

SUSTAINABILITY REPORT 2013



Letter to Stakeholders

Telecom Italia has confirmed its commitment to Corporate Social Responsibility in a challenging domestic macroeconomic scenario, with continuing difficulties in the labour market, benefiting from a growth in Brazil, albeit slower than in the previous year, in the belief that sustainable businesses are the ones most able to react in times of crisis.

The industrial nature of Telecom Italia is strongly interconnected with the contexts in which it operates. Our Group has a clear positive effect on the economy, which stems from the investments made in infrastructure and services. Maintaining leadership in innovation is one of the priorities of the 2014-2016 Business Plan, a commitment supported by the mix of investments, where spending on innovation has doubled compared to the previous Business Plan. This will allow us to relaunch investments in new generation networks in Brazil and to hook into the recovery in Italy, improving the competitiveness of the production system.

Focus on technological innovation is combined with environmental protection and, in particular, energy efficiency. Constant improvement on this front remains one of the most challenging goals for Telecom Italia, the second biggest electricity user in the country. Over the past three years, we have introduced constant monitoring of Energy Efficiency Certificates (so-called White Certificates) application activities for the benefit of investment projects, with major impacts on energy efficiency. A strong focus on this specific area has allowed revenue of 16 million euros to be earned in White Certificates. These figures make Telecom Italia the absolute leader among Italian telecommunication companies in terms of introducing innovative high energy performance technologies and solutions. In 2013, we also achieved the ISO 50001 certification, which is the most widely recognised international best practice in energy management.

Telecom Italia can contribute to the European Digital Agenda objectives not only by achieving internal efficiencies but also by aiming to transfer technologies to its customers that have positive environmental, social and economic impacts. Our laboratories have long been engaged in researching and developing these technologies, many of which are already being tested on the market. Thus customers already have a wide range of solutions available to them to reduce energy consumption, lower CO₂ emissions and improve quality of life for citizens. This is one of the reasons why a significant portion of our investments goes towards strengthening services which are fundamental for developing and meeting the demand for ultrabroadband: cloud computing with Nuvola Italiana, Data Centres, ICT platforms for small and medium-sized enterprises.

Mindful of the fact that the success of Telecom Italia depends on our skills and expertise, in December 2013 the People Value function launched the new three-year People Strategy for 2014-2016, aimed at developing the skills of the people who work in the Group. For this purpose, several areas of action have been identified with the aim of enhancing and developing core skills and the abilities required to excel in the various competitive scenarios, improving the standard of care and motivation among people and renewing the individual performance management model.

Telecom Italia has always been very attentive to the Supply Chain. Through the Joint Audit Cooperation (JAC), work continued in 2013 to verify the standard of CSR performance among suppliers and sub-suppliers with production plants located in geographical areas

with a significant level of socio-environmental risk. Launched at the end of 2009, the initiative currently brings together ten of the biggest operators in the telecommunications sector. Furthermore, the new process implemented to assess the sustainability of suppliers has allowed us to improve further performance monitoring throughout all stages of the relationship with the supply chain.

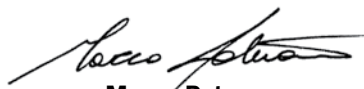
In view of the current economic crisis, we have increased our support for the community, both directly and through the Telecom Italia Foundation. In 2013, the Foundation in fact doubled the number of projects delivered, thus confirming the Group's commitment to the community. Among the various initiatives based on the use of social technologies, our commitment focused on countering communication difficulties among young people through the Volis, SI DO RE MI and Cinque Petali projects, while not forgetting our commitment to protect the historic and artistic heritage and supporting the development of education, training and scientific research. The Group also continued to work with major Italian artistic and cultural organisations to develop projects aimed at combining excellent cultural content with digital language, making the most of the interaction opportunities offered by the Internet, as in the case of the Academy of Saint Cecilia.

Furthermore, in the context of the "Changemakers for Expo Milano 2015", an enterprise acceleration programme linked to the challenges presented by Expo Milano 2015, Telecom Italia has selected ten projects that are strongly focused on digital technologies, such as smart cities, opendata, web 2.0 and sustainability in terms of access, inclusion, fairness, justice, participation and reducing environmental impact.

Our commitment to supporting the values of sustainability and the initiatives carried out have won us major national and international recognition, which includes confirmation of our presence in the major international sustainability indexes, including the Dow Jones Sustainability and FTSE4Good indexes.

Support continued for the United Nations Global Compact: the progress achieved in applying the ten principles is reported in the Communication On Progress (COP). Telecom Italia is also a Founding Promoter of the Global Compact Network Italia Foundation, set up in June 2013, which aims to contribute to the development of the United Nations Global Compact (UNGC) in Italy, disseminating knowledge about it throughout the country and promoting corporate sustainability through member companies and organisations.

2013 was a very important year for our Group. We achieved greater financial flexibility and refocused on Italy and Brazil. We can now redouble our efforts to develop more industrial projects, including digital networks and services that are increasingly interconnected with our social and economic context. We are committed not to miss this opportunity to be ever more present and incisive in pursuing more ambitious objectives including increasingly integrating sustainability in our business model. We believe all these efforts are an essential prerequisite for continuing growth and success for the Group, now and in the future.


Marco Patuano
(Chief Executive Officer)

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 **TELECOM**
ITALIA

**FACCIAMO
CIRCOLARE
IL FUTURO.**

Velocità massima
ad emissioni zero.



Executive Summary

GROUP STRUCTURE

The Telecom Italia Group operates in all the areas of advanced communication: fixed, mobile and Internet telecommunication as well as research and development, office & system solutions, contributing to the digitisation and development of the countries in which it operates. In addition to its domestic leadership, the Group has a significant international presence in the South American market.

The Group operates in the following business sectors:

- the **“Domestic” Business Unit** operates in the field of fixed and mobile voice and data services for end customers (retail) and other operators (wholesale) in the domestic context. Internationally it includes activities related to the development of optical fibre networks (international wholesale) in Europe, the Mediterranean and South America;
- the **“Brazil” Business Unit** (TIM Brasil Group) provides mobile telecommunication services. Furthermore, thanks to the acquisitions of Intelig Telecomunicações, Tim Fiber SP and Tim Fiber RJ, it also offers optical fibre data transmission and residential broadband services;
- **Media** is a network operator through Telecom Italia Media Broadcasting (TIMB), Italy's third terrestrial digital network operator, providing transmission capacity and technological solutions for TV industry operators;
- **Olivetti** operates in the IT products and services sector, acting as a solution provider in automating company processes and activities for SMEs, large companies and vertical markets.

Our Group is organised in such a way as to provide the most effective support for a customer-centric approach, promoting a convergence between fixed and mobile technologies.





KEY ECONOMIC, FINANCIAL AND OPERATIONAL DATA

Telecom Italia Group – Main consolidated economic and financial data

	Revenues		EBITDA		EBIT		Industrial investments		Headcount at year-end (units)	
(million euros)	2013	2012	2013	2012	2013	2012	2013	2012	12.31.2013	12.31.2012
Domestic	16,175	17,884	7,746	8,676	1,993	1,078	3,027	3,072	52,695	53,224
Brazil	6,945	7,477	1,812	1,996	858	966	1,349	1,500	12,140	11,622
Media	124	222	(2)	(45)	(132)	(263)	20	57	84	735
Olivetti	265	280	(4)	(57)	(8)	(65)	4	3	682	778
Other activities	-	62	(15)	(37)	1	(3)	-	7	22	22
Adjustments and eliminations	(102)	(166)	3	(8)	6	(4)	-	-	-	-
Consolidated total	23,407	25,759	9,540	10,525	2,718	1,709	4,400	4,639	65,623	66,381

Telecom Italia Group – Other consolidated economic and financial data

	12.31.2013	12.31.2012
(million euros)		
Total net equity	20,186	23,012
• attributable to Parent Company Shareholders	17,061	19,378
• attributable to minority Shareholdings	3,125	3,634
Profit (loss) for the financial year attributable to Parent Company Shareholders	(674)	(1,627)
Profit (loss) for the financial year attributable to Minority Shareholdings	436	350
Net financial accounting debt	27,942	29,053

Telecom Italia Group – Main operational data by Business Unit

	12.31.2013	12.31.2012
DOMESTIC FIXED		
Physical connections at year end (thousands)	20,378	21,153
Broadband connections in Italy at year end (thousands)	8,740	8,967
DOMESTIC MOBILE		
Number of lines at year end (thousands)	31,221	32,159
BRAZIL		
Number of lines at year end (thousands)	73,417	70,362

BACKGROUND

Telecom Italia began to deal with sustainability in 1997 by creating a department dedicated to publishing the first social report. The document evolved into the Sustainability Report and included an analysis of performance in respect of stakeholders with whom the Company interacts on a daily basis.

As of 2002, the data and information regarding sustainability became part of the Report on Operations for the consolidated Financial Statements, thus confirming the Group's intention to present its financial data together with its non-financial data.

In 2002, Telecom Italia published the Group's first Code of Ethics and signed up to the Global Compact, the global pact by the UN to promote the protection of the environment, respect for human rights and working standards, and anti-corruption practices.

In 2003, a structured system for managing sustainability based on indicators (Key Performance Indicators) was implemented to measure the results achieved in respect of all stakeholders and allow appropriate improvement actions to be planned.

At the end of 2008, sustainability was formally brought to the attention of the Board of Directors through the Committee for Control and Risks, which performs a senior supervision function in this respect.

In 2009, the Sustainability Report was drawn up for the first time according to the principles of the AA1000 AccountAbility Principles Standard (APS), which involve stakeholders

in the reporting and the underlying processes and are the most advanced standard in this area.

With this Report, Telecom Italia marks its 15th year of sustainability reporting.

As a confirmation of the results achieved, Telecom Italia was included in the prestigious international sustainability indexes, including the Dow Jones Sustainability Indexes (DJSI) and the Financial Times Stock Exchange for Good (FTSE4Good).

THE BIG SUSTAINABILITY CHALLENGES FOR TELECOM ITALIA

People Value

Telecom Italia confirms its continuous care for people working in the Company: a new way of designing and implementing strategies and policies for valuing people was launched in 2013. A three-year People Strategy was developed according to the Group Business Strategy and the main human capital management and development trends. The strategy consists of nine People Value (the new name of Human Resources, emphasizing the new identity based on the value of people) programmes. It will operate in close cooperation with the main Line functions, fully sharing their purpose, cross-contaminating each other and boosting innovation and effectiveness.

This collaboration will provide a kind of control and governance room for processes focused on the value of people: devising a new model for professional development and for highlighting opportunities in the internal market; developing the new skills required by business, particularly through recourse to the external market; establishing a centre of knowledge to support individual and organisational learning processes; developing an organisational identity; adopting a pay-for-value model to establish a ratio between cost, productivity and perceived value and rewarding people entirely based on merit, a new performance management model extended to all; implementing a management model focused on caring and on motivating people.

A small but significant revolution which, starting with the People Value function, intends to change the way we manage and develop our greatest asset: people, their time in the company, their room for action, the climate, as part of a return by everyone to thinking about and building quality in efficiency and encouraging the commitment to continual change that the market requires.

Six of the nine programmes will be completed in 2014. People Value will implement a communication and deployment plan through direct meetings and online and social networking tools, in order to allow all employees to take part with comments and contributions.

For details of the initiatives taken regarding Telecom Italia personnel see [§ Human Resources](#).

Customer service

The achievement of high standards of customer satisfaction is a priority for Telecom Italia. The listening system was further extended in 2013 to ensure more effective monitoring of the interaction with customers, analyse perception and identify areas of development for the services with a view to achieving ongoing improvements. Specific attention has also been paid to customer care, which provides for the use of social networks to ensure quick and effective interaction with operators. Customer satisfaction is taken into consideration in the manager and staff incentives system. As a fundamental player in the broadband ecosystem, the Telecom Italia Group is responsible for ensuring that the technological development it brings by offering innovative services is always associated with the balanced development

of the population in terms of computer literacy, contributing to overcoming the socio-cultural barriers that can restrict the opportunity to participate in the information society and enjoy its benefits. Particular attention is therefore paid to customers with specific needs or belonging to the weaker members of society, such as children, the elderly, the sick and the disabled. In the context of public sector services, in accordance with the Italian Digital Agenda or ADI (Agenda Digitale Italiana) and European Directives, in 2013 Telecom Italia consolidated and streamlined its offer of Smart Services, a range of services for energy efficiency and digital services in urban areas, which it has combined with its Urban Security and Digital School initiatives providing new services dedicated to security, the environment, mobility and schools, providing a comprehensive response to the needs of cities and surrounding areas. The aim is to promote the “smart city” model to improve quality of life by developing innovative digital services to ferry municipalities towards a Smart Community model (as described in the Digital Agenda) that enables new forms of cooperation between citizens and public authorities. As regards children and safe Internet browsing, The Navigare Sicuri project, aimed at making children, young people and adults (parents and teachers) aware of how to use the Internet and digital technologies sensibly and responsibly, came to an end in 2013. Navigare Sicuri received many official endorsements, including the memorandum of understanding with the Ministry of Education, Universities and Research (MIUR), inclusion in the ITA-EU CSR plan and the endorsement of the programme as a best practice by FOSI (Family Online Safety Institute). For further information see [§ Customers](#) and [The Community](#).

Fighting climate change

Reducing emissions of CO₂ and other greenhouse gases in order to limit the increase in the earth's temperature to levels that are deemed acceptable is one of humanity's greatest challenges. The Information and Communication Technology (ICT) sector can play a vital role in this field, not only by limiting its own CO₂ emissions, which are primarily generated by the significant energy requirements of transmission networks, but above all by contributing to reducing emissions from other sectors of the economy by offering advanced solutions to improve the efficiency of industrial and commercial processes, as well as innovative services to promote different and more environmentally sustainable lifestyles, such as video-conferencing, teleworking, telemedicine and services that generally promote economic dematerialisation, replacing current systems with lower impact alternatives in terms of CO₂ emissions (e-commerce, e-government, e-tourism, online billing and payments, etc.). ICT solutions allow intelligent buildings to be constructed in which technology combined with new materials considerably improves levels of energy consumption, comfort and safety. By using “smart grids”, these solutions allow electricity distribution to be adapted to actual requirements, allowing considerable amounts of energy to be saved, with benefits for citizens and companies, and contributing to the creation of more efficient, safer digital cities with lower CO₂ emissions. In this respect, Telecom Italia has carried out the Smart Town offer, based on an integrated platform of services for “smart” cities which uses existing public lighting systems, integrated with telecommunication networks, to implement innovative environmental management, security and energy saving services for local authorities and the public. Telecom Italia's energy efficiency has also been recognised by the Energy Efficiency Certificates (known as White Certificates) granted to nine projects relating to previous years, corresponding to over 23,000 TOE (tonnes of oil equivalent) saved per year, and a saving in financial terms of over 16 million euros. A further 18 projects are currently being assessed, also relating to previous years, corresponding to an annual saving, already achieved, of a further 55,000 TOE.

For further information see [§ Customers/Innovative Services](#) and [The Environment/Climate change](#).

Supply chain management

Managing the social and environmental aspects of the supply chain is strategically important for Telecom Italia considering the significant volumes and the diversity of procurement markets, particularly for purchases made in countries that require a greater degree of attention to be paid to specific social and environmental requirements.

Monitoring these requirements allows the risks associated with the supply process to be minimised, in terms of the impact on business activities and negative effects on the company's reputation. It also allows opportunities to be maximised by establishing long-lasting cooperation that brings benefits in terms of improving efficiency, productivity, product quality and cost reduction in the context of the supply chain.

