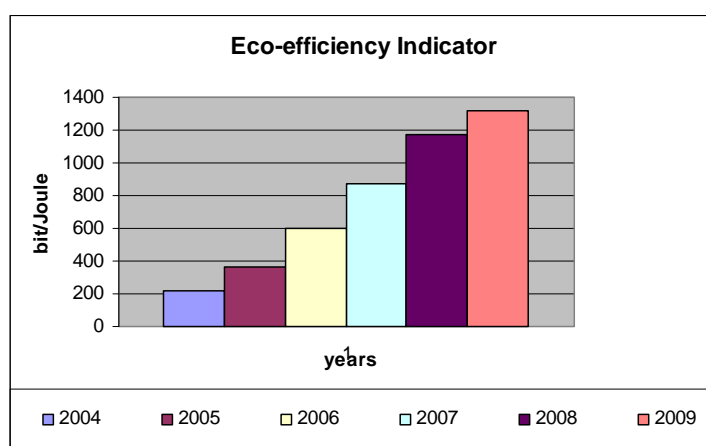
In the development of new fixed access technologies (FTTx), analyses are underway targeted specifically at the containment of electricity consumption of new equipment and, where present, of the respective air conditioning. Telecom Italia is part of work groups for the standardization of equipment and architecture at the Italian (CEI) and international (ETSI EE/ATTM, ITU-T, ETNO, GeSI, HGI) levels. At the end of 2008, Telecom Italia, in partnership with Huawei, established the Network Innovation Centre (NIC), aimed at synergic collaborations on issues connected to energy saving.

The Environment: Climate change

Eco-efficiency indicator

For years, Telecom Italia S.p.A. has measured 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 (energy consumption). 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 offices) and consumption for vehicles. The following table shows the level 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%
2009	4,739,570	1,317	+12%



In 2009, the indicator values, although slightly improved, were lower than expected. 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 2010: 1,410 bit/Joule (+7% compared to 2009).

For the first time, TIM Brazil has measured its own eco-efficiency indicator to monitor its performance. The 2009 value is 117 bit/Joule. Nevertheless, the data cannot be compared with that of Telecom Italia SpA due to the many differences: the technology used (only a mobile network in Brazil, mobile and fixed networks in Italy), geographic features, the climatic situation and the type of customer. The indicator will however be very useful in implementing future actions of improvement.

The Environment: Product Responsibility

To improve the product stewardship profile at the company level, products/services marketed by Telecom Italia S.p.A. are also examined under the following criteria:

- health and safety of consumers;
- labelling of products and services;
- marketing communications;
- respect for privacy;
- conformity with applicable regulations;
- environmental impact of the product.

Some of the main initiatives promoted by Telecom Italia in this field are given below.

Marketed products are subject to a technical test aimed at ensuring their conformity with European Directives and national laws, in particular:

- the EU regulations on the protection and safety of customers in using the equipment;
- the RoHS regulation which prohibits the use of certain substances in electrical and electronic equipment;
- the WEEE regulation on the disposal of products at the end of their life cycle;
- European regulations nos. 1275/2008 and 278/2009 which implement the EuP (Energy-using Products) directive for terminals and their respective external feeders.

Telecom Italia was among the first TLC operators to have adhered to the Code of Conduct for v3 Broadband Equipment, a document that defines energy consumption targets for modems, home gateway and other network domestic appliance and the access network.

Quality tests are conducted on products to confirm respect for the prerequisites of energy efficiency, environmental impact and safety.

In 2009, an eco-cordless handset was launched on the market with minimal environmental impact throughout its life cycle:

- the body is in PLA bio plastic (biodegradable polylactic acid derived from corn);
- electronics free of halogen substances, anticipating and exceeding the latest European regulations on the matter;
- the feeder conforms with the prerequisites for Energy Star energy yield and the EU Code of Conduct on Efficiency of External Power Supplies – v4;
- the assembly does not involve the use of adhesive and is achieved in a way that allows easy dismantling of the various electronic components;
- the packaging is recycled cardboard and designed to minimize impact during the transport phase.

The product obtained an environmental declaration drawn up in accordance with ISO 14021 (Environmental Declaration of Type II).

The assessment of energy consumption associated with the eco-cordless, estimated on the basis of a standardized operation cycle of 2 hours daily use, 2 hours a day in stand-by and 20 hours a day waiting and being recharged, reveals an annual energy consumption of 13.9 kWh, with an energy saving of around 40% compared to similar products.

In addition, a review has been held of the end-life processes of the home access gateway⁽²³⁾ used for the delivery of residential and small business broadband services, from which the requirements have been drawn for Design For Environment (DFE) for future generations of product. Among the improvements identified, the following should be noted:

- the review of the structure of the product's plastic body, with the reduction of the number of parts and the optimization of the aspects concerning dismantling;
- the use of recycled plastics, when possible, with regard to the physical and mechanical characteristics and their suitability for use by the customer;
- packaging in recycled material with the reduction of unnecessary plastic wrapping;
- reduced bulk and weight of the packaging to minimize impact during the transport phase;
- use of a unified feeder to maximize the possibility for reuse;
- review of the logistics of collecting products at the end of their life cycles and of the process of assessing the possibility of regeneration;
- the identification of technical strategies to increase the energy efficiency of the access gateways: the tests carried out, on the average methods of use at home by the customer and depending on their number, allow an estimated annual energy saving in the order of 100GWh.

During 2009, the methodology of Life Cycle Analysis (LCA) was applied to around 23 products intended for marketing (mobile phones, fixed telephones, fax machines and printers) within the Green Procurement project (see § Suppliers/Main sustainability initiatives, in the Principle 2 of this Communication On Progress).

In defining the network architecture and the technical specifications of the equipment and passive components, criteria have been adopted designed to minimize the environmental impact (for example, consumption, bulk, noise and battery use). These prerequisites are included in the Requests for Quotation (documents drawn up of the technical lines to clarify the specifications of the products to be procured) compatible with the requirements of service and costs.

The Environment: Training and Internal Communication

The dissemination and support for the environmental culture helps reinforce the sustainable development of the Group's activities. In the course of the year, in addition to environmental issues of general interest, numerous training initiatives have been developed regarding:

- Business and environment
- Environmental Management Systems
- Life Cycle Assessment
- Mobility management
- Energy conservation and renewable energy
- Reduction of emissions
- Electromagnetic pollution
- Green Procurement

⁽²³⁾The Home Access Gateway is a device that allows the connection of several private customers to the same network through the concentration of voice, data and video traffic.

- 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 corporate magazine “noi.magazine” covering the development of the Integrated Management System of Safety and the Environment in customer care. In addition, the publication of the “noi.flash” bulletin has continued, dedicated to issues of corporate responsibility.