At the end of 2009, Telecom Italia contributed to setting up the JAC (Joint Audit Cooperation), together with Orange and Deutsche Telekom. The agreement assigns each member responsibility for managing audits of a pre-established number of common suppliers and sub-suppliers. These audits are carried out by third party companies with proven experience in the industry, selected by competitive tender, based on the principles agreed between the JAC members. If non-conformities are found, a corrective action plan is drawn up and its progress monitored on a constant basis. The audit results are shared among all the members, who are completely free to take decisions independently and individually. The exchange of information is governed by confidentiality agreements signed by the JAC members and suppliers involved. By the end of 2013, ten telecommunication operators had joined in the initiative.

For further information see [§ Suppliers](#).

Contribution to the community

As a large company, Telecom Italia has a major impact on the communities of the countries in which it operates. First of all it contributes to improving general well-being by distributing part of the value produced through salaries and wages, payments to suppliers and work providers, interest to capital investors and dividends to shareholders (see [§ Economic value produced and distributed](#)). Furthermore, the investments made are of general benefit to the community in terms of infrastructure and services, while also promoting virtuous effects on the supply chain.

The Group's contribution to the community also includes products and services that improve people's quality of life by promoting new ways of learning, travelling, working and looking after oneself, reducing the need for travel and therefore increasing the amount of free time and improving quality of life in general. One example is the achievements made in the field of e-learning and evolved digital education. The demand for evolved educational services has undergone a profound transformation in recent years. The focus has shifted from the simple electronic use of content to the disseminating and sharing knowledge by more engaging methods. The solutions already integrated in the Telecom Italia e-learning platform and the prototypes of the ones developed by analysing the requirements of the educational world, meet the demand for evolved services based on collaboration, communication and the active involvement of end users. Telecom Italia signed a memorandum of understanding with the MIUR (Ministry of Education, Universities and Research) for measures to support the digital school plan, which operates on two main fronts: firstly by launching new activities in the context of Navigare Sicuri (Safe Browsing, see [§ The Community/Initiatives consistent with the core business](#)) and secondly, as part of the ministerial cl@ssi 2.0 initiative, by starting experiments with primary and secondary schools geared towards the use of electronic texts and web-based digital education tools (see [§ The Community/Research and development](#)).

MAIN RESULTS OF 2013

Results ^(*)	Reference to the chapters in the Report
1% reduction in electricity consumption	The Environment/Environmental performance/ Energy
A reduction of around 4% in the energy consumed for transport	The Environment/Environmental performance/ Energy
An increase of 12% in the eco-efficiency indicator	The Environment/Environmental performance/ Energy
Less than 1% increase in CO ₂ emissions	The Environment/Environmental performance/ Atmospheric emissions
Reduction of around 22% in the use of paper for office use	The Environment/Environmental performance/ Paper
5% reduction in the consumption of water	The Environment/Environmental performance/ Water
Confirmation of Telecom Italia's and TIM Brasil's inclusion in the leading international sustainability indexes	Introduction/Placement in the indexes
Social and environmental projects continue, including activities run by the Telecom Italia Foundation, amounting to a total investment in the community of 46.6 million euros	The Community/Responses to the stakeholders Community/How the contribution to the community is measured
Numerous awards received for design and communication activities related to sustainability	Introduction/Other acknowledgements
The "I care about myself" project continues, allowing employees to enrol free of charge in a number of university faculties	Human Resources/Training
People Caring activities continue in favour of employees and their families	Human Resources/People Caring

*

The percentage increases or decreases shown in the table are calculated in comparison to 2012 data. The results regarding the environment refer to the Domestic BU.



A photograph of a bicycle with a silver basket, parked on a grassy path next to a flowering bush. The bicycle is white with a silver basket attached to the handlebars. The path is made of dirt and grass, and the bush has green leaves and small orange flowers. The background is a bright, sunny outdoor setting.

Introduction





1. REFERENCES AND GOVERNANCE

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

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

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

- European Commission directives, recommendations and communications;
- the OCSE guidelines directed at multinational enterprises;
- the ISO 9000 and ISO 14000 certificates governing Quality and Environmental Management Systems;
- principles of the International Labour Organization (ILO) Conventions on respecting the fundamental rights of workers;
- the Social AccountAbility 8000 standard (SA 8000), aimed at promoting respect for human rights and working conditions by companies and their supply chains;
- AA1000 AccountAbility Principles Standard (APS 2008) drawn up by AccountAbility, an international organisation which promotes collaboration between stakeholders, and

**THE MAIN INDUSTRY INTERNATIONAL
STANDARDS ARE THE REFERENCE
FOR THE GROUP'S SUSTAINABILITY.
IN 2002, TELECOM ITALIA SIGNED UP
TO THE GLOBAL COMPACT**

lays down standards and guidelines on matters of sustainability. The APS 2008 establishes the principles that a Company must respect in order to define itself as accountable, which are covered in the [§ Reporting](#);

- ISO 26000 guidelines for private and public organisations of all sizes.

The Group's Corporate Governance system is founded on the central role of the Board of Directors and the Independent Administrators, the transparency of management decisions, the effectiveness of the Internal Control System and on the strict regulations on potential conflicts of interest. The Internal Control System includes the Organisational Model pursuant to Legislative Decree No. 231 of June 8, 2001, aimed at preventing offences such as corruption, extortion and corporate offences.

Sustainability is subject to the supervision of the Committee for Control and Risks, which ensures the consistency of actions carried out with the principles of the Group's Code of Ethics and Conduct and with the values adopted by the Group. The Committee also monitors the development of laws, regulations and best practice regarding corporate social responsibility, including projects run by the Telecom Italia Foundation.

2. CHARTERS AND CODES

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

The Service Charters, which are intended to simplify the relationship with customers and make it more direct, set out the principles of conduct and undertakings given by Telecom Italia regarding the quality of the services offered. They also provide information regarding the ongoing improvement of quality standards and contact channels available to customers. The Service Charters are available on the Group's commercial websites (telecomitalia.it, impresasemplice.it, tim.it).

A SYSTEM OF CHARTERS AND CODES EXPRESSES THE UNDERTAKINGS GIVEN BY THE GROUP TO ITS STAKEHOLDERS

The General Conditions of Subscription, which govern relations with subscribers and are additional to the Service Charters, are published on the following websites telecomitalia.it, tim.it, impresasemplice.it and nuvolaitaliana.it. The General Conditions of Subscription for fixed telephony are also published in telephone directories.

Furthermore, in order to comply with various resolutions of the Italian communications authority regarding quality, the relevant websites state the annual objectives set for the individual services (fixed and mobile voice, Internet access, call centre services for customer support). A selection of the objectives and their respective levels of achievement is set out in the [Appendix](#).

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

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

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

Further commitments are contained in the “Self-Regulation Code for Mobile Services”, “Code of Conduct for Premium Services”, “Self-Regulation Code for Commercial Communication” and in a series of codes relating to the protection of children and consumers.

In the belief that the success of the company cannot be separated from business ethics, the Code of Ethics and Conduct underlines a number of key objectives for the Company’s activity in respect of the main stakeholders with whom the Group interacts. Respecting the Code is a requirement for statutory bodies, managers and employees of all the companies of the Group, as well as for collaborators and third parties in business relationships with the Group, within the boundaries of their respective competence, functions and responsibilities.

Telecom Italia Group Code of Ethics and Conduct

Telecom Italia’s Code of Ethics and Conduct underlines a number of fundamental principles for everyone working in the Group. These principles, which are listed below, provide useful behavioural references:

Excellence of the service

We pursue excellence towards customers, creating value for the shareholder and the communities in which we operate.

Ethics and Compliance

We operate in compliance with the law and with universally accepted ethical principles, based on transparency, fairness and loyalty.

Competition

We promote fair competition that serves the interests of customers and of every player in the market.

Human resources

We value the Group’s people, respecting each other’s differences, within a framework of loyalty, observance of ethical values and trust.

Communication

We ensure the transparency of our actions in our relationship with customers, the market, investors, the community, employees and all stakeholders in general.

The Community

We contribute to the prosperity and growth of the communities in which we operate, respecting the environment and the rights of future generations.

Health and Safety

We protect health and safety in the workplace, ensuring respect for the physical and moral integrity, rights and dignity of workers.



HOT TOPICS TABLE

Topics	Stakeholders	Telecom Italia commitment	Reference
RELATIONS WITH CUSTOMERS	Customers	Attending to customer requirements and improving customer satisfaction are among Telecom Italia's main objectives and are the subject of numerous projects and initiatives.	Customers/Customer satisfaction
DIGITAL INCLUSION	Customers, The Community	The dissemination of information and communications technologies can create social and geographical discrimination. The risk of exclusion is especially high for certain population bands, such as the elderly, the sick and the disabled. Telecom Italia has carried out numerous initiatives to ensure the wide availability of the new technologies.	Customers/Innovative services The Community/Responses to the stakeholders
CLIMATE CHANGE	Customers, Suppliers, The Environment, The Community	The Group is committed to reducing its CO ₂ emissions and to providing services that contribute to reducing emissions in other sectors.	The Environment/Climate Change
RELATIONS WITH EMPLOYEES	Human Resources	Even at a difficult time for the global economy, the Group pays the maximum possible attention to the needs of employees in terms of training, development and the improvement of company welfare.	Human Resources
SUPPLY CHAIN	Suppliers, The Environment, The Community	With the globalisation of the markets and supply, the monitoring of the supply chain becomes a vital element in the sustainability of businesses. The Group is implementing a series of actions designed to protect the environment and working standards and to promote the principles of sustainable procurement.	Suppliers/Initiatives of sustainability The Environment/Product responsibility
PRIVACY AND DATA SECURITY	Customers	Telecom Italia has implemented a series of measures to protect data security and the privacy of those who use the networks and services.	Customers/Safeguarding privacy and personal data protection
CHILD PROTECTION	Customers	The spread of the Internet is a great opportunity but it can also be a source of danger, particularly for the youngest in society. Telecom Italia has implemented a series of measures to protect children from content that could harm their psychological and physical development, and to prevent and detect any abuse carried out through telecommunication networks.	Customers/Child Protection, The Community/Responses to the stakeholders
RELATIONS WITH SHAREHOLDERS/ INVESTORS	Shareholders	The dialogue with the investors on financial and non-financial issues is of strategic importance for a major, quoted company. In order to improve communication with the stakeholders, Telecom Italia promoted a series of meetings regarding Corporate Governance.	Shareholders/Financial communication

3. HOT TOPICS

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

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

The Hot Topics shown in the table, together with other aspects of the company’s activities, are taken into consideration in determining the relevance of the reporting, in accordance with the AA1000 AccountAbility Principles Standard (APS) - (see [§ Reporting](#)).

4. PLACEMENT IN THE INDEXES

Sustainability indexes are stock indexes in which securities are selected not only on the basis of economic-financial parameters but also in the light of social and environmental criteria. The selection process is carried out by specialised agencies that assess companies on the basis of publicly available information or questionnaires, taking account of opinions expressed by the media and stakeholders. Inclusion in these indexes is of strategic importance to companies because of the positive effects on their reputation and because, in addition to the pension funds and ethical funds, an ever increasing number of investors favour sustainable companies, considering them to be less risky and more promising in the medium to long term.

Its involvement in the assessment process is also a useful time for the Company to reflect on the results achieved. In fact, at the end of this process, the indications given by rating agencies are taken into account in planning future improvement actions.

In 2013, Telecom Italia’s place was confirmed, for the tenth year running, in both the Dow Jones Sustainability indexes:

- Dow Jones Sustainability World Index (DJSI World);
- Dow Jones Sustainability Europe Index (DJSI Europe).

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

- FTSE4Good Global;
- FTSE4Good Europe.

Telecom Italia is also included in the following indexes:

- Euronex Vigeo:
 - › Europe 120;
 - › Eurozone 120.

- Ethibel Sustainability Indexes (ESI):
 - › Excellence Europe;
 - › Excellence Global.
- ECPI Indexes:
 - › ECPI Euro Ethical Equity;
 - › ECPI EMU Ethical Equity.

Moreover, Telecom Italia is classified as “prime” in the OEKOM rating.

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

5. OTHER ACKNOWLEDGEMENTS

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

- second place in the Italian and European KWD Webranking 2013 that assesses and rewards the best corporate online communication. The rankings drawn up by KWD, the digital division of Hallvarsson & Halvarsson, working with Lundquist, respectively considered the 100 biggest Italian companies and the 500 biggest European companies included in the FT Europe 500 index;
- Aretê prize awarded to Telecom Italia’s AvoiComunicare for the #acchiappasogni web-series in the Internet category. In cooperation with Confindustria and ABI, Unesco Italia, foundations and associations, the Nuvolaverde award highlights individuals and organisations who have distinguished themselves for effective communication that complies with the rules regarding responsibility. Over 140 programmes, social initiatives, web projects, campaigns and events were assessed in 2013;
- Top Employers 2013 certification awarded annually to Italian companies that excel in the field of HR management.

6. REPORTING

Scope and criteria

In accordance with the principle of materiality, unless otherwise stated, only subsidiaries included in the consolidated accounts that have revenue greater than 300,000 euros and more than 40 employees are taken into consideration in the sustainability reporting.

This excludes discontinued companies and non-current assets held for sale, the data for which have been excluded both from the current year and the previous one, in order to allow comparability.

In accordance with the triple bottom line⁽¹⁾ approach, the company’s economic and financial data has to be analysed and represented together with the environmental and social

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

results. The overall analysis of company performance including all three dimensions provides stakeholders with complete and comprehensive information and allows interests to be balanced in a way that guarantees the success and survival of the company in the medium and long term. For this reason, as of FY 2002, the Group has integrated the sustainability data in the Annual Financial Statements, in fact preceding the application of European Directive 51/2003, which was transposed in Italy by Legislative Decree No. 32 of 2 February 2007.

THE REPORTING IS CONSISTENT WITH THE TRIPLE BOTTOM LINE APPROACH

The Sustainability Report is based on a multi-stakeholder approach involving the joint analysis of actions taken in respect of the main stakeholders with whom the Company interacts. It is drawn up according to a system of indicators (KPI - Key Performance Indicators) which measure the responsiveness and degree of achievement of objectives previously established for areas in which the Company has a major impact.

The KPIs are defined on the basis of:

- the analysis of the Global Reporting Initiative's guidelines⁽²⁾;
- the demands received from stakeholders;
- the questionnaires sent out by the leading rating agencies for the purpose of admission to the stock market sustainability indexes;
- the experience gained by the Company over the years in the field of sustainability.

²

The Global Reporting Initiative (GRI) is an international organisation which has developed universally applicable guidelines for drawing up sustainability reports.

The KPIs are managed on a dedicated application system (BPC) that uses the same platform for financial reporting and controlling.

AccountAbility 1000 and GRI/Global Compact connection

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

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

The Telecom Italia sustainability Report's compliance with the AA1000 standard is verified by the auditing firm PricewaterhouseCoopers (see [§ Independent Auditors' Report](#)).

Through the materiality analysis, Telecom Italia identifies the priorities on which to focus its actions. The analysis is the result of a periodic assessment of stakeholders' expectations and internal priorities conducted by the Corporate Social Responsibility department together with other business functions in their respective areas of responsibility.

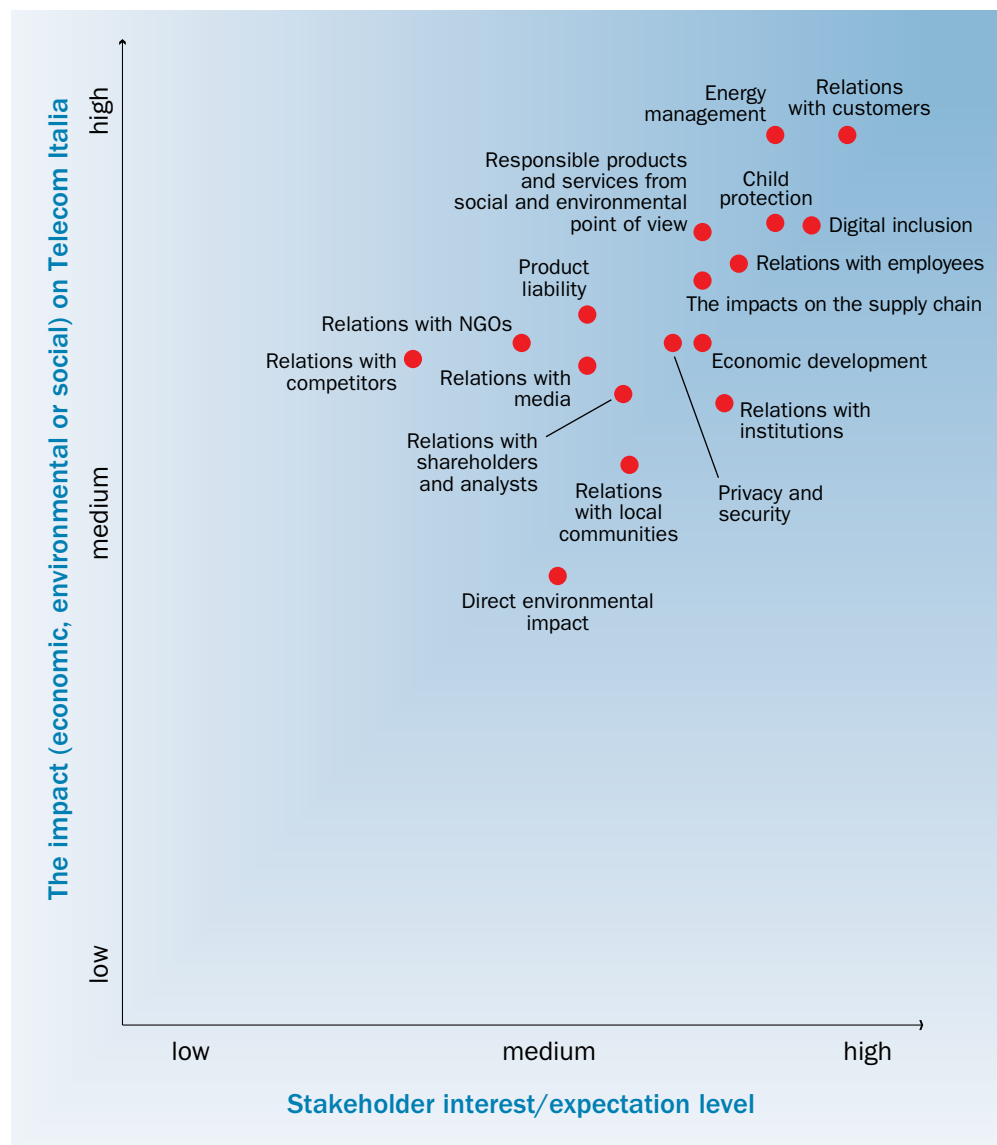
The process involves three key steps:

- identifying and updating the sustainability aspects to be taken into consideration;
- prioritising the aspects identified by level of importance, both internally (Telecom Italia) and externally (stakeholders) in order to identify material aspects;
- validating the material aspects and identifying methods for reporting the results achieved.

A description is given below of the criterion used to define materiality for stakeholders and for Telecom Italia:

- for stakeholders it is determined by assessing the context in which Telecom Italia operates, the evolution of trends characterising the telecommunication industry and the sectors served by its products and services, the commitments made by the Company, both nationally and internationally, the feedback and demands received from stakeholders. The stakeholders considered include ethical rating agencies, institutions, associations, NGOs, employees, suppliers, competitors and customers;
- for Telecom Italia is instead determined by analysing the short and long term strategy, while also considering the Group's sustainability performance.

The following matrix illustrates the material aspects identified:



The analysis was carried out based on the KPIs stated in the GRI framework. The results shown in the graph display a growing interests among shareholders in issues connected with ICT products and services that take socio-environmental and safety aspects into ac-

count. Some specific stakeholders, e.g. Human Resources and Customers, are obviously more interested in issues that affect them directly.

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

Global Compact (GC) Principles	Relevant GRI Indicators	Relevant Chapters/ Paragraphs	Page
1. Businesses should support and respect the protection of internationally proclaimed human rights in the areas of the respective spheres of influence.	HR1-7, LA4, LA7-9, LA13, PR1, PR8	References and Governance, Charters and Codes, Reporting, Stakeholder Involvement, Suppliers, The Community, Human Resources	17, 18, 22, 27, 51, 77, 99
2. Businesses should make sure they are not complicit, even indirectly, in human rights abuses.	HR1-7	References and Governance, Charters and Codes, Suppliers, Human Resources	17, 18, 51, 99
3. Businesses should uphold the freedom of association of workers and the effective recognition of the right to collective bargaining.	HR1-3, HR5, LA4-5	Charters and Codes, Reporting, Stakeholder Involvement, Human Resources	18, 22, 27, 99
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR1-3, HR7	Charters and Codes, Suppliers, Human Resources	18, 51, 99
5. Businesses should uphold the effective abolition of child labour.	HR1-3, HR6	Charters and Codes, Suppliers, Human Resources	18, 51, 99
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	HR1-4, LA2, LA13	Charters and Codes, Stakeholder Involvement, Suppliers, Human Resources	18, 27, 51, 99
7. Businesses should support a precautionary approach to environmental challenges.	EC2, EN18, EN26	Hot Topics, Reporting, Stakeholder Involvement, Suppliers, The Environment, Results 2013 and Objectives 2014 in the Appendix	21, 22, 27, 51, 57, 127, 130
8. Business should undertake initiatives to promote greater environmental responsibility.	EN3, EN5-6, EN8, EN16-19, EN22-23, EN26-29, PR3	Stakeholder Involvement, Suppliers, The Environment, Results 2013 and Objectives 2014 in Appendix	27, 51, 57, 127, 130
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN5-7, EN18, EN26	Hot Topics, Reporting, The Environment, The Community	21, 22, 57, 77
10. Businesses should work against corruption in all its forms, including extortion and bribery.	SO2-4	References and Governance, Charters and Codes, Suppliers, Shareholders	17, 18, 51, 119

The Content Index, which is one of the documents used by the GRI to examine the Group for the purpose of its qualification, and the Application Level Table, which shows the requirements set for the various qualification levels by the GRI, are available in the sustainability section of the telecomitalia.com website.

Since 2008, GRI has verified that the report is prepared according to the GRI Guidelines, at Application Level A+.

7. 2013 RESULTS AND 2014 OBJECTIVES

These are shown in the Appendix to this Report.

The targets of a qualitative nature for suppliers are included in the respective chapter.

8. SUSTAINABILITY MANAGEMENT

Mission and structure

Sustainability management in Telecom Italia is ensured by the Group Corporate Social Responsibility structure, which performs the following activities:

- promotes the corporate social responsibility throughout the Group;
- devises sustainability plans and programmes, working with the company functions that have operational responsibility for them;
- contributing to the dissemination of a correct approach to sustainability within the company, under the perspective of continuous improvement;
- ensuring the reporting to the outside of the activities of sustainability carried out;
- managing relations with specialised rating agencies for the purpose of admission to stock market sustainability indexes;
- representing the Group in the relevant national and international forums.

The sustainability governance model is based on the following guidelines:

- inclusion of a summary of the sustainability data within the Financial Statement, thus confirming the Group's determination to present its financial performance jointly with non-financial information;
- collaboration with the stakeholders through projects and initiatives at various levels (see [§ Stakeholder Involvement](#));
- definition of quantitative objectives in line with the major sustainability issues (see [Appendix](#));
- integration between sustainability and innovation: a specific section is dedicated to issues of business responsibility within the technological Plan, the document in which the Company defines its strategy in terms of the maintenance and evolution of the transmission network;
- confirmation of international undertakings regarding sustainability, including membership of the Global Compact and the respective Italian network and the ETNO (European Telecommunications Network Operators' Association) Corporate Responsibility Charter;
- contribution to projects and initiatives on a national and international basis, also developed in the context of the sector organisations (see [§ The Environment/Environmental Performance](#) and [Suppliers](#));

- adherence to the main international standards on matters of sustainability (see [§ References and Governance](#) and [§ Reporting](#));
- continuous improvement of its own performance, including through benchmarking with peers;
- contribution to the spread of a correct approach to sustainability issues by means of communication initiatives organised within the Company and externally (see [§ The Environment/Strategy](#)).

9. STAKEHOLDER INVOLVEMENT

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

In order to facilitate dialogue with stakeholders on matters of greatest interest, the contacts area of the sustainability section of the telecomitalia.com website shows the contact details of the Corporate Social Responsibility function managers.

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

STAKEHOLDERS	INITIATIVES			
	INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
	THE ENVIRONMENT			
	Product environmental declarations for customers – Telecom Italia Green Range (The Environment/Product Responsibility/Telecom Italia Green)		Collaboration with other TLC operators on issues of environmental relevance within the framework of industry associations, including GeSI and ETNO (The Environment/Relevant stakeholders and Climate change)	
			The AvoiComunicare integrated communication project encourages discussion about environmental and social topics (telecomitalia.com)	
	THE COMMUNITY	The Italiax10 Foundation, a Telecom Italia Foundation initiative, involved Telecom Italia Group employees in presenting projects, in partnership with their trusted charities, in three areas: violated rights, care and support for dependent elderly people and combating poverty (The Community/Responses to the stakeholders).	The “Navigare Insieme” and “Navigare Sicuri” projects have involved young people, adults and elderly people in digital education and safe use of the Internet (The Community/Responses to the stakeholders)	Many projects carried out in partnership with companies, universities, research centres and non-governmental and civil society organisations. (The Community/Responses to the stakeholders and Research and Development)

STAKEHOLDERS	INITIATIVES				
	INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP	
	HUMAN RESOURCES	Internal communication activities (Human Resources /Internal communication)	“Archimede” project (Human Resources/ Listening projects and activities)	Mailboxes, Intranet, blogs, virtual communities, multimedia conventions to communicate with employees (Human Resources/ Listening projects and activities)	Selection and training programmes carried out with research centres, universities, associations and foundations (Human Resources/ Selection)
		Courses on health and safety matters (Human Resources/ Health and safety)	Initiatives carried out by the People Caring Centre to fulfill the requirements of employees (Human Resources/ People Caring)	Information and discussion sessions with trade unions on matters of interest (Human Resources/ Industrial Relations)	As part of the strategic partnership with Bocconi, a new “TIM Chair in Market Innovation” was established. Studies will be focused on determining which tools, strategies and organisational approaches can promote innovation and the creation of new markets, strategies and marketing (Human Resources/ Selection)
			Initiatives to improve the management of diversity in the Company (Human Resources/ People Caring)	Counselling service for dealing with personal difficulties or problems at work experience by employees (Human Resources/ People Caring)	Volunteering initiatives with the involvement of employees and external partners (Human Resources/ People Caring)
			Involvement of employees in the stress at work assessment programme (Human Resources/ Health and safety)		The “I care about myself” project continued with the main trade unions, which allows employees to enroll free of charge with a number of different university faculties (Human Resources/ Training)

STAKEHOLDERS	INITIATIVES				
	INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP	
	CUSTOMERS	Information on the Service Charters and General Conditions of Subscription via the Group's websites (Introduction/ Charters and Codes)	Customer satisfaction is surveyed systematically (Customers/Customer Satisfaction)	Collaboration with the consumer associations (Customers/ Conciliation procedures)	Participation in national and international working groups, in partnership with UN agencies, non-governmental organisations, and organisations in the sector, on the issue of protecting children from potential abuses carried out via the Internet (Customers/ Child protection at telecomitalia.com)
				Use of web-based tools on social networks by customer care operators to talk to customers and share their knowledge (Customers/Quality of service and at telecomitalia.com)	Partnership projects with institutions and other companies to test and create innovative services (Customers/Innovative services)
	SUPPLIERS	Exchange of information and documentation with suppliers via the "Vendors hub" portal (Suppliers/ Involvement initiatives)	Seventh survey of satisfaction with the Purchasing department, and more generally with Telecom Italia, conducted among the Group's main suppliers (Suppliers/Involvement initiatives)	Collaboration areas dedicated to the main suppliers available on the Vendors Hub portal (Suppliers/Involvement initiatives)	JAC project which provides for CSR audit activities conducted in the production plants of suppliers and sub-suppliers based on an agreement signed with other TLC operators (Suppliers/ Sustainability checks)
			Self-assessment questionnaire sent to the most risky suppliers in terms of sustainability (Suppliers/Involvement initiatives)		
	SHAREHOLDERS	The "TI Alw@ys ON" shareholders' club (telecomitaliaclub.it) provides important information to individual investors and the general public (Shareholders/ Financial communication)		Three monthly conference calls, meetings at institutional offices of the Group (reverse road shows), participation in sector conferences, making a total over 400 investors meetings (Shareholders/Financial communication)	
		Online financial reporting (Shareholders/ Financial communication)		Meetings with stakeholders on corporate governance issues (Shareholders/Financial communication)	

10. HUMAN RIGHTS DUE DILIGENCE

In 2005, Kofi Annan, who was Secretary General of United Nations at the time, appointed Prof. John Ruggie of Harvard University as his Special Representative for Business and Human Rights, to produce the respective Guiding Principles, subsequently approved by the United Nations Human Rights Council in 2011.

These principles provide companies with an overview of human rights due diligence activity and a model for managing the risk of a negative impact on themselves.

With specific regard to Telecom Italia:

- between 2008 and 2011 it participated in the United Nations Global Compact Human Rights Working Group, and then became a member of the Peer Learning Group on Business and Human Rights set up within the Global Compact Network Germany;
- in 2012, it was involved in the first Company Coaching and Capacity Assessment on Business and Human Rights, organised by the Global Compact Network Germany, during which the OCAI (Organisational Capacity Assessment Instrument) tool for human rights due diligence in companies was presented. The main goals of the due diligence are:
 - › to increase awareness within the company/business function of its position regarding respect for human rights;
 - › to highlight any gaps or consistencies within the company;
 - › to help assess and improve the ability of the company/business function to manage the impacts on human rights;
 - › to allow comparison with similar companies (peers);
 - › to define the appropriate aspiration for the company/business function and the path it needs to follow to achieve it;
- in 2013, each of the nine business functions selected⁽³⁾ completed the questionnaire individually and in accordance with its mission. The first stage of the due diligence was completed with feedback which the Corporate Social Responsibility function supplied to the departments involved. Actions are currently being devised to improve current performance⁽⁴⁾ regarding human rights.

The due diligence is also nearing completion in the TIM Brasil Group.

3

BSO/Vendor Assessment & Processes Governance; Compliance/Compliance 231; PRA/Privacy; PRA/Consumer Protection (for the VAS service); PRA/Consumer Protection (for access to TLC services); PV/Health & Safety; PV/Equal Opportunities; PV/Industrial Relations; PV/Industrial Relations (for the Human Rights Policy).

4

On a scale of 1 to 6 (where 1 is the minimum level and 6 is the maximum) the average score of all the answers given by the Functions involved was 4.3 (defined by the OCAI tool as "Proactive Experimentation").

11. ECONOMIC VALUE GENERATED AND DISTRIBUTED

5

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

The economic value generated and distributed to stakeholders is shown below⁽⁵⁾. Since 2008, the method of presentation recommended by the Global Reporting Initiative (GRI) has been adopted, with appropriate adaptation.