On June 5th, World Environment Day, TIM Brazil made its Environmental Policy official, launching an internal campaign aimed at increasing the awareness of personnel with regard to the environment. To assist this, a list of simple actions was provided to be shared with the family, such as the practice of collecting differentiated waste and used batteries and storage devices, the choice of recyclable and recycled materials, saving water and energy.

A specific programme has been created with Azzero CO₂ for numerous events, in particular those of an environmental nature, to reveal the impact and compensation of the respective emissions.

The Environment: Information

Through the Group's television broadcasters, La7 and MTV, many programmes have been produced and initiatives carried out aimed at spreading awareness and involving the public on environmental matters. In particular, for World Environment Day, the initiative “La7 and the environment: a commitment exclusively for everybody” was launched inviting viewers to send in, to the website www.la7.it/ambiente, their proposals for contributing to the world of the future.

Telecom Italia's integrated communication project, AVoiComunicare, is active on the major social and environmental issues. In first six months of 2009, focus was mainly on environmental topics and on sustainable development, revealed by an on line survey to be priority matters for the users of the internet site.

The Global Conference on Climate Change (UN COP15) was heralded and followed on a dedicated space on AVoiComunicare, which reported on the expectations and outcomes of the meetings. The updating was carried out live by an observer on location and, at the end of the event, a questionnaire was distributed to discover the level of satisfaction.

In collaboration with PricewaterhouseCoopers, Telecom Italia has created the “Carbon meter”, available on AVoiComunicare, to bring home how much carbon dioxide we emit through our everyday actions and to check, through an on line tool, how and by how much we can contribute to mitigating climate change through small changes in our behaviour. The meter also shows how ICT solutions (video conferences, broadband connections, procurement and operations on line) allow the reduction of the emissions and an improvement in the quality of life.

Telecom Italia, moreover, has sponsored, with Comieco and the University of Palermo, the initiative “More and Less LAB: the future and consumption. New styles of life and consumption,” organized as part of the UNESCO's Week of Education in Sustainable Development in support of sustainability.

Customers: Innovative Services

Telecom Italia develops, in collaboration with research institutes and universities in Italy and abroad, numerous innovative services, some of which are still undergoing trials. These services deliver an important contribution to the containment of CO₂ by reducing the need to travel across the territory and by helping to promote different, more sustainable lifestyles.

E-learning

The demand for evolved educational services has undergone a profound transformation in the course of recent years. From the simple electronic use of content, the focus has moved to the dissemination and sharing of knowledge through more engaging methods. As a consequence, solutions are more and more being sought that are able to deliver content and check the progress of learning while, at the same time, providing management functions, the sharing of knowledge (e-knowledge) and the gaming business.

Telecom Italia's e-learning platform meets the demand for developed services based precisely on the collaboration, communication and active involvement of the final user.

An example of the use of the platform is the experience of the Campania Region, for which a portal of digital services has been created for the Region's teachers in order to enable the exchange of knowledge and the use of training activities.

Teleworking

Important teleworking trials have been conducted in Telecom Italia involving around 80 colleagues in the area of the Testing Labs of Turin, for whom certain work activities were "remotised". The principle benefits were:

- a growth in efficiency in most of the activities and, in some cases, an increase in effectiveness as well (for example, trials in the home);
- the optimal redistribution of time between work and personal needs;
- the recuperation of working hours in certain situations (transport strikes, adverse weather conditions etc.);
- the saving of space through new logistical solutions for workstation sharing between teleworkers, devised by those taking part in the trials.

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

Infomobility

Telecom Italia and Magneti Marelli have put together a consortium for new infomobility services in order to create and market an open technological platform that guarantees a constant connection with information and entertainment services, which will help drivers make more intelligent choices (ecodriving). The system will permit integration between the automotive and ICT environments, thanks to an in-car data transmission system that allows the vehicle to communicate with the software applications of various service providers. This platform can be used by public authorities to supply information on the road conditions, and by firms with fleets of company cars to enable them to discover the location of the vehicles and put them in touch with each other.

Among the solutions and services enabled:

- information on the road network and traffic conditions, payment services, navigation services;
- 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 inform the user about 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 (controlled through personal mobile phone systems and devices placed in the vehicles). An example is the management of traffic on motorways, in partnership with the motorway company, Autostrade S.p.A.

Green@Home

Telecom Italia's Green@Home system is a prototype of a domestic energy monitoring system that is designed to improve energy efficiency in the home. In addition to reducing stand-by consumption and monitoring the consumption of various household appliances and lights, it allows the user to identify virtuous behaviour.

The system is based on intelligent sockets that allow the monitoring of energy consumption and remote control for feeding the electrical devices plugged into the sockets.

After the trials, Telecom Italia has signed an agreement with Electrolux, Enel and Indesit to research and develop innovative services based on communication between next generation domestic appliances and the electrical infrastructure (allowing the remote control and management of electricity consumption), thanks to Telecom Italia's fixed and mobile broadband connections. The aim is to create a system in which "smart" domestic appliances are able to manage themselves by regulating the consumption of energy in the entire home, avoiding network peaks and surges, without compromising the comfort of the users.

The smart home

In December, 2009, Telecom Italia and BTicino launched a partnership for the "smart" management of the home, bringing together the solutions of Telecom Italia's fixed and mobile broadband connectivity solutions and the automated devices of BTicino.

By accessing, via the web, the automated functions of home management (lights, roller blinds, temperature and music control) and safety (interior and exterior video surveillance, anti-theft equipment, the reception of alarms and notification about emergencies), the customers will be able to remotely manage all the functions.

The system of control and management will be accessible through any Internet connection, even on the move, through the use of palm devices or evolved mobile phones which, thanks to software applications, become simple "remote controls" for the home.

Mobile Ticketing/Fidelity/Payment

Telecom Italia has developed a series of Mobile Ticketing and Mobile Fidelity solutions which allow the user, through mobile phone SIM cards, to validate tickets and subscriptions for public transport and collect loyalty points for the purchase of goods.

In this field, Telecom Italia is conducting trials with public transport companies in Trento (Trentino Trasporti) and Milan (ATM), and with the Miroglio Group (through the Vestebene brand), in collaboration with Olivetti. In addition, Telecom Italia is preparing to launch, in 2010, remote mobile payment systems for procuring a wide range of goods and services, through a special application on the mobile phone SIM card, in partnership with the Movincom consortium and the financial institutions that have signed up to the initiative.

E-tourism

With the E-tourism platform, a system of content management has been created for Telecom Italia's business clients, who require a multichannel dissemination tool for their descriptive content, with certain security standards. The platform offers interactive maps, multichannel portals, smart ticketing and a virtual tourist guide, available from mobile phones, with information about points of interest, be they artistic or practical (for example, consulates, tourist offices, police stations, means of transport).

An important example of its application was demonstrated by the Municipality of Venice during the carnival. Through Wi-Fi, users were able to "navigate" around the carnival events and receive information about sites and tourist routes in real time, as well as interacting with each other, publishing photos and comments on the artistic sites they were visiting on Telecom Italia's E-Tourism platform, by sending an MMS.