	2013	2012
(million euros)		
DIRECT ECONOMIC VALUE GENERATED		
A) TOTAL REVENUE AND OPERATING INCOME	23,731	26,044
B) INTEREST PAYABLE AND DIVIDENDS PAID	149	167
C) NET GAINS (LOSSES) ON DISPOSALS OF NON-CURRENT ASSETS	(82)	52
D) DIRECT ECONOMIC VALUE GENERATED (A+B+C)	23,798	26,263
ECONOMIC VALUE DISTRIBUTED		
E) OPERATING COSTS	10,976	12,067
F) EMPLOYEE COSTS	3,087	3,333
G) SHAREHOLDERS AND PROVIDERS OF CAPITAL	2,508	3,047
H) TAXES AND DUTIES	961	988
I) ECONOMIC VALUE DISTRIBUTED (E+F+G+H)	17,532	19,435
ECONOMIC VALUE RETAINED (D-I)	6,266	6,828



	2013	2012
(million euros)		
WAGES AND SALARIES	2,183	2,386
SOCIAL SECURITY COSTS	788	847
OTHER EXPENSES	116	100
EMPLOYEE COSTS	3,087	3,333

	2013	2012
(million euros)		
PURCHASES OF MATERIALS AND SERVICES	10,377	11,289
OTHER OPERATING COSTS ^(*)	1,190	1,355
CHANGE IN INVENTORIES	(48)	4
INTERNALLY GENERATED ASSETS	(543)	(581)
OPERATING COSTS	10,976	12,067

*

Mainly includes write-downs and charges connected to the management of non-financial credits of 380 million euros (501 million euros in 2012), accruals for risks of 100 million euros (197 million euros in 2012), and contributions and fees for the performance of TLC activities of 482 million euros (548 million euros in 2012) net of "Other taxes and duties" of 128 million euros (119 million euros in 2012) included in the item "Taxes and duties".

	2013	2012
(million euros)		
DIVIDENDS DISTRIBUTED	595	993
INTEREST PAYABLE	1,913	2,054
SHAREHOLDERS AND PROVIDERS OF CAPITAL	2,508	3,047

	2013	2012
(million euros)		
INCOME TAXES	833	869
INDIRECT TAXES AND DUTIES	128	119
TAXES AND DUTIES	961	988
REGARDING ITALIAN ACTIVITIES	819	792
REGARDING ACTIVITIES ABROAD	142	196

External Stakeholders









The Company's

innovative services

to improve people's quality of life

1. CUSTOMERS

1.1 STRATEGY

Telecom Italia Group companies base the excellence of their products and services on customer care.

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

1.2 STAKEHOLDER RILEVANTI

The relevant stakeholders are:

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

1.3 QUALITY OF THE SERVICE

Telecom Italia has expanded its customer listening system to include satisfaction surveys on processes and services delivered, customer experience monitoring systems, which develop interaction between the company and its customers, and web listening systems, aimed at promptly seizing opportunities for improvement.

For information about the main activities carried out in 2013 to improve the customer experience see the sustainability section of the telecomitalia.com website.

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

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

Since 2012, Telecom Italia has been monitoring “conversations” on the Web regarding quality in the Telecommunication sector, relating to both fixed and mobile communication and the consumer and business segments. This monitoring takes place using a tool that performs a semantic search and analysis of the subjects most frequently discussed on the Internet and analyses the “tone” (web sentiment) of conversations about Telecom Italia and its competitors. The aim is to make a prompt assessment of how customers perceive offers and services, gaining a greater insight into specific issues to support the business.

Use of social networking in customer care

In 2013, Telecom Italia strengthened its presence on social networks (Facebook and Twitter), focusing on customer care in particular. The results show a high level of satisfaction, with substantial increases compared to the values recorded in 2012, particularly thanks to the greater ability to provide answers to customers. Excellent results have been achieved in terms of response times and the number of responses, leading TIM to become one of the 10 best brands on Facebook globally^(*).

Social Network activity also provided further details and information on all the products offered by the company, providing customers with an easy-to-use tool for gathering information about all the sales-related

aspects of our operations.

Telecom Italia also consolidated its leadership in the general community (over 4 million likers and more than 700,000 followers) with the following brands: Telecom Italia, TIM, Impresa Semplice, Cubovision, Cubomusica, Working Capital, Seria A TIM, Nuvola Italiana.

For information about the social networking tools available to call centre operators, particularly TUO, see the sustainability section of the telecomitalia.com website.

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Source SocialBakers.

Over 1.6 million documents from 19,500 sources were read and analysed during 2013.

1.4 CUSTOMER SATISFACTION

Customer listening at Telecom Italia

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

- operational processes and events assessed on a “reactive” basis, i.e. immediately after a specific event (e.g. delivery, assurance, sale, sales support);
- customer contact channels (e.g. points of sale, customer care, web, billing);
- key products and services (e.g. fixed and mobile broadband);
- life cycle (customer journey) monitored during the main stages of the customer’s relationship with his/her operator;
- customer satisfaction assessed on a “reflective” basis, i.e. not in connection with a specific event, determined by the Customer Satisfaction Index - CSI - which adopts the international statistical survey standards (ACSI - American Customer Satisfaction Index model) to determine perceived quality in relation to the main satisfaction drivers for the various customer segments (consumer fixed, consumer mobile, small enterprise fixed and mobile, large/medium enterprise and vertical), particularly in comparison to similar services offered by the leading competitors (except for the vertical segment). The CSI is certified in accordance with the UNI 11098:2003 standard (guidelines for determining customer satisfaction and for measuring the respective process indicators).

In 2013, the Customer Satisfaction surveys were reviewed in order to broaden the Customer Experience appraisal.

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



CUSTOMER SEGMENT		
	2013	2012 ^(*)
CONSUMER	75.84	75.45
SMALL ENTERPRISE	65.56	65.88
LARGE/MEDIUM ENTERPRISE + VERTICAL	71.75	71.38
TOTALS	73.01	72.76

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

*

For the purposes of this trend, the 2012 result has been recalculated based on the new CSI 2013 model.

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

TYPE OF CUSTOMER CARE CUSTOMER

	Overall satisfaction	
	2013	2012
187 CONSUMER FIXED TELEPHONY	8.48	8.46
119 CONSUMER MOBILE TELEPHONY	8.72	8.69
191 BUSINESS FIXED TELEPHONY	8.18	8.10
191 BUSINESS MOBILE TELEPHONY	8.13	8.22

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

Customer satisfaction within incentives schemes

Telecom Italia's managerial incentive systems include many targets associated with customer satisfaction, in keeping with the business plan for the current period. These targets are measured using customer satisfaction indexes monitored by means of periodic surveys: the overall CSI for the Company and the specific customer satisfaction indicators per customer segment.

Additional specific targets associated with quality parameters and consistent with the criteria established for corporate and segment customer satisfaction indexes have been established for particularly critical processes and activities (commercial and technical front-end). Specific targets associated with customer satisfaction have also been established within the collective incentives scheme related to the employees of the Caring Service and Open Access Division (canvass).

For customer satisfaction data relating to Brazil, see the sustainability section of the telecomitalia.com website.

1.5 CERTIFICATIONS

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

- customer care and quality of products and services offered: UNI EN ISO 9001:2008 standard;
- environmental protection: UNI EN ISO 14001:2004 standard;
- energy management based on national legislation: ISO 50001 standard;
- health and safety at work: BS OHSAS 18001:2007 standard;
- protection of human capital by companies and their suppliers: SA 8000 standard;
- data security: ISO 27001:2005 standard;
- Information Technology services: ISO/IEC 20000-1:2005 standard;
- quality of call centre services: EN 15838:2010 standard;
- software and IT solution production processes: CMMI-DEV (Capability Maturity Model Integration - Development) certifications.

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

1.6 DIGITAL INCLUSION

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

Geographical Digital Inclusion

In order to deal with the digital divide that has arisen in the so-called marginal areas of Italy, which would otherwise remain excluded from the mainstream plans of telecommunication operators, owing to the low profitability of investments, between 2005 and 2013, Telecom Italia implemented a programme of extraordinary investments allowing ADSL coverage to be provided for approximately 4,000 new municipalities that account for over 12% of the population (over 6 million people).

As of December 2013, Telecom Italia activated around 9,300 exchanges, over twice the 4,500 broadband enabled exchanges existing at the end of 2005. Alongside its plan to extend coverage, Telecom Italia has launched an additional plan to expand the active network where necessary to guarantee full usability of the service by customers and the development of digital inclusion.

The following table shows the percentages of coverage as of December 2013.

ADSL Coverage(*)	98.40
UMTS and HSDPA coverage(**)	87.50
LTE coverage(**)	49.00

*

The percentage refers to fixed telephone lines.

**

The percentage refers to the residential population. Coverage values are subject to change based on ISTAT and urbanisations updates.

In order to promote digital inclusion and cover the remaining geographical areas of “market failure”, Telecom Italia will need to engage in joint “public-private” initiatives.

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

- the first is a “central” approach that involves Infratel Italia S.p.A. (Infrastructure and Telecommunication for Italy)⁽⁶⁾ as the public entity building passive broadband (fibre optic cable), organic and integrated infrastructure throughout the country, with the aim of increase the digital inclusion in lower income areas of the country;
- the second is a “local” approach whereby regions promote projects aimed at increasing the digital inclusion, e.g. through forms of financing centred on public tenders using the so-called claw-back model, which provides for contributions to be paid to offset the lack of return on investments.

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

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

Socio-cultural Digital Inclusion

In a world in which technology facilitates contact between people, Telecom Italia is making a contribution to breaking down the socio-cultural barriers that restrict the opportunity to take part in the information society, allowing people to enjoy its benefits. The innovative services aimed at promoting the digitisation of important areas of activity (e.g. healthcare) include those listed in the following paragraph.

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

1.7 INNOVATIVE SERVICES

Smart Services

In the context of public sector services, in accordance with the Italian Digital Agenda or ADI (Agenda Digitale Italiana) and European Directives, in 2013 Telecom Italia consolidated and streamlined its offer of Smart Services, a range of services for energy efficiency and digital services in urban areas, which it has combined with its Urban Security and Digital School initiatives offering new services dedicated to security, the environment, mobility and schools, providing a comprehensive response to the needs of cities and surrounding areas. The aim is to promote the “smart city” model to improve quality of life by developing innovative digital services to ferry municipalities towards a Smart Community model (as described in the Digital Agenda) that enables new forms of cooperation between citizens and public authorities.





Smart Town	Smart Building	Nuvola IT Urban Security	Nuvola IT Digital School
Integrated management of local infrastructure networks. Enabled services: • planning of electricity consumption and maintenance; • video surveillance; • digital communication with citizens and users in general (e.g. tourists); • Wi-Fi hot spots (broadband access).	Smart management and automation of buildings. Enabled services: • monitoring and reduction of consumption (electricity, water, etc.), mainly for Central Government Bodies; • video surveillance; • digital communication; • extension of the IT network (LAN) of buildings by using the electricity network via a device that connects to the power socket.	Management of participated security and urban territory control. Enabled services: • computerised management of the penalty issuing process for traffic and other violations for local public administration; • participated management of urban issues, with reporting of safety-related issues, antisocial activities and urban decay; • real time monitoring of the urban and natural environment of cities (humidity, temperature, noise pollution, CO₂, gaseous pollutants, etc.); • monitoring of available public parking spaces.	Integrated digital management of teaching and school administration. Enabled services: • broadband and mobile connectivity; • teaching cloud (services and solutions, storage for multimedia content); • digital learning tools (distance learning, collaborative and shared learning with education platforms, social learning); • computerization of classrooms (IMB)[*], notebooks e tablets; • school-family interaction systems; • digitisation of administrative services.

*

Interactive Multimedia Board.

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

Innovative e-health services

Telecom Italia is actively involved, either alone or in partnership with external partners, in devising and developing healthcare services at national, regional and local level. Designed to improve the Italian health service and the quality and effectiveness of healthcare, the services allow doctors, nurses and patients to carry out many activities remotely.

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

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

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

Nuvola IT Home Doctor

This allows patients suffering from chronic illnesses, or in post-hospital care, to monitor their physiological parameters (body weight, blood pressure, heart rate, blood oxygen levels, glycaemia, lung capacity, electrocardiogram, etc.) directly from their own homes or in properly equipped facilities (medical centres, medical practices etc.). The system consists of a technological platform and software configured on the patient's mobile phone (or alternatively a PC or tablet) and on the healthcare personnel's PC. Based on the plans established by the doctor, patients receive reminders on their mobile phones regarding the measurements to be taken, they take these measurements using portable electro-medical devices equipped with a Bluetooth interface and, using their mobile phone they send the measurement automatically to the online platform.

The benefits of the service are that it improves the patient's quality of life while optimising costs for the healthcare organisation.

In order to enhance the functionality of the service and increase Telecom Italia's presence in the social care solutions sector, experimental activities are under way in various areas, such as:

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

Digital healthcare

The availability of information (data and documents) is an enabling factor in modern healthcare, the primary objectives of which are to improve appropriateness, support the re-engineering of prevention, diagnosis, treatment and care processes, and empower patients. Telecom Italia is playing an active part in developing services by introducing innovations in various areas of ICT technology that can improve and increase the efficiency of the healthcare system. The following are significant examples of these solutions:

- Big&Open Data, which allow large amounts of diverse medical or pharmacological data from open and distributed sources to be analysed;
- Clouds which allow distributed services to be delivered, making the solutions more scalable and economical;
- secure digital identity on Health mobiles, which allow access to Public Administration digital services to be enabled simply and securely (e.g. by means of a strong Secure SIM authentication).

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

1.8 RESEARCH AND INNOVATION IN E-SECURITY

Telecom Italia is involved in research and innovation regarding the security of information and networks. Activities carried out in 2013 included the following:

- analysis and definition of security models for standardising future embedded SIMs (eSIMs)⁽⁷⁾;
- expansion of malware detection and analysis methods and tools⁽⁸⁾ for fixed and mobile networks;
- development of techniques for analysing the risk level of apps for smart phones and tablets;
- design and implementation of tools and approaches for security investigations involving visual data analysis (Security Visual Analytics);
- provision of tools for monitoring and analysing the web and other freely accessible sources for information searches relevant to ICT security (Open Source Intelligence);
- definition, within the ETSI (European Telecommunications Standards Institute) - ISG (Industry Specification Groups) work group, of a comprehensive framework of security indicators to be used to measure performance and benchmark security operations;
- continuation of international activities as part of initiatives funded by the European Union: IST NEMESYS (Information Society Technologies, enhanced NEtwork security for seamless service provisioning in the smart Mobile EcoSYStem) project and CIP (Competitiveness and Innovation framework Programme) Advanced Cyber Defence Center project;
- expansion of the oversight and guidance activity regarding standards and forums in the context of the ETSI, GSMA Security Group, 3GPP (The 3rd Generation Partnership Project), ETIS (The Global IT Association for Telecommunications), ENISA (European Network and Information Security Agency) and CSA (Cloud Security Alliance);
- start of cooperation with EIT (European institute of Innovation and Technology), ICT Labs and the Action Line Guide to Privacy, Security & Trust.

7

Case studies reported in the architecture specifications and requirements include:

- over-the-air supply of one or more operator credentials on a SIM card;
- over-the-air enabling/disabling of operator credentials held on a SIM card, allowing the active operator to be changed;
- over-the-air deletion of an operator's credentials held on a SIM card.

8

Software created for the sole purpose of compromising the security of a computer or IT system. The term is a combination of the words malicious and software.

1.9 CHILD PROTECTION

Telecom Italia Group companies have undertaken numerous initiatives to protect children from content that may harm their psychological and physical development (for example, content that is violent, racist, offensive to religious sentiment, pornographic, etc.).

Among these, precise guidelines have been adopted for classifying and checking distributed content. These cover both the content offered directly by Group companies and content owned by third parties offering their own services on space purchased within Telecom Italia's portals. These guidelines are regularly updated to take account of new codes, standards and platforms.

In Italy, in accordance with current regulations and self-regulatory codes signed by the Group, selective publication and filtering systems and procedures have been implemented to prevent children from accessing adult content on all the Group's service platforms (IPTV, cubovision by decoder, web, tablet/smart phone apps, smart TV, Xbox, WAP services). Specifically:

- **IPTV:** access is only permitted to subscribers and the subscription can only be taken out by adults. The default setting does not allow adult content to be viewed and can only be changed after the PIN supplied to the adult subscriber has been entered. On demand adult content can only be accessed between 11.00 p.m. and 7.00 a.m.;
- **cubovision:** adult content can only be accessed using a decoder. This pay-per-view content can only be viewed after entering the parental control PIN and purchase PIN. The parental control functions are governed by legal provisions and mentioned in the statement delivered to customers after they sign up to the service;
- **WAP services:** content from Telecom Italia and third party services is always moderated in advance by Telecom Italia, in order to verify compliance with the classification guidelines, and delivered by a centralised platform. The PIN for accessing adult content is supplied by text message, at the customer's request, after the person to whom the number is allocated is confirmed as being an adult.

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

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

For the purpose of combating online child pornography and computer crime, from an organisational point of view, Telecom Italia has identified, within its Security department (Risk Prevention & IT Security Governance), the role of "Key contact for the Postal Police". This person manages relations, and the flow of information, with the Postal Police (CNCPO - National Centre for the Fight against Online Child Pornography, CNAIPIC - National Centre against Digital Crime for the Protection of Critical Infrastructure etc.) and the competent authorities, and has the task of coordinating, within the Telecom Italia Group, the process of abuse management, in accordance with the relevant legislative framework. Furthermore, the Telecom Italia Group has adopted an organisational model in accordance with Legislative Decree 231/2001, which defines the tools required to oversee and anticipate offences, particularly the dissemination of child pornography, as well as to ensure the organisational/disciplinary management of computer crimes. For this purpose, Telecom Italia has fielded resources, technologies, processes and tools to prevent and combat "abuse", meaning any activity committed in violation of the rules of conduct and legislation that governs the use of network services, digital systems or means of communication in general. In this respect, information initiatives have been implemented, aimed at children, parents

and teachers, on the risks connected with the new technologies and navigation on the Internet (chat lines, instant messaging, forums, communities etc.). These initiatives have involved a number of important public and private stakeholders selected above all on the basis of their activities and commitment to safeguarding the rights of children (including, for example, the Postal and Communication Police, Save the Children, Adiconsum, GSMA, ITU etc.).

The Group has also implemented appropriate filtering and abuse prevention systems for services delivered in Brazil. In particular, WAP services with adult content require user authentication while the delivery of adult videos on IP platforms, which is only available in on demand mode, requires a PIN to be entered.

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

1.10 CONCILIATION PROCEDURES

The conciliation procedure between Telecom Italia and the consumer associations who signed the framework agreement for the out-of-court settlement of telephone disputes, was the first example of joint conciliation in Italy. Introduced on a trial basis in 1991 by SIP, it was implemented throughout the country in 1993. In 1995 it was recognised by the European Union as a "pilot project for consumer access to justice". The model is still used today but has been adapted over the years to fulfil new requirements, computerised and made easier to use, while maintaining the basic values that made it such an excellent tool, contributing to improving the transparency of the system, customer relations and a number of the Company's operational processes. Twenty consumer associations have signed up to the conciliation agreement to date.

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

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

Than handling of conciliations takes customer requirements into account and, regardless of the selected procedure, allows their relationship with the company to be improved.

The "single point of contact" model has so far allowed the undertakings given the AG-COM to be fulfilled and the expected qualitative and numerical results to be reached. The Co.Re.Com. channel is in fact becoming increasingly popular compared to other channels. The number of requests for joint conciliation discussed in 2013 was similar to the previous year: 6,095 compared to 5,962 the previous year (the number of requests settled was 95.9%; in 2012 it was 95.3%).

The number of requests discussed at Co.Re.Com. and Chamber of Commerce offices decreased by 12% compared to the previous year (15,817 in 2013 and 17,977 in 2012) and the conciliation percentage remained constant (84.9% in 2013, 85.1% in 2012).

Telecom Italia supported the conciliation activity by means of:

- seminars and joint training initiatives involving dedicated personnel from Telecom Italia, AGCOM, Co.Re.Com. and consumer associations;
- debates, conferences, interviews and other promotional activities involving senior management in order to disseminate the correct cultural approach to the subject.

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

1.11 SAFEGUARDING PRIVACY AND PERSONAL DATA PROTECTION

In order to ensure that personal data is protected in the performance of business activities, Telecom Italia has applied an organisational model, since 2003, which includes a Privacy Function supervising correct application of the relevant regulations throughout the Group (according to Legislative Decree 193/03, known as the “Privacy Code”). In this context, when it establishes or acquires new companies, the Parent Company also provides the support required to identify and carry out the formalities required.

The adoption of legal measures and the instructions of the Privacy Guarantor for personal data protection is assured by constantly updating the Group regulations and policies. The “System of rules for the application of privacy regulations in the Telecom Italia Group” is particularly significant in this respect. It establishes the provisions and operating instructions needed to carry out the relevant formalities.

The framework of the company’s personal data processing provisions was enhanced in 2013 with a policy on compliance requirements for mobile apps and the platforms that operate them, in compliance with the instructions recently given by the Italian data protection authority and by European data protection authorities regarding protection of the large amounts of personal data currently managed by apps.

Furthermore, during 2013, Telecom Italian continued to take the steps required to implement provisions in its internal processes to deal with any violation of personal data security relating to electronic communication services (so-called “data breaches”). In particular, especially in view of the guidelines adopted by the Italian data protection authority in April 2013, a specific internal procedure was issued and widely disseminated among all the company’s functions which describes the activities to be undertaken and the related responsibilities should events defined as data breaches occur.

For the purpose of ensuring the dissemination and correct application of internal regulations, constant training is provided which resulted in 13 meetings being held in 2013 involving the managers and representatives of central and local functions. These operational meetings were intended to provide the organisations involved with the tools needed to reconcile the pursuit of business objectives with respect for laws and regulations. Staff from the functions assigned to fulfilling employee personal data processing requirements and from the Business Department (Sales and Marketing) were trained in how to contact customers and promote products and services. Furthermore, newly recruited employees attended specific meetings centred on the most significant aspects of the legislation on electronic communications and others focused on managing telephone and electronic traffic data management as part of the periodic training seminars held to train conciliators, which are attended by representatives of Telecom Italia and consumer protection associations.

The effective application of the regulations is monitored through a control system based on regular self-assessment procedures by those responsible for handling the data, and on sample checks carried out by the relevant central departments, based on established procedures and methodologies.

With regard to innovative projects and the development of new services, 2013 witnessed the approval, by the Italian data protection authority, of the procedures established by Telecom Italia to protect the personal data of its customers in the supply of interactive TV (Cubovision) services, which increasingly reflect the interests and choices of consumers. Furthermore, the data protection authority approved the digital signature with biometric authentication project developed by the Group's IT Telecom company to allow an important client in the banking sector to handle its customers' transactions in paperless mode, ensuring greater efficiency and reducing environmental impact.

With regard to privacy protection relating to new technologies, Telecom Italia is also involved in initiatives launched in this respect by the European Commission to promote in the EU the development of cloud computing services that fulfil the requirements of EU law. In particular, Telecom Italia is actively involved in international work groups assigned by the European Commission to developing standards, model contracts and a reference code of conduct for the suppliers of these services.

For information regarding privacy safeguards and personal data protection in Brazil, see the sustainability section of the [telecomitalia.com](https://www.telecomitalia.com) website.





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

sustainability requirements

2. SUPPLIERS

2.1 STRATEGY

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

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

2.2 RELEVANT STAKEHOLDERS

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

2.3 GENERAL MATTERS

The selection, assessment and control of the Telecom Italia Group's suppliers, for high risk procurement markets, involves a pre-contractual qualification stage in which the economic/financial and technical/organisational characteristics are assessed. Verification of these characteristics leads to inclusion in the Register of Suppliers.

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

While the supply is taking place, registered companies which have received purchase orders normally undergo incoming quality control checks (a requirement for the acceptance and use of the purchased goods) and monitoring of the vendor rating (systematic assessment of the supply).

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

2.4 SUSTAINABILITY INITIATIVES

The main initiatives implemented in 2013 are listed below.

The implementation of the new process that defines the activities aimed at improving the Corporate Social Responsibility (CSR) of the supply chain continued with a more comprehensive system of elements used to assess the sustainability of suppliers during the qualification stages, incoming quality and vendor rating.

The most significant aspects of the process include:

- › the classification of suppliers based on the potential risks associated with their sustainability performance, carried out using a specific method that considers the social-environmental and business continuity aspects associated with the procurement markets in which they operate. For this reason, the markets have been classified based on parameters such as the geographical areas of reference and the risks associated with them, the potential impact on the environment and on the company of the suppliers' activities and of the products/services supplied throughout their entire life cycle, and the impact on the reputation of Telecom Italia as a customer;
- › the creation of a matrix that, by relating the spending to the specific purchase market with the risk index calculated on the basis of the parameters described, has allowed purchase markets to be subdivided into four categories, identifying the most critical ones in terms of sustainability and economic impact. Suppliers belonging to the most at risk categories will undergo CSR audits carried out by staff from the company or specialised third party companies. These audits will be repeated periodically to monitor the implementation of corrective actions and, if the results are positive, in order to verify that the standard of performance found is being maintained;
- › the preparation of a self-assessment questionnaire to be submitted during the qualification of new suppliers belonging to the highest risk purchase categories, in terms of sustainability and, periodically, to previously qualified suppliers. Regularly updated based on the results and evolution of the qualification process, the questionnaire was developed according to the main requirements of the relevant responsible corporate management standards relating to respect for ethical values and to safeguarding the environment (including SA 8000, Global Compact and ISO 14001) and to the best

industry practices. Previously sent to over 100 significant suppliers identified by the above methods in 2011 and 2012, the questionnaire was implemented during 2013 in the application that handles the supplier qualification process and will be extended in 2014 to significant suppliers operating in markets where sustainability is considered to be at risk.

- In October 2013, the ISO 9001:2008 certificate of conformity of the “Quality Management System” was confirmed for all the Procurement Departments under the responsibility of the Business Support Officer, with specific recognition for the initiatives taken in the field of sustainability. This initiative has led to the mapping of 26 department processes with the identification of 140 performance indicators that permit the monitoring and improvement of the administration of services supplied to internal clients and suppliers.
- Application continued of the green procurement policy defined in 2009, which contains guidelines for establishing the environmental requirements of products/services purchased. The policy covers all stages of the product life: design, production, use and end of life. Published on the “Vendors Hub” supplier portal of Telecom Italia and in the sustainability section of the telecomitalia.com website, the document helps to orient purchasing policies towards low environmental impact products and services.
- With a view to ensuring the greater involvement of suppliers, some of the questions in the annual satisfaction survey (see § [Involvement initiatives](#)) relate to the green procurement policy and to supplier adherence to the principles set out within it.

2.5 SUSTAINABILITY CHECKS

Activities intended to verify the CSR performance of common suppliers and sub-suppliers continued in the framework of the Joint Audit Cooperation (JAC), in accordance with the Memorandum of Understanding signed at the end of 2009 by Telecom Italia S.p.A., France Telecom S.A. (now Orange) and Deutsche Telekom AG. In 2011, Belgacom SA, KPN B.V., Swisscom Ltd. and Vodafone Group Services Limited signed up to the memorandum, followed by Telenor ASA and Teliasonera AB in 2012 and Verizon in 2013.

The purposes of the Joint Audit Cooperation are:

- to verify the sustainability of the most important suppliers/sub-suppliers that are common to the members of the JAC, with production plants located in geographical areas with a significant degree of socio-environmental risk. The checks are carried out by means of audits conducted by third parties using a specific method developed by the JAC members themselves, who share the results of the verifications;
- to contribute to the increased sustainability of suppliers/sub-suppliers involved by devising and implementing corrective actions and ongoing improvement programmes, thus establishing long-lasting and mutually beneficial cooperation with them in terms of efficiency, productivity and risk reduction in the supply chain.

Between 2010 and 2013, thanks to the gradual increase in the number of members of JAC, 112 audits were carried out – including 38 in 2013 - in production plants (suppliers and sub-suppliers) located in Asia, Central and South America and Eastern Europe. The checks were carried out through international specialised companies selected by competitive tender and related to a total of around 400,000 workers. The suppliers included in the audit campaign belonged to the user devices and equipment, network equipment and IT equipment production sectors.

For all the non-conformities encountered, specific corrective action plans were drawn up

THROUGH THE JOINT AUDIT COOPERATION (JAC) INITIATIVE WE PROMOTE SUSTAINABILITY WITHIN THE SUPPLY CHAIN

that established resolution procedures and timetables amongst others. The implementation of these plans is monitored on a constant basis by the JAC members.

In total, the work allowed 41% of orders to be verified in the main procurement markets considered to present the greatest socio-environmental risk (see [§ Sustainability initiatives](#)).

In January 2013, the second “JAC CSR Forum” was held in Shanghai (China), attended by around 150 guests representing TLC operators, suppliers, organizations active in CSR and NGOs.

The topic of the Forum, the aims of which include growth and the greater involvement of suppliers in issues regarding sustainability, was: “Progress, perspectives and next steps”. The Forum attendees were presented with evidence of the results achieved and involved in the discussion of the challenges that lie ahead with a view to improving sustainability in the sector.

Given the results achieved, the initiative has attracted the interest of other telecommunication operators. The members of the JAC are currently assessing further applications for membership received.

2.6 INVOLVEMENT INITIATIVES

Use of the suppliers’ portal (Vendors Hub), launched at the end of 2011 to improve communication and optimise operational processes by applying social networking systems to the business context, is now well established. The portal now includes 1,600 active vendors on the application platform.

The portal allows suppliers to access a private area to view important data and events connected to their relationship with Telecom Italia and manage all their own details, thus improving the smooth operation and transparency of the relationship. The Vendors Hub also includes a public area containing information for potential suppliers.

Documents are exchanged electronically (e.g. offers, purchase orders, contracts, qualification documentation, surveys), thus reducing the environmental impact resulting from the use of paper and from transporting and storing them.

For the seventh consecutive year, the Group’s main suppliers have been involved in the survey on satisfaction with the Purchasing department and, more generally, with Telecom Italia. The online questionnaire, consisting of 27 questions, remained active for 2 weeks. The analysis involved 1,323 active suppliers in the Vendors Hub, with a participation rate of 48.3%, higher than the one recorded in previous editions and around 6% higher than the one achieved in 2012. The overall assessment of the supply relationship with the Telecom Italia Group achieved a score of 75/100, which is the same as it was in 2012. The positive satisfaction rating achieved in previous surveys was therefore confirmed.

The two e-communities set up in previous years for suppliers in the civil infrastructure and network operations sectors, aimed at improving dialogue, mainly regarding social and environmental sustainability, were replaced by the corresponding Collaboration Areas available on the Vendors Hub portal.

2.7 2013 RESULTS AND 2014 COMMITMENTS

Subject	2013 commitments	Status	2014 commitments
ISO 9001 certifications, ISO 14001	Maintaining the Purchasing department's ISO 9001 certifications and the ISO 14001 certification for Infrastructure Purchasing and Facility Management, obtaining the extensions provided for.	Achieved as regards maintaining the ISO 9001 certification.	Maintaining ISO 9001 certifications in the Purchasing area.
ISO 50001 certification	Obtaining the ISO 50001 certification for the Energy Purchasing & Management function.	Certification achieved in April 2013.	Maintaining the ISO 50001 certification for the Energy Purchasing & Management department.
e-community project	Maintenance of active e-communities.	Achieved by migrating the e-communities to the Collaboration Areas available in the Vendors Hub portal.	
Green Procurement	Continued implementation of the supply chain sustainability verification and improvement process.	Achieved	Continued implementation of the supply chain sustainability verification and improvement process.
Controls on suppliers	Application of the self-assessment questionnaire for new suppliers (see § Sustainability initiatives).	In progress	Consolidation of the process of applying the sustainability questionnaire to new suppliers.
	Continuation of audit activities in the production plants of suppliers located abroad in the context of the JAC (see § Sustainability checks).	Achieved	Continuation of audit activities in the production plants of suppliers located abroad in the context of the JAC.