The Community: Research and Development

Telecom Italia Group's research and development activities are carried out by TILab, by the Operational Units and businesses (Networks, Marketing, Information Technology, Security) and by the Group's companies.

TILab is the Technology and Operations Department's structure for overseeing the Group's technological innovation, scouting out new technologies and carrying out the engineering operations for the services and network platforms, through a network of strategic partnerships with the main producers of telecommunications equipment and systems, and with research centres of excellence at the most highly qualified national and international academic institutions. In 2009, three new collaborative projects were begun with the same number of universities (in addition to the 30 already underway since the beginning of 2009), covering research into new technologies, encryption algorithms, service concepts and new paradigms of communication.

Activities to enhance and generate competitive advantage for Telecom Italia Group have been pursued through a strategic management of the relationship between research, Intellectual Property Rights (IPR) and business, aimed at the development of the company's assets in patents rights; in this context, during 2009, 20 new applications for patents were registered.

The main activities carried out by TILab are:

- the creation of services in the iPhone environment, in particular, access to information and multimedia content in the area of value added services (VAS). As part of this, version 2.0 of the Virgilio portal was successfully launched, enriched with maps and local content;
- the start of experimentation with innovative fibre cabling solutions inside buildings (Fibre to the Home – FTTH). Its outstanding characteristic is that it can be used without having any impact on the existing infrastructure;
- an innovative air condition system was devised and tested in TILab's test plants for the central environments called Extraction and Full Free Cooling (EFFC). This solution is able to refresh the environment with an energy saving greater than 80% compared to traditional systems, without the use of synthetic fluids banned by the Kyoto protocol. Given the positive results of the tests, the technique has been extended to around 400 operational centres;
- the development, in collaboration with Nokia Siemens Networks, of the first "intelligent" antennas, capable of improving the performance of High Speed Packet Access (HSPA) technology. This equipment makes it possible to optimise the mobile radio base stations, improving the quality of the service offered to customers and, at the same time, guaranteeing lower energy consumption and a reduction of electromagnetic fields.

Introduction: 2009 Environmental Objectives and Results

The 2009 Environmental Objectives and Results are reported at the end of the “Principle 1” in this Communication On Progress.

Introduction: 2010 Environmental Objectives

The 2010 Environmental Objectives are reported at the end of the “Principle 1” in this Communication On Progress.

Anti-Corruption

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

Group companies

- must be committed, as active and responsible members of the community, to observing and ensuring the observance of the laws in force in the countries in which they operate and the ethical principles commonly accepted according to international standards in the conduct of business: transparency, correctness and fairness;
- must reject and stigmatize recourse to illegal and improper conduct (vis-à-vis the community, public authorities, customers, workers, investors, suppliers and competitors) in order to achieve their business objectives, which they must pursue exclusively through the excellence of their products and services in terms of quality and cost-effectiveness, based on experience, customer care and innovation;
- must adopt organizational solutions serving to prevent violations of the law and the principles of transparency, correctness and fairness by their employees and collaborators and take steps to ensure they are applied and complied with in practice;

-

(article 2 – Objectives and Values – “Code of Ethics of the Telecom Italia Group”,

http://www.telecomitalia.it/content/dam/telecomitalia/documents/Governance/en/Code_of_Ethics_Feb09.pdf).

References related to the 10th principle (2009 Telecom Italia Sustainability Report Chapter, in particular the Governance Section):

- Introduction: References and Governance;
- Human Resources: Reports to the Manager Responsible for the Internal Controls in Telecom Italia;
- Shareholders: Risk Management;
- Shareholders: Corporate Governance.

Introduction: References and Governance

The Group's Corporate Governance system is founded on the central role of the Board of Directors and the independent administrators, the transparency of management decisions, the effectiveness of the Internal Control System and on the strict regulations on potential conflicts of interest. Within the Internal Control System is the Organizational Model of the Decree Law of June 8th, 2001, no. 231, designed to prevent the commission of certain infringements, including corruption, extortion and corporate crimes.

Human Resources: Reports to the manager responsible for the internal control in Telecom Italia

In line with the principles contained in the Code of Ethics, the “Whistleblowing procedure” has been issued for all the companies of the Group, published on the Intranet. This procedure, administered by the manager responsible for the internal control in Telecom Italia, ensures the reception, analysis and handling of reports on matters concerning the internal control system,

company information, fraud and other matters (violations of the Code of Ethics, mobbing practices, theft, security etc.). The reports, forwarded in whatever way (paper, electronic, fax etc.), may be made by employees (including the Top Management), collaborators, consultants, providers of work, as well as third parties with business relations with the Group. Each report is subject to analysis; the outcomes of the proceedings are conveyed to the top management of the company, to the statutory control bodies and to the company departments concerned, with the complete guarantee of privacy for the person who made the report.

Shareholders: Risk Management

To ensure a global approach to risk management and at the same time greater flexibility, in 2009 Telecom Italia Group launched a review of the Risk Management System previously used (the CRSA - Control & Risk Self Assessment), adopting a new integrated process of risk management inspired by the Enterprise Risk Management Framework (ERM)⁽²⁴⁾. This is an instrument of governance of company risk, through which the identification, assessment and management of risks is achieved.

At the heart of the system is the Committee of Group Risk Management which, in the new organizational model, from April 9th, 2009, is supervised and coordinated by the Manager of the "Administration, Finance and Control" Department, and is made up of:

- the Managers of the Departments, "Domestic Market Operations", "Technology & Operations" and "International Business";
- the Managers of the Departments "General Counsel & Corporate and Legal Affairs", "Administration, Finance and Control", "Human Resources and Organization", "Purchasing" and "Security";
- the Manager of the "Risk Management" department of "Administration, Finance and Control."

The Manager of the Risk Management department carries out the role of supporting the coordination of the Committee.

The Committee meets every three months (or when specifically required) and aims to ensure the administration of the process of managing the risks of the Group, coordinating the preventative action plan, which is designed to ensure the operational continuity of the business, and monitoring the effectiveness of the counter measures adopted.

The new ERM approach, approved by the Risk Management Committee, is based on the assessment of the risk profile by management, both in relation to company processes and the strategic objectives. This approach provides the mapping of the risks and puts the focus of those held to be most important, the drawing up of a Master Plan of actions of mitigation and actions to handle the risks through the establishment of an interdepartmental work group, selected by the Group Risk Management Committee.

In detail, the ERM provides four main phases:

1. analysis;
2. evaluation;
3. processing and verification;
4. reporting.

⁽²⁴⁾ Enterprise Risk Management, 2004, by the Committee of Sponsoring Organizations of the Treadway Commission.

1. The analysis phase is based in its turn on two sub-phases:
 - a) a preliminary analysis which envisages:
 - the charting of the company processes and the identification of the associated sub-processes;
 - the matching of the company departments to the sub-processes⁽²⁵⁾;
 - the disclosure by the Industrial Plan of the strategic objectives;
 - the disclosure of the short-term incentives (MBO) of the objectives of cross-company governance;
 - b) the identification of the risks, which follows a top-down logic: the first reports of the Chief Executive Office and the Chairman are interrogated, as well as certain secondary reports (the so-called Risk Owners) which identify the risks within the range of a specific model of the telecommunications sector. The sources of risk identified may be both external and internal (the latter are divided into strategic, operational and financial). The risks identified are connected to the statutory company processes and objectives.
2. The evaluation phase envisages:
 - a) the evaluation of the risks, based on a methodology which takes into consideration quantitative and qualitative criteria. In particular, the following are identified:
 - the impact: from a minimum 1 (negligible) to a maximum 5 (catastrophic), which measures the consequences of the event on the objective/process. The evaluation carried out by the risk owner, although representing a qualitative datum, is the fruit of the association of the judgement with scales of quantified values in economic-financial terms (EBITDA, net Capex, Customer Satisfaction Index, Market Share etc.);
 - the probability: from a minimum 1 (improbable) to a maximum 5 (very probable), which measure the degree of uncertainty of the event.

On the basis of the evaluation carried out, the most important risks are identified for the proper management of the company processes and to reach the respective objectives;
 - b) the identification of the risk owners: the risks identified are assigned to the owner department of the sub-process that is subject to the analysis. This department is responsible both for the evaluation of the existing measures of mitigation, and the definition of the action plan regarding the risks for which, in the gap analysis phase, adequate mitigation is not encountered;
 - c) approval of the action plan: the Risk Management committee, supported by the Risk Management department, supervises the protection indicated by the owner department and approves the action plan proposed. The implementation of the measures of prevention or reduction of the risk is subject to the appropriate evaluation and a detailed cost/benefits analysis.
3. The processing and verification phase envisages the establishment of interdepartmental work groups to monitor the action plans approved by the Risk Management committee. The monitoring activity on the state of progress and/or completion of the action plan, together with the Key Risk Indicators (KRI), supplies a flow of data to the Committee which aids the definition of the subsequent cycle of Risk Management.

⁽²⁵⁾ The charting of the processes/departments is updated every three months by the Human Resources and Organization department and conveyed to the Risk Management department.

4. The reporting phase provides a flow of information on the structure of the risk profile and its development according to a flexible schedule, defined on the basis of the needs of the stakeholders.

The process is updated on an annual basis (or more regularly) at the discretion of the Risk Management Committee. Responsibility for the updating and support belongs to the Risk Management department. The introduction of a digital system is being evaluated, supplied with information by the risk owner and managed by the Risk Management department.

On December 31st, 2009, the Group's Corporate Risk Profile was defined (excluding Tim Brazil) which signalled the completion of the analysis phase and part of the evaluation phase (risk assessment and allocation). Completion of the subsequent phases is expected in the next cycles.

In particular, in the 2009 cycle, attention was focused on a group of significant risks (the so-called TOP Risks) regarding which the phases of the definition of the Master Plan, treatment and verification, will be pursued.

Shareholders: Corporate Governance²⁶

The role of the Board of Directors (a few information)

The Board of Directors assesses the adequacy of the company's organizational, administrative and accounting structure on the basis of the information provided by the management, and, in the specific case of the system of internal controls, also on the basis of the investigation carried out by the Internal Control and Corporate Governance Committee. In discharging its responsibilities as head of the internal control system, the Board also has recourse to

- the internal control body, which performs the internal audit, that is, the associate company, Telecom Italia Audit & Compliance Services;
- the executive responsible for drawing up company accounting documents with specific reference to internal controls for financial reporting.

Internal Control and Corporate Governance Committee

The Internal Control and Corporate Governance Committee, which has been part of the Company's governance structure since 2000, has the following advisory and consultative functions:

- assisting the Board and, on request, the Managing Director, in carrying out duties related to the internal control system in the Company;
- assessing the work plan prepared by the internal control manager, who submits a (quarterly) report to the Board;
- assessing the proper observance of accounting principles and their consistent application within the Group for the preparation of financial statements, in collaboration with the administrative managers of the Company and the executive in charge of drawing up the company's accounts in consultation with the statutory auditors;
- assessing the work plan for the audit, and the results presented in the report or any letter of suggestions;
- periodically reporting to the Board on its activities, in the first available meeting, and on the adequacy of the internal control system at the time the budget and the half-yearly report are approved.

⁽²⁶⁾ For detailed information, please, see the web site

http://www.telecomitalia.it/content/dam/telecomitalia/en/archive/documents/sustainability/sustainability_reports/2009/Bilancio_sostenibilita_ENG_2009.pdf .

The Committee also:

- verifies the effectiveness of the auditing procedures, compliance with the principles governing transactions with related parties (with subsequent general monitoring and advance reviews of certain "prominent" transactions), compliance and regular updating of corporate governance rules;
- expresses its opinion on the appointment, dismissal and assignment of functions to the internal control manager and the executive responsible for drawing up the company's accounts;
- establishes the timetable and procedures for the board performance evaluation;
- performs other duties occasionally assigned by the Board of Directors.

The Committee examined the quarterly reports prepared by the internal control manager on auditing activities, on the implementation of plans to improve the internal control system and the implementation of follow-up activities, on the work done to monitor and verify the compliance of company procedures and operations with specific legal provisions and internal procedures, and on the management of risks and IT compliance. Specifically, the Committee carefully supervised standards of compliance in marketing and with requirements regarding privacy and the treatment of data of traffic and related parties, carrying out a detailed investigation into the sale of the shareholding in Hansenet to the majority shareholder of Telco, Telefónica. Finally, the Committee monitored the status of the stake held by Telecom Italia in Sofora (the holding company of Telecom Argentina).

In other fields, it also closely monitored the work carried out to maintain and update what is known as Organizational Model 231 (see below), and received updates concerning corporate social responsibility issues on the initiatives implemented last year by the Telecom Italia Foundation and Group companies, as well as on the plans for 2010.

With regard to auditing, finally, the Committee held several technical meetings on the subject of the impairment test of goodwill, supporting both the approach adopted by the Company and its final conclusions.

The Board of Directors was periodically informed of each of the above activities.

For details of the members of the Committee (all of whom are non-executive directors, most of them independent, with at least one from a minority list), please refer to Table 4, attached to the full text of the Report. All members have appropriate accounting and financial experience.

In 2009, the Committee held twelve meetings, regularly minuted, with by expert input from Company management and subjects outside the Board. The average duration of the meetings was approximately two hours and fifty minutes and the attendance rate was 85.4%. In some cases, because of the matters to be discussed, the Board of Statutory Auditors also held joint meetings with the Internal Control and Corporate Governance Committee. The Board of Statutory Auditors was also represented at all the Committee's meetings in the person of its Chairman (or at least one Statutory Auditor appointed by him).