The contribution made by
Information and Communication
Technology
solutions
to safeguarding the planet for us
and future generations

3. THE ENVIRONMENT

Protecting the environment, improving energy efficiency and offering services that reduce emissions of greenhouse gases and other pollutants are the main intervention policies adopted by the Telecom Italia Group to promote sustainable development in its areas of influence. The specific actions taken are therefore aimed at reducing its environmental impacts and offering technological solutions aimed at individuals, businesses and Public Administration for the creation of a more inclusive and viable digital society (see [§ Climate change](#)).

The main indicators used to measure the Telecom Italia Group's environmental performance in 2013 performed as follows:



INDICATOR	TREND
ELECTRICITY CONSUMPTION	● SUBSTANTIALLY UNCHANGED
CO ₂ EMISSIONS	● UP SLIGHTLY
WATER CONSUMPTION	● DOWN
ECO-EFFICIENCY	● UP

3.1 STRATEGY

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

- optimising the use of energy sources and other natural resources;
- constantly seeking to improve environmental performance by reducing negative impacts and increasing positive ones;
- adopting procurement policies that take environmental issues into account;
- disseminating a culture that promotes a correct approach to environmental issues.

In order to ensure the effective and sustainable management of operational processes which have particular environmental impacts, Telecom Italia has equipped itself with an Environmental Management System (EMS) which is ISO14001 certified. In some departments, the EMS has been integrated with the Safety Management System based on the OHSAS 18001 standard, both having achieved the respective certification.

For further details on this subject go to the telecomitalia.com website.

3.2 RELEVANT STAKEHOLDERS

The environment stakeholder consists of future generations and their right to live in a world not compromised by the negative effects of development by previous generations. The interests of this collective person are identified in the demands made by:

- national and international environmental organisations;
- national and supranational institutions;
- the community in general, particularly in the areas where Telecom Italia operates;
- industry associations and non-profit organisations dealing with issues relating to the environment. These include the following in particular: CSR Europe, Academy of Business in Society (ABIS), European Telecommunications Network Operators' Association (ETNO), European Telecommunications Standards Institute (ETSI), Global e-Sustainability Initiative (GeSI), Carbon Disclosure Project (CDP), European Round Table of Industrialists (ERT), International Telecommunication Union (ITU).

Telecom Italia is attentive to the requirements of stakeholders interested in protecting the environment and has developed various channels of communication with them, including AvoiComunicare, the Festival of Science, the Venice Future Centre and the Group Internet/ Intranet pages dealing with environmental issues, in addition to formal and informal meetings with these stakeholders. Telecom Italia promotes and in some cases coordinates national and international environmental projects.

3.3 ENVIRONMENTAL PERFORMANCE

The information regarding environmental performance is drawn from management data, some of which is estimated. The data shown below relate to energy use (heating, transport and electricity), eco-efficiency, atmospheric emissions, use of water, paper and waste production. In order to allow a more accurate comparison to be drawn, for 2011 and 2012, the information reported for the Media segment refers to the same consolidation scope as in 2013, following the disposals that took place. In any case, the overall size, and therefore the impact of the Media segment on the Group's performance, have fallen significantly, as can be seen from the percentage change in the value of the main indicators in 2013 compared to previous years. In some cases, the value of the indicators considered has fallen to zero, which explains the -100% change compared to the previous year(s).

Energy

Energy consumption by Telecom Italia S.p.A. and the Group is presented according to the guidelines proposed by the Global Reporting Initiative regarding direct consumption for heating, self-generation of electricity and transport (Scope 1) and indirect consumption for the purchase and use of electricity (Scope 2), according to the GreenHouse Gas Protocol⁽⁹⁾ definition.

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

HEATING SYSTEMS

Energy for heating: Group breakdown by Business Unit (%)						
		Group	Domestic	Brazil	Media	Olivetti
ENERGY GENERATED BY HEATING OIL	MJ	108,152,289	99.77%	0%	0%	0.23%
ENERGY GENERATED BY NATURAL GAS	MJ	686,974,478	93.97%	0%	0%	6.03%
TOTAL ENERGY FOR HEATING	MJ	795,126,767	94.76%	0%	0%	5.24%

HEATING SYSTEMS

Total energy for heating: Group breakdown by Business Unit (%) and % variation compared to the previous two years						
		Group	Domestic	Brazil	Media	Olivetti
	MJ	795,126,767	94.76%	0%	0%	5.24%
2013 V. 2012		23.42%	27.97%	0%	(100)%	(23.40)%
2013 V. 2011		19.97%	24.45%	0%	(100)%	(24.43)%

The data in the table show that, compared to 2012 and 2011, particularly for the Domestic BU, use of energy for heating has increased, essentially because of the review of the way energy use is assessed following receipt of a large adjusted bill for natural gas used in previous years, which was only provided by the utility company during the course of 2013. The way in which the energy use of large buildings is measured has been made much more efficient by the distributor.

In Brazil, thanks to the particular weather conditions all year round, there is no need for space heating.

TRANSPORT⁽¹⁰⁾

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The data shown in the tables and graphs relating to transport refer to all the Group's vehicles (industrial, commercial, used by senior managers/middle managers/sales people), both owned and hired. The vehicles, consumption and mileage of vehicles owned or in use by the sales force of Tim Brasil have been included only where usage is significant and continuous.

Energy for transport: Group breakdown by Business Unit (%)						
		Group	Domestic	Brazil	Media	Olivetti
ENERGY FROM UNLEADED PETROL	MJ	62,003,861	18.65%	81.25%	0%	0.10%
ENERGY FROM DIESEL FUEL	MJ	655,486,802	96.88%	0.13%	0.90%	2.09%
ENERGY FROM LPG	MJ	5,728,466	100%	0%	0%	0%
ENERGY FROM CNG	MJ	511,341	100%	0%	0%	0%
TOTAL ENERGY FOR TRANSPORT^(*)	MJ	723,730,470	90.21%	7.08%	0.82%	1.89%

*

Represents conversion into Megajoules of the consumption of unleaded petrol, diesel, Liquefied Petroleum Gas (expressed in litres) and Compressed Natural Gas (expressed in kg).

TRANSPORT

Total energy for transport: Group breakdown by Business Unit (%) and % variation compared to the previous two years

		Group	Domestic	Brazil	Media	Olivetti
	MJ	723,730,470	90.21%	7.08%	0.82%	1.89%
2013 V. 2012		(2.92)%	(3.67)%	8.40%	(21.83)%	6.11%
2013 V. 2011		(6.45)%	(8.19)%	20.94%	(4.60)%	(1.73)%

TRANSPORT

Total number of vehicles: Group breakdown by Business Unit (%) and % variation compared to the previous two years

		Group	Domestic	Brazil	Media	Olivetti
	no.	20,017	93.86%	4.97%	0.22%	0.95%
2013 V. 2012		(0.94)%	(1.42)%	17.49%	(55.00)%	(5.91)%
2013 V. 2011		(2.79)%	(3.67)%	26.14%	(50.55)%	(9.05)%

TRANSPORT

Total distance travelled: Group breakdown by Business Unit (%) and % variation compared to the previous two years

		Group	Domestic	Brazil	Media	Olivetti
	km	312,370,570	92.64%	5.10%	0.78%	1.48%
2013 V. 2012		(2.94)%	(3.38)%	10.47%	(31.60)%	6.74%
2013 V. 2011		(5.96)%	(7.05)%	16.49%	(1.53)%	(1.74)%

The reduction in energy use for transport is due to the shorter distances travelled by vehicles in Italy, although distances travelled have increased significantly in Brazil.

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

ELECTRICITY PROCURED AND PRODUCED

Electricity consumption: Group breakdown by Business Unit (%)						
		Group	Domestic	Brazil	Media	Olivetti
ELECTRICITY FROM MIXED SOURCES	kWh	2,363,172,937	81.91%	17.11%	0.81%	0.17%
ELECTRICITY FROM RENEWABLE SOURCES	kWh	39,122,154	89.18%	0%	0%	10.82%
TOTAL ELECTRICITY	kWh	2,402,295,091	82.03%	16.83%	0.79%	0.35%

ELECTRICITY PROCURED AND PRODUCED

Total electricity consumption: Group breakdown by Business Unit (%) and % variation compared to the previous two years						
		Group	Domestic	Brazil	Media	Olivetti
	kWh	2,402,295,091	82.03%	16.83%	0.79%	0.35%
2013 V. 2012		0.10%	(1.11)%	10.78%	(24.49)%	(51.29)%
2013 V. 2011		0.03%	(2.07)%	16.37%	(20.97)%	(53.43)%

Group wide energy consumption in 2013 remained substantially unchanged compared to both the previous years, despite the increased volume of traffic of the data handled: in Italy there was a further decrease compared to previous years, while in Brazil there was a significant increase. Generally speaking, the increase in consumption would be much higher, given the development of the telecommunication network and services, if actions were not taken to seek energy efficiency opportunities.

The reduction target set in 2012 for Telecom Italia S.p.A. was achieved.

In accordance with the energy policy adopted, the Group continued to take action in the following areas this year:

- seeking energy saving opportunities, i.e. recovering energy without structural changes but through organic action - e.g. temperature alignment and redefinition of Group policies, improving the efficiency of existing cogeneration plants and energy stations, recalibration of set-points in multi-system sites, cogeneration refrigeration systems, free cooling, disconnection of obsolete equipment;
- technological upgrading and distributed generation work, with investments aimed at achieving “less use at a lower cost”, including free cooling technologies, prioritising air

conditioning, lighting of offices and industrial sites, as well as trigeneration plants (including micro plants), geothermal and other renewable sources;

- work on organization and energy engagement to identify the “enabling factors” for the purpose of achieving energy savings, defining roles aimed at guiding the implementation of initiatives to disseminate the results achieved at all levels and promoting an energy-saving culture in the company.

THE COMMITMENT TO IMPROVING ENERGY EFFICIENCY CONTINUES

Previously launched energy saving initiatives continued and new initiatives were undertaken in 2013 in Italy, including:

- technological modernisation and streamlining of exchange and Radio Base Station (RBS) equipment, involving 650 power stations (2.8% of the total), 591 dedicated air conditioning systems (1.4% of the total) and 1,818 batteries (4.5% of the total);
- as part of the work done on technological systems serving buildings and telecommunication systems:
 - › the programme launched in 2011 to replace traditional (neon and dichroic) lamps with innovative and energy efficient LED⁽¹¹⁾ lighting systems in common areas was completed in 2013. In total, over 350,000 bulbs have been replaced and a saving of over 9 GWh/year has been estimated for every 100,000 replacements made. The benefits of the initiative include the longer life of LED lamps, fewer scheduled maintenance activities and less invasiveness of these activities because lamp replacement doesn't require replacement of the light fixtures, as well as lower environmental impact resulting from the smaller number of fluorescent bulbs being used;
 - › the replacement of lighting fixtures (ceiling lights) has been launched in offices. These new lighting fixtures will be fitted with presence detectors, and will be dimmable according to the amount of lighting from the outside. The programme provides for the replacement of 30,000 lighting fixtures by 2015, using energy efficient LED lamps;
 - › by 2016, Telecom Italia plans to reduce energy use for lighting by 50%, down from the figure of over 80 GWh used in 2011. This objective goes beyond the expectations expressed by the Digital Agenda for Europe, which provides for a reduction of 20% in the amount of electricity used for lighting in 2020, through the adoption of solid state light sources and intelligent management systems;
- as part of the plan to supply power to telephone boxes remotely from telephone exchanges launched in October 2011, a telephone box removal plan was completed in early 2013, resulting in the removal of a total of 27,500 telephone boxes since the beginning of the programme. This has resulted in a total energy saving of 10 GWh/year. The remotely powered telephone boxes are lit with energy efficient LED lights controlled by presence sensors;
- an energy audit programme was launched in the exchanges and Data Processing Centres of the Group's 100 most energy-intensive buildings. Some of the efficiency measures identified following the initial energy audits were implemented during 2013 (around 24 measures). Furthermore, significant work is being carried out at the Bari Data Processing Centre resulting in an estimated annual saving of over 3 GWh. In particular, work was launched to replace cooling systems with new more efficient ones and to remove/reassign existing machines;
- the following projects were launched as part of the work done to increase self-generation:
 - › the transformation of 4 of the 5 micro-cogeneration plants (Asti, Verona, Salerno, Treviso) into trigeneration systems was completed. Adaptation work planned at the Lanciano site is awaiting completion. Once fully operational, these plants will efficiently generate around 5.5 GWh/year;

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

- › 7 new traditional trigeneration plants (bigger than 0.5 MWe) plus 2 plug&play (240 kWe) plants were created. Testing of all the systems launched during the course of the year will be completed within the first half of 2014. Once fully operational, these plants will be able to generate around 70 GWh/year. A further 6 sites were also identified for the creation of plug&play plants, the construction of which was launched at the end of 2013 and will be completed by 2014;
- › the performance of existing trigeneration plants was improved further by increasing the hours of operation in order to bring them into line with the best performer (around 8,000 hours/year). The work done to improve the energy efficiency of trigeneration plants in 2013 was specifically focused on cooling systems, given the specific local energy requirements of the plants serving Data Processing Centres, which use significant amounts of energy and require processing plants and systems to be cooled as well as the neighbouring office premises to be heated. The efficient self-generation of electricity, heat and cooling is achieved by using trigeneration plants sized according to local requirements;
- › installation of photovoltaic panels in 106 smaller sites identified among the fixed network exchanges and Radio Base Stations. This project, which was launched at the end of 2012, was completed in the first half of 2013. Around 1 GWh/year is expected to be saved;
- › construction of an experimental solar cooling system in a medium-sized fixed network site for the production of chilled water for air conditioning by absorption of solar thermal energy. The project was completed in 2013 and will be able to achieve an annual saving of 0.25 GWh;
- the following projects were launched as part of energy management work:
 - › real time energy usage monitoring by submetering across 2,700 sites which account for 53% of Telecom Italia usage (equivalent to 0.5% of electricity use in Italy). This activity provides for the installation of energy metering devices to monitor the electricity used by the core elements of the technology infrastructure, in order to identify and implement efficiency recovery measures;
 - › monitoring the application of temperature alignment policies in Radio Base Stations, in the main fixed network exchanges and in offices. The network of sensors installed and controlled by the Telecom Italia Smart Center allows the operating temperatures and environmental conditions of technological systems and offices to be detected promptly. Constant monitoring and checking of compliance with technical policies and regulations allows abnormal situations or faults to be corrected promptly, thus ensuring optimum environmental and operating conditions, with obvious energy benefits;
- efficiency projects continued in the context of Information Technology, including the following initiatives:
 - › replacement of energy-intensive machines with new lower energy servers;
 - › storage consolidation;
 - › measures aimed at increasing storage efficiency (data rationalisation, storage virtualisation);
 - › installation of additional thin client devices.

All the initiatives identified and launched will allow around 9 GWh/year to be saved when fully operational;
- as part of the Printing on Demand (PoD) activities, in cooperation with the IT function and in order to continue improving efficiency and environmental responsibility practices, during the first half of 2013 printer settings were updated to print on both sides of the sheet, resulting in a further reduction in the use of paper (-20 million A4 sheets per year).