At least six meetings are planned for 2010, of which three have already been held.

Internal Control System

The internal control system is a process made up of organizational rules, procedures and structures designed to ensure the values of procedural fairness, transparency and accountability that are considered fundamental to the business activities of Telecom Italia, laid down by the Group's Code of Ethics and the Company's Self-Regulatory Code. The process, which is under constant monitoring in order to ensure steady improvement, is designed to ensure management efficiency, transparency and verifiability, the reliability of accounting and management data, compliance with applicable laws and regulations, protection of the assets

of the company and the prevention of fraud perpetrated to the detriment of the Company and the financial markets.

As the body responsible for the internal control system, the Board of Directors establishes its objectives and verifies its adequacy, effectiveness and correct operation to ensure that the main risks to the company (operational, economic, financial and compliance-related) are correctly identified and managed over time.

With regard to financial risks, in the course of its business activities, Telecom Italia Group is exposed to the following:

- a) market risk: resulting from fluctuations in interest and exchange rates relating to financial activities undertaken and financial liabilities underwritten;
- b) credit risk: the risk of the failure of a counterpart to fulfill obligations counterpart regarding the liquidity requirements;
- c) liquidity risk: connected to the need to meet short-term financial commitments.

These risks are managed by laying down guidelines to be followed by operational management, by the work of an internal committee that monitors the levels of risk exposure in line with established goals, and by the monitoring of the results achieved. Specifically, the management policies cover:

- a) for the market risk: complete coverage of the exchange rate risk and minimal exposure to interest rates through the appropriate diversification of portfolios, which also includes the use of financial derivative instruments;
- b) for the credit risk: liquidity is prudently managed and is mainly divided between “money market management” (investment of temporary cash surpluses) and “bond portfolio management” (investment of a level of permanent liquidity). In both types of management, in order to reduce the risk of failure by a counterpart to fulfil obligations, counterparts and issuers with a high credit rating are selected under a careful diversification policy for the purposes of liquidity and the distribution of credit positions between various banking counterparts;
- c) for the liquidity risk: the objective is to achieve an adequate level of financial flexibility by maintaining an adequate treasury margin that enables coverage of re-financing requirements for at least the following twelve months.

Executive Director in charge of the internal control system

The Board of Directors has selected its Chairman as the Director in charge of supervising the operation of the internal control system. He is therefore required to define the instruments and procedures that make up the system, ensuring it is adapted to accommodate any operational, legislative and regulatory changes. The Executive Directors ensure the overall adequacy and operation of the system, each within his own area of responsibility, in collaboration with the executive responsible for drawing up the company's accounting documents and the internal control supervisor for those matters under his responsibility, using the established instruments and procedures. This is carried out under a risk-based perspective, which is also essential in establishing the agenda for the work of the Board of Directors.

Internal control manager

In exercising its responsibility for the internal control system, the Board is supported by the Internal Control and Corporate Governance Committee and a responsible body (this is the associate company Telecom Italia Audit & Compliance Services). This latter is granted the level of independence and means in order to carry out its duties, which include direct and

independent access to any information it requires. The responsible body must support the management and control structures in checking the adequacy and effective operation of the control system, and to propose corrective measures should anomalies or malfunctions be encountered.

Telecom Italia Audit & Compliance Services:

- reports on its operations to the Director appointed for this purpose, to the Internal Control and Corporate Governance Committee and, through it, to the Board of Directors, as well as to the Board of Statutory Auditors;
- also carries out checks at the request of the executive responsible for drawing up the Company's accounting documents;
- ensures compliance with the principles and values expressed in the Code of Ethics, investigating reports made by employees and third parties regarding violations and irregularities (including accounting irregularities) and promoting the most appropriate action to be taken, including penalties.

In the 2009 financial year, a total of 241 operations were conducted by the internal control manager covering the organizational areas of the Group in accordance with the established plan, with an increase in activity to deal with the situations that arose during the course of the year, above all in the Technology & Operations field. In 2009, 97 notifications were received, 31 of which concerned company matters (mainly regarding the security of exchanges, relations with suppliers, vehicle management, product marketing fraud, the sale of products to unreliable customers and the alleged pursuit of personal interest by employees in the conduct of their working activities) and, where necessary, corrective actions were taken (or are currently being implemented) by the appropriate bodies.

The corrective actions required to eliminate weak points have been undertaken, specific follow-ups have been carried out in accordance with pre-established, objective criteria, and monitoring is underway of the actions taken in particularly sensitive areas.

Throughout 2009, the associate company, TI Audit & Compliance Services, supervised the internal control system of the Telecom Italia Group, in line with its Corporate Governance objectives, through the following departments: Audit, Compliance, IT Risk & Security Governance and the subsidiary TI Audit Latam, ensuring effective overall supervision.

This allowed an assessment to be made of the internal control system to establish its capacity – in terms of adequacy, functionality and reasonable certainty – to contribute to the attainment of the objectives of the individual company structures (effectiveness), assessing the use of the resources for implementing them (efficiency) in the light of the (qualitative/quantitative) risk factors and the potential influence of these risks on the attainment of the objectives.

The development of the internal control system is evaluated by TI Audit & Compliance Services in accordance with the Telecom Italia's Self_Regulatory Code and the Borsa Italiana's Self-Regulatory Code under the main Corporate Governance aspects of listed companies: business ethics, regulatory framework of reference, procedural framework, corporate culture, organizational aspects, information and communication and company processes that guarantee operational effectiveness and efficiency.

In its overall evaluation of the internal control system, TI Audit & Compliance Services applied the following elements of the CoSo Report methodology (Control Model drawn up by the Committee of Sponsoring Organizations (CoSO) of the Treadway Commission): (i) Control environment and (ii) Information and Communication, which attribute considerable importance to overseeing audit and compliance methods, disseminating a control culture and consolidating the ethical values of the company; (iii) Evaluation of the risks and (iv) Control activities that impose a selection and management process on the audit in addition to the supervision of compliance with the current legal requirements and key internal procedures; (v)

Monitoring, in order to supervise the audit and compliance in areas of greatest risk, designed to ensure the effective handling of weak points.

Therefore, due to the corrective actions undertaken in the specific operational contexts analyzed, the internal control system overall is deemed to have reduced the risk profiles to an acceptable level.

The Organizational model under Legislative Decree 231/2001

The internal control system is completed by what is known as the “Organizational Model 231”, adopted in accordance with Legislative Decree 231/2001, which is designed to prevent the commission of any crimes for which the Company could be held responsible. This Organizational Model consists of:

- the Code of Ethics of the Telecom Italia Group, which lays down the general principles (transparency, propriety, legality) which the Company pursues in the conduct of its business;
- the “general internal control principles”, designed to ensure the attainment of operational effectiveness and efficiency, the reliability of the financial and management information, respect for the laws and regulations and protection of the company’s assets, especially against potential fraud;
- the “principles of conduct”, specific rules governing relations with government bodies, including corporate obligations and operations;
- the “internal control charts”, which outline company processes exposed to the risk of criminality, the offences that may be committed and the preventative measures intended to avoid this.

The internal control charts have been drawn up under the following basic principles: (i) separation of roles in carrying out the many company activities; (ii) traceability of decisions, enabling the identification of responsibility and justification; (iii) bringing objectivity to the decision-making processes to free decisions from subjective assessment and ensure their foundation on the principles laid down.

The Organizational Model is a dynamic instrument which must itself be constantly checked and updated based on the supervision of the process and developments in regulations. As a result, various updates were made to the Model during 2009. These were drawn up by a management committee, known as the 231 Steering Committee (made up of the General Counsel, the Human Resources & Organization Department Manager, the Chairman of Telecom Italia Audit & Compliance Services and the Group Compliance Officer), with the support of external consultants, and overseen by the Supervisory Body. Where major supplements to the Model were required, these were submitted for approval by the Board.

The Supervisory Body oversees the operation of and compliance with the 231 Organizational Model and consists of a member of the Board of Statutory Auditors (the Board’s Chairman, Ferdinando Superti Furga), an independent Director who is a member of the Internal Control and Corporate Governance Committee (Paolo Baratta) and the internal control manager, that is, the Chairman of Telecom Italia Audit & Compliance Services (Federico Maurizio d’Andrea). The Body, which was reappointed on April 15th, 2008 following the renewal of the Board of Directors and for the same period of office, reports to the Board, the Internal Control and Corporate Governance Committee, and the Board of Statutory Auditors on the controls and their outcome.

At the meeting of September 24th, 2009, with the approval of the Internal Control and Corporate Governance Committee and the Board of Statutory Auditors, the Board of Directors decided to appoint an external member to the Supervisory Body, later identified as Professor Vincenzo Salafia on the proposal of the Appointments and Remuneration Committee.

In order to provide support to the Supervisory Bodies of Group Companies, a dedicated structure (Compliance 231) was set up within Telecom Italia Audit & Compliance Services to handle reports of breaches of the Organizational Model and conduct specific compliance audits based on the information streams set up within the Group.

Risk management and internal audit systems regarding the financial disclosure procedure.

With regard to risk management and internal audit systems for the financial control disclosure procedures, Telecom Italia makes clear it is aware that financial disclosure plays a central role in establishing and maintaining good relations between the Company and its stakeholders by improving company performance and at the same time creating value for its shareholders.

The internal audit system for Financial Reporting is designed to ensure the trustworthiness²⁷, accuracy²⁸, reliability²⁹ and timeliness³⁰ of its financial disclosures. In this context, Telecom Italia has established, and continuously updates, a regulatory/documentary system of the Group's accounting standards, administrative accountancy procedures, guidelines, operating instructions, accountancy manuals and charts, in order to guarantee efficient coordination and exchange of information between the parent company and its subsidiaries, and the correct preparation of the separate financial statements and consolidated financial statements.

In particular, Telecom Italia has introduced:

- a document containing the Group's accountancy standards drawn up on the basis of IAS/IFRS (International Accounting Standards / International Financial Reporting Standards) to be adopted by all Group companies, with quarterly updates, to ensure uniformity throughout the Group of items in the financial statements, and the respective accountancy standards which are essential to comply with the principle of "truthful and accurate representation" in the Telecom Italia Group consolidated financial statement;
- a chart of accounts for the Group to ensure a uniform method of codifying and assigning the management accountancy items common to every company in the Group;
- procedures for the preparation of monthly balance sheets, the separate financial statements and the consolidated financial statements for the Group. Specifically, these procedures define the roles and responsibilities of the bodies/departments involved, the information systems used, the stages of the processes and their deadlines, in addition to a detailed working calendar;
- procedures that lay down the administrative and procedural rules which Group companies must follow in the administration of intercompany relations to ensure timely notice is given to companies of entries and their correct representation in the individual financial statements, and also to ensure they are properly merged when preparing the consolidated financial statement;
- an organic, detailed set of guidelines, procedures and operational instructions covering management procedures (revenue, costs, investments and other assets) which regulate in detail:
 - the responsibilities of the company departments involved in administrative processes;

⁽²⁷⁾Trustworthiness (of the information): the information is correct and conforms with the generally accepted accounting principles and meets the requirements laid down by the applicable laws and regulations.

⁽²⁸⁾Accuracy (of the information): the information is neutral and precise. The information is considered neutral if it is free from preconceived distortions likely to influence the decision-making process of others in order to obtain a predetermined result.

⁽²⁹⁾Reliability (of the information): the information is clear and complete to permit informed investment decisions. The information is considered clear if it enables the understanding of complex aspects of the company situation, without however being excessive or superfluous.

⁽³⁰⁾Timeliness (of the information): the information meets the deadlines laid down.

- accounting procedures, accounting principles and assessment of the entries in the financial statements in compliance with the Group's aforementioned accounting principles;
- internal controls for the various stages of processes.

Ensuring compliance with Italian regulations (Law 262/2005) and American legislation (Section 404 of the Sarbanes Oxley Act), Telecom Italia operates a model of detection and monitoring of financial reporting, based on the COSO framework.

The system for managing risks and internal audits in Telecom Italia's Financial Reporting is structured as follows:

- risk³¹ identification in financial reports: at this stage, Telecom Italia defines the identification criteria for the "relevant" entities and processes in terms of their potential impact on financial reporting (the information contained in the draft balance sheet and in the notes to the accounts), and risks ensuing from the failure to achieve audit objectives³². These are related to the possible risks of both unintentional errors³³ and fraud³⁴, insofar as they may significantly affect financial reporting. Risks resulting from a failure to achieve audit objectives are defined in accordance with the COSO framework and apply to both the Company/Group³⁵ ("entity level") and to the "process level"³⁶;
- selection of controls matched to identified risks: at this stage Telecom Italia uses an application hosted on the company's intranet³⁷ to identify and document audits carried out in-house which can mitigate the financial reporting risks at the entity level³⁸, the process level³⁹ and the IT General Controls⁴⁰;

⁽³¹⁾ Risk: potential event which could compromise the attainment of the objectives connected with the control system for financial reporting (the System), that is, accuracy, reliability, trustworthiness and timeliness of the financial information.

⁽³²⁾ Control objective: all the stated objectives of the internal control system of company information required to ensure a true and correct representation of the Financial Reporting. These objectives consist of "balance-sheet assertions" (existence and occurrence, completeness, rights and obligations, assessment and recording, presentation and information) and "other control objectives" (such as respect for the authorized limits, separation of incompatible duties, checks on the physical security and existence of goods, documentation and traceability of the operations, etc.).

⁽³³⁾ Error: in the context of the System, any unintentional act or omission that results in a misleading declaration in the information.