There are also plans to take further measures in 2014:

- improving the efficiency of power stations: the technology chosen for power supply equipment allows high levels of efficiency to be achieved in accordance with industry best practice. Monitoring of electrical performance allows corrective action to be taken to optimise the operation of power stations, minimising the energy wasted by equipment;
- improving Power Usage Effectiveness (PUE) in fixed network exchanges: the data gathered by monitoring systems allow energy performance indicators to be developed, which are used to subdivide fixed network exchanges into efficiency clusters that can be used to prioritise energy efficiency recovery measures;
- developing local operational control systems for compressor and free cooling components in exchanges: this initiative provides for programmable local monitoring systems to be adopted, where they don't already exist, to maximise the use of cooling systems that benefit from heat exchange with the outside environment as a priority over the use of air conditioners, thus minimising the use of energy;
- launching a plan to apply free cooling technology to Shelter and Room Radio Base Stations;
- launching a project to monitor the energy used by thermal heating plants.

A further project being launched, which will involve everyone in the company, is the Energy Engagement project, which includes a public awareness campaign aimed at encouraging "energy efficient behaviour", disseminating the right degree of attention towards energy saving and involving all the Group's resources in reducing energy consumption.

Furthermore, in September 2013, Energy Management services based on the Telecom Italia Smart Center Know How platforms were made available for sale to external customers. During 2013, Telecom Italia was awarded Energy Efficiency Certificates (Titoli di Efficienza Energetica - TEE) for nine projects relating to previous years. Established by ministerial decree of 20 July 2004, TEEs, also known as "white certificates" are issued by GSE⁽¹²⁾ to reward entities carrying out innovative projects resulting in a significant saving of electricity or fuel. One "white certificate" corresponds to 1 TOE (Ton of Oil Equivalent) saved. White certificates have an economic value because they are purchased by entities (such as electricity generation companies) whose activities create CO₂ emissions to offset them against the "credits" purchased from entities who voluntarily achieve energy efficiencies. This makes it easier for the entities that are required to comply to achieve the reduction targets imposed by the Authority, and therefore avoid penalties. The nine projects for which Telecom Italia has been recognised amount to over 23,000 TOE saved per year and to an incremental income of over 16 million euros. A further 18 projects are being assessed that correspond to a saving of over 55,000 TOE per year.

In 2013, Telecom Italia achieved the ISO 50001 certification. This certification represents the best international energy management practice based on national regulations. ISO 50001 supports organisations and companies of all kinds in implementing the processes required to analyse energy consumption (including electricity, gas and water), establish energy performance objectives and indicators to reduce consumption and identify opportunities to improve energy efficiency and reduce waste.

Also with regard to certifications, the ISO 14064 certification process is expected to begin soon. The main purpose of the ISO 14064 standards is to bring credibility and guarantee to greenhouse gas (GHG) reporting and monitoring processes relating to emission declarations by organization and plans to reduce them.

Also in 2013, Telecom Italia renewed an important agreement with the Ministry of the Environment associated with the Carbon Footprint Project. The carbon footprint measures the impact of human activity on the planet, considering both direct and indirect emissions of CO₂ into the atmosphere. The agreement is a further sign of the marriage between in-

¹²

Gestore dei Servizi Energetici (GSE S.p.A.) is the state-owned company which promotes and supports renewable energy sources in Italy - www.gse.it

novation and environmental sustainability that is a distinctive feature of the Italian production system. The Ministry of the Environment has in fact established a task force to assess the environmental footprint and therefore quantify greenhouse gas emissions and work towards reducing them. The Ministry aims to promote effective products and practices to manage and reduce greenhouse gas emissions generated throughout the production chain through voluntary agreements with companies and organizations, including the agreement with Telecom Italia. The specific purpose of the agreement is to work on two areas:

- reducing our customers' emissions by using new technologies and services which allow them to work anywhere (smart working);
- assessing and minimising the environmental footprint of a typical mixed-use Telecom Italia building. An analysis has therefore been launched of a site in Bologna, which will be the first building to have an environmental impact of "almost zero", confirmed furthermore by an ISO 50001 certification.

Eco-efficiency indicator

Telecom Italia measures its own energy efficiency by using an indicator that establishes a relationship between the service offered to the customer in terms of bits transmitted and the company's impact on the environment represented by joules of energy consumed. The factors taken into consideration are the amounts of data and voice traffic of the fixed/mobile networks and energy consumption for industrial purposes (transmission and climate control in exchanges), other purposes (electricity for office use, air conditioning and heating in the offices) and vehicles. The following table and chart show the level of the eco-efficiency indicator over the past three years.

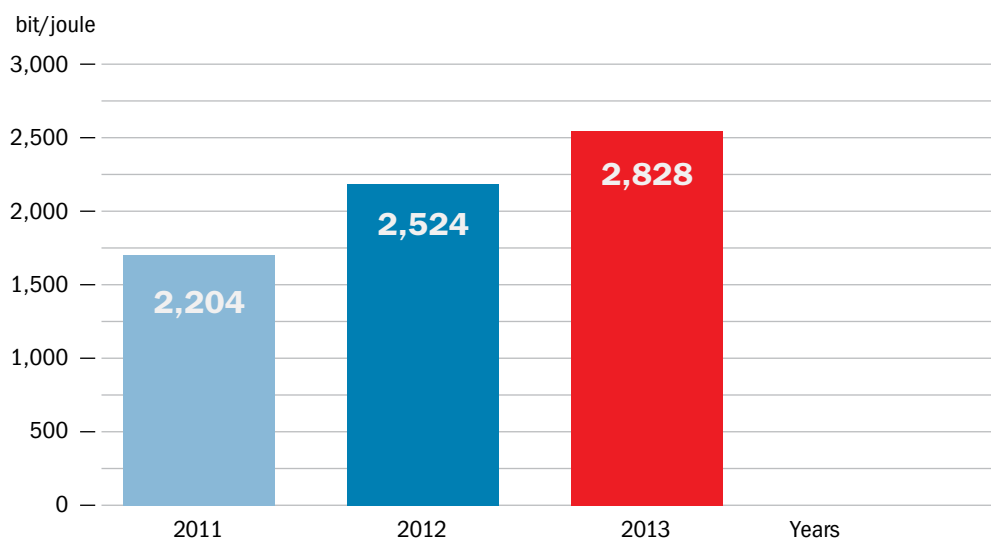
ECO-EFFICIENCY

		Eco-efficiency indicator: current value and % change compared to the previous two years		
		Domestic BU ^(*)	2013 vs 2012	2013 vs 2011
	bit/joule	2,828	12.04%	28.31%

*

In the 2012 Sustainability Report, the figure related to Telecom Italia S.p.A.. As of the 2013 Report, the indicator relates to the Domestic BU. These two coincide because the indicator takes into account the overall traffic generated by Group companies operating nationally and the corresponding energy consumption.

ECO-EFFICIENCY INDICATOR



In 2013, the indicator value again exceeded expectations. An objective of 3,100 bit/joule has been set for 2014, which corresponds to an increase of +9.6% compared to 2013 (see [2014 and Multiannual Targets](#) in the Appendix).

Atmospheric emissions

Greenhouse gas emissions by Telecom Italia and the Group consist almost exclusively of carbon dioxide and are due to the use of fossil fuels for heating, transport and generation of electricity, to the purchase of electricity produced by power companies and to staff travel (for business trips and commuting between home and work). In addition to these, dispersals of hydrochlorofluorocarbons and hydrofluorocarbons (HCFC and HFC) from air conditioning plants are also considered and converted into kg of CO₂ equivalent.

For atmospheric emissions as well, use is made of the Global Reporting Initiative - GRI Version 3 - guidelines, which refer to the definitions of the GHG Protocol, distinguishing between direct emissions (Scope 1: use of fossil fuels for transport, heating, power generation), indirect emissions (Scope 2: purchase of electricity for industrial and civil use) and other indirect emissions (Scope 3). Unless otherwise stated, the atmospheric emission figures given in this Report have been calculated based on the updated coefficients made available by the GHG Protocol⁽¹³⁾.

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

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Emissions relating to the consumption of electricity purchased in the Italian market have been calculated by using the latest coefficient (2009) calculated by the GHG Protocol - which considers the national energy mix - equal to 386 grams of CO₂/kWh. For Brazil, the average coefficients for 2011, 2012 and 2013 have been used, as calculated and published by the Ministério da Ciência, Tecnologia e Inovação (Ministry of Science, Technology and Innovation), of approximately 29.2, 65.3 and 96 (the latter remains to be confirmed) grams respectively of CO₂/kWh. This trend displays an increasing tendency by Brazil to use fossil fuels.

ATMOSPHERIC EMISSIONS

Direct emissions of CO ₂ under Scope 1 GRI: Group breakdown by Business Unit (%)						
		Group	Domestic	Brazil	Media	Olivetti
CO ₂ EMISSIONS FROM TRANSPORT	kg	53,905,899	90.55%	6.72%	0.82%	1.91%
CO ₂ EMISSIONS FROM HEATING	kg	45,378,959	95.01%	0%	0%	4.99%
EMISSIONS OF CO ₂ EQUIVALENTS FOR HCFC/HFC(*) DISPERSALS	kg	11,849,200	100%	0%	0%	0%
CO ₂ EMISSIONS FROM ELECTRICITY GENERATION BY COGENERATION	kg	43,354,080	100%	0%	0%	0%
CO ₂ EMISSIONS FROM ELECTRICITY GENERATION USING DIESEL	kg	2,869,311	80.57%	16.16%	3.22%	0.05%
TOTAL DIRECT EMISSIONS OF CO₂ - UNDER SCOPE 1 GRI	kg	157,357,449	94.97%	2.60%	0.34%	2.09%

*

Hydrochlorofluorocarbons (HCFC) and hydrofluorocarbons (HFC), in terms of equivalent CO₂ emissions are determined by reference to specific Global Warming Potential (GWP) parameters for the two gases: the index is based on a relative scale that compares the gas considered with an equal mass of carbon dioxide with a GWP of 1. The GWP of HCFC used was 1,780 and that of HFC was 1,300.

ATMOSPHERIC EMISSIONS

Total direct emissions of CO ₂ under Scope 1 GRI: Group breakdown by Business Unit (%) and % variation compared to the previous two years						
		Group	Domestic	Brazil	Media	Olivetti
	kg	157,357,449	94.97%	2.60%	0.34%	2.09%
2013 V. 2012		8.66%	9.58%	7.68%	(25.87)%	(16.13)%
2013 V. 2011		(2.61)%	(2.37)%	7.63%	(20.73)%	(18.51)%

ATMOSPHERIC EMISSIONS

Indirect emissions of CO ₂ under Scope 2 GRI: Group breakdown by Business Unit (%)						
		Group	Domestic	Brazil	Media	Olivetti
CO ₂ EMISSIONS FROM PURCHASES OF ELECTRICITY GENERATED BY MIXED SOURCES	kg	763,175,702	93.75%	5.08%	0.96%	0.21%
TOTAL INDIRECT EMISSIONS OF CO₂ - UNDER SCOPE 2 GRI	kg	763,175,702	93.75%	5.08%	0.96%	0.21%

ATMOSPHERIC EMISSIONS

Total indirect emissions of CO ₂ under Scope 2 GRI: Group breakdown by Business Unit (%) and % variation compared to the previous two years						
		Group	Domestic	Brazil	Media	Olivetti
	kg	763,175,702	93.75%	5.08%	0.96%	0.21%
2013 V. 2012		0.51%	(1.14)%	62.89%	(24.53)%	(22.80)%
2013 V. 2011		1.41%	(2.10)%	283.32%	(21.02)%	(32.78)%

ATMOSPHERIC EMISSIONS

Other indirect emissions of CO ₂ - under Scope 3 GRI: Group breakdown by Business Unit (%)						
		Group	Domestic	Brazil	Media	Olivetti
CO ₂ EMISSIONS FROM WORK-HOME COMMUTING(*)	kg	64,031,153	93.37%	5.32%	0.15%	1.16%
CO ₂ EMISSIONS FROM AIR TRAVEL(**)	kg	15,060,647	68.64%	31.36%	0%	0%
TOTAL OTHER INDIRECT EMISSIONS OF CO ₂ - UNDER SCOPE 3 GRI	kg	79,091,800	88.66%	10.28%	0.12 %	0.94%

*

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

**

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

ATMOSPHERIC EMISSIONS

Total other indirect emissions of CO ₂ under Scope 3 GRI: Group breakdown by Business Unit (%) and % variation compared to the previous two years						
		Group	Domestic	Brazil	Media	Olivetti
	kg	79,091,800	88.66%	10.28%	0.12 %	0.94%
2013 V. 2012		(0.42)%	0.44%	(5.26)%	(3.45)%	(19.67)%
2013 V. 2011		(4.48)%	(4.17)%	4.92%	(84.64)%	(40.21)%

ATMOSPHERIC EMISSIONS

Total CO ₂ emissions: Group breakdown by Business Unit (%) and % variation compared to the previous two years						
		Group	Domestic	Brazil	Media	Olivetti
	kg	999,624,951	93.54%	5.10%	0.80%	0.56%
2013 V. 2012		1.64%	0.55%	40.93%	(24.42)%	(18.58)%
2013 V. 2011		0.27%	(2.30)%	135.39%	(24.83)%	(26.41)%

The Group's total CO₂ emissions grew by an insignificant amount compared to the previous year. The following are a number of considerations on how individual items contributed to the overall result:

- reduction of emissions due to lower consumption by vehicles;
- increase in CO₂ equivalent emissions relating to HCFC and HFC gases used in air conditioning plants;
- increase in emissions attributable to cogeneration, resulting from the company's decision to invest more in this technology, with positive financial and environmental benefits. The increase is in any case offset by the lower amount of power purchased from the grid, which overall has led to a positive balance being achieved in terms of emissions;
- slight increase in emissions from diesel electricity generators in situations where the electricity distribution network is unavailable;
- slight increase in emissions resulting from electricity consumption;
- increase in emissions from business air travel by employees, which would have been greater if less recourse had been made to audio and video-conferencing.

WATER CONSUMPTION

Water consumption: Group breakdown by Business Unit (%)						
		Group	Domestic	Brazil	Media	Olivetti
CONSUMPTION OF WATER DRAWN FROM ARTESIAN WELLS	m ³	367,910	0%	0%	0%	100%
CONSUMPTION OF WATER DRAWN FROM SUPPLY COMPANIES	m ³	4,509,603	95.14%	4.65%	0.01%	0.20%
CONSUMPTION OF WATER DRAWN FROM OTHER SOURCES	m ³	20,276	0%	100%	0%	0%
TOTAL WATER CONSUMPTION^(*)	m ³	4,897,789	87.60%	4.69%	0.01%	7.70%

*

The significant impact of the Olivetti BU is due to drawings from artesian wells by the industrial component.

WATER CONSUMPTION

Total water consumption: Group breakdown by Business Unit (%) and % variation compared to the previous two years						
		Group	Domestic	Brazil	Media	Olivetti
	m ³	4,897,789	87.60%	4.69%	0.01%	7.70%
2013 V. 2012		(14.13)%	(5.41)%	6.87%	(97.21)%	(59.80)%
2013 V. 2011		(12.40)%	(4.40)%	28.35%	(97.28)%	(58.53)%

Water consumption, particularly by the Olivetti BU, fell significantly due to a more accurate assessment of consumption based on invoicing data recorded.