⁽³⁴⁾ Fraud: in the context of the System, any intentional act or omission that results in a misleading declaration in the information.

⁽³⁵⁾ Analysis at company/group level, the so-called "entity level": in this context the analysis (identification of the risks, evaluation of the risks, identification of the controls, etc.) is conducted at company/group level, and is structured according to the components of the COSO model. The elements to be analyzed include, for example, the expertise of the personnel, the system of corporate governance, the company regulatory system, the communication of the responsibilities in terms of the internal control system and the procedures for conducting risk assessment.

⁽³⁶⁾ Analysis at the level of process, the so-called "process level": in this context the analysis (identification of the risks, evaluation of the risks, identification of the controls, etc.) is conducted at individual process level, identifying the specific process risks and the relative specific controls and monitoring.

⁽³⁷⁾ So-called SOX Accelerator: branch structured database according to the COSO model (structured for each Business Unit/company included in the perimeter as processes, control objectives, individual controls) that, for the profiled users, provides for the management of the documents by means of workflow.

⁽³⁸⁾ These are the controls defined at company/group level, which have a pervasive impact on the effectiveness of the controls defined at the process, transaction or application level.

⁽³⁹⁾ These are the controls governing the company processes; they are conducted manually and/or by means of IT applications implementing or supporting them.

⁽⁴⁰⁾ These are the controls included in the IT services delivered (such as telecommunications, networks, technological infrastructure and logical security), implemented by the company or by outside service providers. This set of controls is essentially independent of the specific systems/applications developed and/or implemented.

- evaluation of controls matched to identified risks: periodically during the year, according to a calendar defined in accordance with the certification requirements of Italian regulations (Law 262/05) and American legislation (Section 404 of the United States Sarbanes Oxley Act) law, previously identified controls are assessed in terms of “design”⁴¹ and “operativity”⁴² using specific testing methods. The evaluation of the controls is the primary responsibility of the competent management, supplemented by an independent evaluation conducted by the management at Telecom Italia Audit & Compliance Services S.c.a.r.l.;
- the results of the evaluation process described above (specifically, any audit failures deemed to be significant/material in terms of the potential impact of the error/fraud on financial reporting) are periodically submitted to the Internal Audit and Corporate Governance Committee and to the Board of Statutory Auditors. The presence of any deficiency activates a process that defines, schedules and implements a specific plan to remedy the aforementioned deficiency.

Internal audit system - focus on Telecom Italia Sparkle

On February 23rd, 2010, a court order (the “Order”) was served on the subsidiary, Telecom Italia Sparkle, in connection with an ongoing investigation regarding Telecom Italia Sparkle and several individuals, including certain employees, former employees and former directors of Telecom Italia Sparkle, regarding, inter alia, alleged cross-border conspiracy, tax evasion and international money laundering. For a complete description of the matter please refer to the full text of the Report and to Note 3 (“Restatement for errors and changes in accounting policies”) and 29 (“Contingent liabilities, other information, commitments and guarantees”) in the consolidated financial statements at December 31st, 2009, available on the Company’s website.

Directors’ interests and transactions with related parties

Operations conducted by the Group companies are in accordance with principles of propriety and transparency. To that end, operations with related parties, including operations within the Group, comply with essential procedural criteria for propriety in accordance with laid down principles of conduct, duly reported to the market.

As of March 2008, the Board of Directors has replaced the previous procedure for managing transactions with related parties, adopting more multifaceted regulations on these matters, which divide the roles and decision-making responsibilities according to the type of activity. The current procedure, entitled Principles of Conduct for Transactions with Related Parties, updated in June, 2008, is available on the Company’s website.

A distinction has therefore been made between transactions falling within the ordinary course of business, which may or may not require the activation of an authorisation process based on procedures for determining the conditions of the relationship with the associated party, distinguishing between unidirectional fixed situations and competitive procedures (where the risk of conflict of interest is inherently ruled out) and situations that are comparable with market conditions (“at arm’s length”). The matrix for checks and approval (in addition to the usual internal authorisation procedures) is based on the importance of the transaction, in terms of duration and economic value, and is sometimes entrusted to the management, sometimes to a Management Committee (Group Compliance Officer, Chief Financial Officer,

⁽⁴¹⁾Evaluation of the “design”: consists of the analysis of the adequacy of the design of the control, namely that the risk of not attaining the objectives is reduced to an acceptable level.

⁽⁴²⁾Evaluation of the “operation”: intended to ascertain that the controls, aimed at reducing identified risks to an acceptable level, are applied in the period under consideration in line with what is set out in the “design”.

General Counsel, supported by the first level manager, responsible for the specific transaction) and sometimes to the Internal Control and Corporate Governance Committee. It may progress from one level to the next and require follow-up general monitoring by the Internal Control and Corporate Governance Committee.

In order to ensure the correct application of the Principles of conduct, a computer programme leaflet is available that enables the relationship and required authorisation to be ascertained. The programme also ensures the traceability of initiatives with related parties.

A gap analysis is underway to ascertain if there is any need to align the current internal procedures with the new regulations issued by CONSOB resolution 17221 of March 12th, 2010, which will enter into force on October 1st, 2010 (regime of transparency) and January 1st, 2011 (new procedures for decision making).



Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

Independent Limited Assurance Report on the 2009 Sustainability Report of Telecom Italia Group
(Translation from the original Italian text)

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

Scope of Work

We have been engaged by the Board of Directors of Telecom Italia S.p.A. to perform a limited assurance engagement in respect of Telecom Italia Group's Sustainability Report for the year ended December 31, 2009 (the "2009 Sustainability Report"), with the purpose to provide limited assurance on its adherence to the principles of "Inclusivity", "Materiality" and "Responsiveness" stated in the *AA1000 AccountAbility Principles Standard 2008* ("AA1000APS (2008)"), issued by AccountAbility (Institute of Social and Ethical Accountability), and on the reliability of specified sustainability performance information, listed in Exhibit 1 (the "Specified Sustainability Performance Information"), which is an integral part of this report.

Responsibilities

The Directors of Telecom Italia S.p.A. are responsible for the preparation and presentation of the 2009 Sustainability Report in accordance with the principles stated in the AA1000APS (2008), as described in the "Reporting and Planning" section of the 2009 Sustainability Report, for the reliability of the sustainability performance information, that is compliant with the guidelines "Sustainability Reporting Guidelines" defined by GRI - Global Reporting Initiative - in 2006, and is also described in the "Reporting and Planning" section of the 2009 Sustainability Report, as well as for determining Telecom Italia Group's objectives in respect of sustainable development performance and reporting. The Directors of Telecom Italia S.p.A. are also responsible for the identification of the stakeholders, their material issues and the organization's responses to these, as well as for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility is to issue this report based on the limited assurance engagement carried out.

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
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

A member firm of Ernst & Young Global Limited

Work Performed

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3000 - Assurance Engagement other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). This standard requires that we comply with applicable ethical requirements and that we plan and perform the engagement to obtain limited assurance about whether the sustainability report is free from material misstatement. We conducted our engagement in accordance with the independence requirements included in the *IFAC Code of Ethics for Professional Accountants*.

We have also conducted our engagement in accordance with the criteria established by *AA1000 AccountAbility Assurance Standard (2008)* ("AA1000AS (2008)"), Type 2, which relates not only to the nature and extent of the organization's adherence to the principles stated in the AA1000APS (2008), but also to the evaluation of the reliability of specified sustainability performance information. Guidance issued by AccountAbility indicates that the term "moderate assurance" used in AA1000AS (2008) is consistent with "limited assurance" as articulated in ISAE 3000.

A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate and which, in the case of a limited assurance engagement, are less than those applied in a reasonable assurance engagement. We have included the following procedures:

- Interviews and discussion with certain personnel delegated by the management of Telecom Italia S.p.A. and the subsidiaries TIM Brasil S.A., Telecom Italia Sparkle S.p.A. and Telecom Italia Media S.p.A. ("the Subsidiaries") to understand the processes used to adhere and evaluate the conformity with the principles of "Inclusivity", "Materiality" and "Responsiveness" stated in the AA1000APS (2008) and the effectiveness of such processes.
- Analyzing and understanding the processes in place relating to stakeholder engagement, with reference to the procedures applied and the completeness of the stakeholders involved, through the review of the summary minutes and any other documentation relating to the main topics emerged from the discussions with them.
- Analyzing and understanding the processes and tools utilized to identify the material issues for each category of stakeholders.
- Reading the minutes of the meetings of the management with the Group Sustainability department, which is responsible for the preparation of the sustainability report, to understand how the strategies and policies relating to issues identified as material are applied.
- Sample analysis of the Group's initiatives activated to respond to the stakeholders' expectations.
- Review of certain Specified Sustainability Performance Information (listed in Exhibit 1), selected based on the analysis of their relevance to the users of this report, based on qualitative and quantitative considerations, and analysis of the functioning

of the processes relating to the preparation, gathering and management of the Specified Sustainability Performance Information. In particular, we have performed the following procedures:

- Interviews with the Group Sustainability department and Subsidiaries' personnel, to obtain information on the information, accounting and reporting systems in place for the preparation of the Specified Sustainability Performance Information, the processes and internal control systems that support the gathering, aggregation, elaboration and transmission of the Specified Sustainability Performance Information to the department responsible for the preparation of the sustainability report;
- Sample review of the supporting documentation to the preparation of the Specified Sustainability Performance Information.

Our work has been performed by a multidisciplinary team composed of sustainability and assurance specialists.

Limitations

We did not perform or participate to any interviews or meetings with the "external stakeholders". We reviewed the "output" of the meetings/communications with the "external stakeholders" provided to us by the Company.

We do not provide any assurance on data and information presented in the Company's website and related to sustainability matters.

Conclusions

Based on the procedures performed, as described above in paragraph "Work Performed", nothing has come to our attention that causes us to believe that:

- In the preparation of the 2009 Sustainability Report of Telecom Italia Group the principles stated in the AA1000APS (2008) have not been properly considered and applied, in all material respects;
- The Specified Sustainability Performance Information for the year 2009 is not reliable.

Recommendations

We will provide Telecom Italia S.p.A.'s management with a separate letter outlining our suggestions on areas of improvements relating to each of the AA1000APS (2008) principles. We present below our main recommendations, without prejudice to our conclusions presented above.

The Telecom Italia Group adopted the principles stated in the AA1000APS (2008) in 2009 for the first year. We recommend to spread to all the companies of the Group the adoption of the tools used by Telecom Italia S.p.A. to evaluate and manage the relations with the stakeholders. This will allow to create an homogeneous and structured system to respond to the stakeholders' needs and to further spread the awareness of the importance of managing the relations with the stakeholders.

In addition, we suggest to continue the process to homogenize the data collection, evaluation, discussion with the stakeholders and reporting activities.

Inclusiveness

During the year 2009, Telecom Italia S.p.A. has started to develop a process to manage an integrated map of the stakeholders by department, including their expectations and the discussion tools used with them. This summary chart allows to directly involve the departments responsible for the relations with the key stakeholders and contributes to increase the awareness of the importance to manage such relations in a structured way. We recommend the regular update and use of such map as a working tool by all the departments of the Company.

Materiality

During the year 2009, Telecom Italia S.p.A. has started the process to formalize the ways to determine the significant issues (materiality). We recommend to organically and homogeneously strengthen, among the group companies, the process to formalize the definition of materiality, in particular through the use of the "Materiality matrix" and the underlying evaluation process for each material issue.

Responsiveness

In the context of the communication activities performed by Telecom Italia Group to respond to the needs of the stakeholders, it would be appropriate to implement a management tool to link the different phases of the process to adhere to the AA1000APS (2008), such as: mapping of the stakeholders, gathering of the expectations, definition of the material issues, actions implemented for each stakeholder and material issues and results obtained. The use of such tool, by the different departments and Group companies, would allow to spread a greater awareness of the importance of the relations with the stakeholders, the results achieved and the related decisions.

Milan, Italy
April 20, 2010

Reconta Ernst & Young S.p.A.
signed by: Nadia Locati, partner

Exhibit 1

Specified Sustainability Performance Information

Description	Page number
Customers	
Quality of the Service	
List of certifications obtained/near to be obtained	34
Digital Divide	
Percentage of ADSL services coverage	17(objective) -35
Customers-qualitative contributions	
Update on relations with the Consumer Associations and the conciliation procedures	42
Projects/initiatives for customer satisfaction	31-32
Activities for reducing Digital Divide	35
Surveys on customer satisfaction	31-32
Suppliers	
Supply chain management	
Number of controls carried out on suppliers	47
Main sustainability initiatives	46
Competitors	
Competitors-qualitative contribution	
Cooperation with competitors at national level	49-50
Cooperation with competitors at international level and commitments with Italian Communication Authority	52-53
Institutions	
Institutions-qualitative contributions	
Local and European legislative activity	57
The Environment	
Energy use	
Total electric energy purchased or produced	62
CO2 emitted due to production of electric energy from cogeneration plants fuelled with methane	65
The Community	
Charity	
Intermittent support to a wide range of good causes	82
Initiatives in the Community	
Activities in the Community usually by commercial department to support directly the success of the company	82
Human resources	
Headcount	
Headcount and turnover of personnel (Europe)	96-97
Gender balance	
Percentage of women employees	99
Training	
Hours of training per capita at the Group level (in Italy)	106
Employees-qualitative contributions	
Actions in support of employees	100
Industrial relations	112
Recruitment	104
Shareholders	
Shareholders-qualitative contribution	
Financial communication	117
Risk management- main instrument	118