Paper

PAPER FOR OFFICE USE

Paper purchased: Group breakdown by Business Unit (%)						
		Group	Domestic	Brazil	Media	Olivetti
NON-RECYCLED PAPER PURCHASED	kg	2,994	49.77%	50.23%	0%	0%
RECYCLED PAPER PURCHASED	kg	2,089	0%	100%	0%	0%
FSC CERTIFIED PAPER PURCHASED	kg	356,640	83.08%	13.63%	0.14%	3.15%
TOTAL PAPER PURCHASED	kg	361,723	82.32%	14.43%	0.14%	3.11%

PAPER FOR OFFICE USE

Total paper purchased: Group breakdown by Business Unit (%) and % variation compared to the previous two years						
		Group	Domestic	Brazil	Media	Olivetti
	kg	361,723	82.32%	14.43%	0.14%	3.11%
2013 V. 2012		(21.96)%	(21.76)%	(17.22)%	(94.82)%	12.50%
2013 V. 2011		(33.11)%	(33.13)%	(31.09)%	(94.75)%	12.50%

Purchases of paper for office and commercial use (telephone bills) continue to be directed at product types that meet the highest environmental standards based on the responsible management of forests according to the Forest Stewardship Council (FSC, see fsc.org) requirements.

The reduction in paper consumption for office use shown in the table is in line with a historical trend resulting from work done to raise awareness about the responsible use of paper in the workplace and rationalisation of energy use through the “printing on demand” project, which provides for the use of shared high performance printers and settings that save energy and consumables. Activities continued with the aim of achieving overall reductions in the use of paper for business purposes, including the promotion among customers of electronic invoices and statements.

During the course of 2013, the first billboard campaign was launched using FSC paper (2,462 kg compared to the 36 tonnes of paper used for billboards in total). In 2014, this initiative will be extended to all Telecom Italia billboard advertisements, which are estimated to amount to around 30 tonnes of paper in total.

The collection of sorted waste in offices, organised in all the company's office premises, allowed almost 20,000 tons of paper to be sent for recycling during 2013, achieving the objective set in 2012.

Waste

The data shown in the table refer to the quantity of waste consigned⁽¹⁴⁾ and recorded by law⁽¹⁵⁾.

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

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Slight variations compared to the situation on December 31 may occur until the following March 30, because the source of the data is the records of waste loaded and unloaded, which are consolidated once the actual weight at destination has been verified. The information is supplied to the producer of the waste within three months of consignment, which is the reason for the potential variations in the data.

WASTE CONSIGNED

Waste consigned: Group breakdown by Business Unit (%)						
		Group	Domestic	Brazil	Media	Olivetti
HAZARDOUS WASTE	kg	5,180,570	93.41%	6.06%	0%	0.53%
NON-HAZARDOUS WASTE	kg	11,310,588	93.91%	3.50%	0.14%	2.45%
TOTAL WASTE CONSIGNED(*)	kg	16,491,158	93.75%	4.31%	0.10%	1.84%

*

The data does not include the Domestic BU telephone poles because these are not disposed of as ordinary waste but under the framework agreement signed in 2003 with the Ministry of the Environment, the Ministry of Production Activities and the production and recovery companies, subject to the favourable opinion of the conference of State-Regions-Autonomous Provinces. In 2013, Telecom Italia decommissioned 138,224 poles weighing a total of 11,057,851 kg.

WASTE CONSIGNED

Total waste consigned: Group breakdown by Business Unit (%) and % variation compared to the previous two years						
		Group	Domestic	Brazil	Media	Olivetti
	kg	16,491,158	93.75%	4.31%	0.10%	1.84%
2013 V. 2012		(14.63)%	(14.34)%	8.52%	(86.45)%	(38.35)%
2013 V. 2011		(17.85)%	(16.44)%	(23.23)%	(86.04)%	(42.56)%

WASTE CONSIGNED

Waste sent for recycling or recovery: Group breakdown by Business Unit (%)						
		Group	Domestic	Brazil	Media	Olivetti
WASTE SENT FOR RECY- CLING OR RECOVERY	kg	15,091,886	95.47%	2.93%	0%	1.60%
% WASTE SENT FOR RECYCLING OR RECOVERY		91.52%	93.19%	62.34%	0%	79.39%

Waste data varies over time according to the quantities and types delivered to the companies contracted to treat it. The most important item of data for Telecom Italia's purposes is the ratio between waste produced and consigned for recycling/recovery, which has grown to a significant level.

Ministerial Decree No. 65 of March 8th, 2010 (published in the Gazzetta Ufficiale, Italy's

Official Journal, on May 10th, 2010) implemented the collection of Waste Electrical and Electronic Equipment (WEEE) by all Telecom Italia sales channels as of June 18th, 2010, resulting in the company's registration as a "distributor" in the national Register of environmental managers.

In 2013, Telecom Italia regenerated a large amount of its technical equipment (5,021 data transmission devices, 23,759 voice products, 15,510 ISDN devices and 49,582 public telephony devices) and commercial equipment (including 23,652 modems and other fixed line products and 105,847 mobile phone products). This activity has a dual purpose: contributing to a reduction in WEEE produced while at the same time generating a financial benefit resulting from the difference between the cost that would be incurred for the purchase of new equipment and the cost of regeneration.

Telecom Italia has entered into contracts aimed at recovering end-of-life products and materials, in order to reclaim components and raw materials. This allowed the landfill disposal of 791,385 products to be avoided and tangible financial benefits to be gained from their recovery.

Electromagnetic emissions

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

- careful management of its equipment during its entire life cycle and in compliance with current regulations and internal standards of efficiency and safety;
- deployment of, and constant research into, the latest technological instruments for checks and controls;
- systematic monitoring of the levels of electromagnetic emissions in installations, aimed at ensuring that legal limits are respected and high safety standards are maintained for workers and the general population. According to the checks carried out in Italy, the electromagnetic emissions generated are well within legal limits;
- as part of the certification of mobile phones sold on the market under the TIM brand, TILab performs tests on all technologically innovative products to check the SAR (Specific Absorption Rate) declared by suppliers. This parameter estimates the quantity of electromagnetic energy per unit of body mass absorbed by the human body in the event of exposure to the electromagnetic field generated by mobile handsets. Telecom Italia certifies and sells through its sales network only mobile handsets with a SAR value lower than the limit set by European legislation. In determining this conformity Telecom Italia complies with the instructions given in the ICNIRP (International Commission on Non-Ionizing Radiation Protection) guidelines and subsequent declarations of conformity⁽¹⁶⁾. This qualification, which is carried out during the pre-marketing stage, when Telecom Italia does not often have the SAR value declared by the supplier, makes the test more valuable than a simple quality control check;
- joint activities taking place with a number of ARPAs (regional environmental protection agencies) to assess the electromagnetic fields generated by RBSs, considering the actual power transmitted based on traffic and power control mechanisms, in accordance with changes to the Prime Ministerial Decree of 8/7/2003 contained in the Decree Law on Growth 179/2012. Similar attention is paid to the emissions from mobile handsets using the frequency bands operated by Telecom Italia.

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

3.4 CLIMATE CHANGE

The Green Economy is recognised as the driving force for sustainable development and the eradication of poverty. The Information and Communication Technology (ICT) sector can make a significant contribution to developing the economy, improving energy efficiency and combating climate change, as demonstrated by several studies and analyses of the ICT industry, recently confirmed by the SMARTer 2020⁽¹⁷⁾ Report published in December 2012 by the Global e-Sustainability Initiative.

The Group's approach to the fight against climate change is based on three synergistic levels of action:

- reducing its own direct and indirect emissions of greenhouse gases;
- limiting the emissions of other sectors and customers in general by supporting virtualisation and the provisions of services that promote new ways of working, learning, travelling and living;
- contributing to disseminating a culture based on a correct approach to environmental issues inside and outside the company.

THE ICT SECTOR CAN HELP TACKLING CLIMATE CHANGE

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The report entitled "GeSI SMARTer 2020: The Role of ICT in Driving a Sustainable Future" is an update of the SMART2020 report published in 2008.

Reduction of emissions

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

For details of current activities aimed at reducing emissions see the [§ Environmental performance/Energy](#) and [Environmental performance/Atmospheric emissions](#).

Telecom Italia as part of the solution

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

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

TELECOM ITALIA AIMS AT DEVELOPING PRODUCTS AND SERVICES HAVING LOW ENVIRONMENTAL IMPACT

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

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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.

In 2013, Telecom Italia held over 1,000 audio conferences and around 5,260 video-conferences between its offices in Rome and Milan, managing these centrally and prioritising video connections, which grew in relative terms compared to the previous year. Particularly as a result of the introduction of a specific automatic booking portal for audio and video conferencing services, employees independently held over 27,718 video conferences (+48% compared to 2012) and 72,729 audio conferences (+27% compared to 2012). The use of these communication systems is estimated to have allowed a significant amount of carbon dioxide (and other pollutants) associated with the use of means of transport⁽¹⁸⁾ to be avoided.

3.5 PRODUCT RESPONSIBILITY

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

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

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

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

Telecom Italia Green

At the end of the 1990s, Telecom Italia launched a series of internal research and development activities to build terminals with a reduced environmental impact. In order to improve the environmental efficiency of products offered to private and business customers alike, attention has to be paid to their energy aspects, optimising consumption while meeting the needs of the services delivered and applying “Design For Environment” rules that reduce their environmental impact, particularly during the production phase and the end-of-life management of equipment.

Pursuing and expanding this logic, the Telecom Italia Green logo has been created to identify both Telecom Italia’s “green” initiatives and projects and eco-friendly products.



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

The Green range includes a number of products developed with the assistance of suppliers and dedicated to business and consumer customers alike.

In the Home Networking field, the internal project to optimise the environmental aspects of digital home service developments continued with the creation of eco-efficient solutions for access gateways, network terminations, fixed and mobile terminals and wireless access points.

- Distribution continues of the “Wi-Fi N Access Gateways” in the new “Telecom Italia Green” product range. Deployment is under way of the new high end “AG ADSL FIBRA” modem associated with NGAN⁽¹⁹⁾ offers, to which the same principles of energy and environmental optimization previously tested on the first product have been applied. Furthermore, the green range now includes the “Fritzbox! 7270” product made by AVM and used by Telecom Italia to support small businesses. In addition to performing well in terms of reducing consumption, this device is particularly eco-friendly, as detailed in the Telecom Italia Green pages of the telecomitalia.com portal. The products in the range are accompanied by an environmental declaration that demonstrates the improvements achieved in terms of energy efficiency and eco-design.

For these “modem/access gateway” product categories, Telecom Italia has applied to the Italian electricity and gas regulator AEEG.⁽²⁰⁾

The most recent environmental declarations issued relate to cordless and corded telephone terminals (Sirio Maxi, e-Pure, Facile Mini, Sirio Classico). The declaration for the fourteenth product in the range (the Facile Maxi cordless phone) is nearing completion. The production of environmental declarations for the products in the Green range is made possible thanks to the close relationship with suppliers, and as regards the basic template for type III product environmental declarations, EPD System approved the proposal made by Telecom Italia and the Polytechnic of Turin regarding Product Category Rules (PCR) for home gateways, to be adopted as a guidelines for producing environmental labels based on LCA (Life Cycle Assessment) analysis data. The reference is the ISO 14025 “Environmental Declarations - Type II (EPDs)” standard.

Field testing is nearing completion on a “smart home” energy use monitoring service, centred on an application hosted by a prototype Access Gateway modem equipped with software modularity (OSGi⁽²¹⁾ technology). The testing is based on a technical solution developed by the Energy@Home association, led by TI, and is intended to demonstrate the amount of savings that could be made by adopting a system to monitor consumption, forcing the monitored devices to operate with low power consumption, avoiding overloads and encouraging good behaviour by end customers with a view to saving energy.

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Next Generation Access Network

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Autorità per l'Energia Elettrica, il Gas e il Sistema Idrico - www.autorita.energia.it

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Open System Gateway initiative - www.osgi.org





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

4. THE COMMUNITY

4.1 STRATEGY

The Group companies intend to contribute to the prosperity and growth of communities by delivering efficient and technologically advanced services.

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

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

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

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

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

*

In this chapter, only those products/services provided at no charge are reported, while those which, although they have a significant impact on the community, are provided for payment, are included in the [§ Customer](#).

**

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

4.2 RELEVANT STAKEHOLDERS

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

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

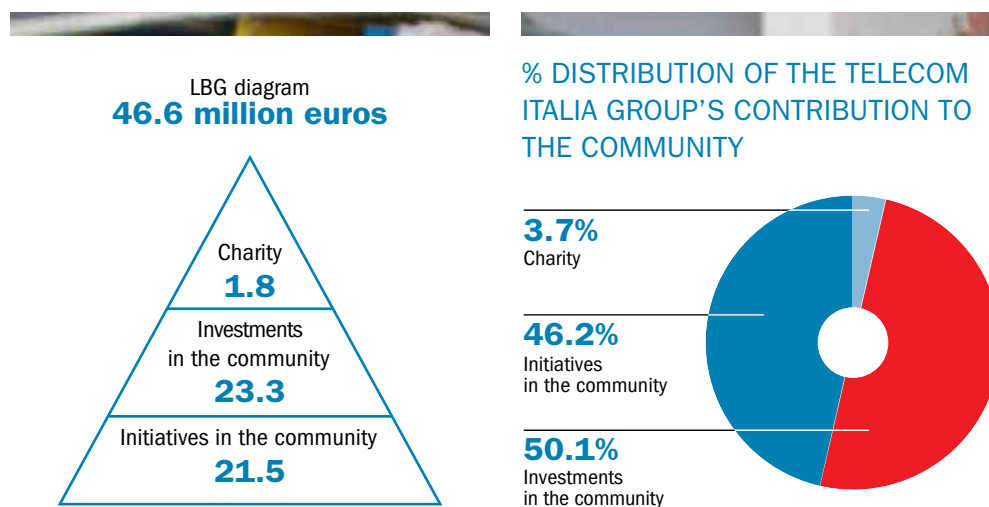
4.3 HOW THE CONTRIBUTION TO THE COMMUNITY IS MEASURED

The contribution made to the community by the Telecom Italia Group, calculated according to the London Benchmarking Group (LBG) guidelines, amounted to 46.6 million euros in 2013 (36.4 million euros in 2012).

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

More than 100 major international companies subscribe to the LBG, which was founded in 1994 and is the global goldstandard for the classification of voluntary contributions made by companies in favour of the community.

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



4.4 RESPONSES TO THE STAKEHOLDERS

Initiatives consistent with the core business

By way of example, here are some of the projects carried out in 2013 in response to the needs of the Community using the technologies that underlie the provision of services by Telecom Italia.

Fund raising

Fund raising is of particular importance, especially in dealing with emergencies. For over ten years, Telecom Italia has been a key player in the solidarity chain associated with humanitarian, scientific or environmental projects, which it supports by allowing people to make a donation of 1 or 2 euros by sending a text message and of 2, 5 or 10 euros by calling a dedicated free number from a land line.

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

111 fund raising events were organised in 2013 and a total of around 18 million euros were collected.⁽²²⁾

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

Digital Inclusion

Telecom Italia has been developing and supporting media education projects for a long time, with the aim of raising the awareness of young people to make an informed use of the Internet and stimulate the interest of senior citizens in new digital technologies, with the aim of gradually developing understanding and sensitivity to the digital phenomenon as a whole.

The main initiatives implemented in 2013 are listed below:

- Navigare Sicuri is the project aimed at educating children, teenagers and their teachers to make an informed and responsible use of the Internet and digital media, developed in association with the Italian Ministry of Education, the Movimento Bambino Foundation, Save The Children and Atlantica. Important issues were tackled in the three-year period 2010-2013, including: grooming, cyberbullying, identity theft, sexting, internet addiction disorder, piracy, during meetings held in 40 cities in 20 regions, 252 primary and middle schools (76 in 2012-2013), with over 80,000 students trained using the promotional material (30,000 in 2012-2013). The project website has over 200,000 unique visitors, with 50,000 likers on Facebook and 20,000 followers on Twitter. The awards achieved include the memorandum of understanding with the Italian Ministry of Education, inclusion in the ITA-EU CSR plan and the endorsement as a best practice by FOSI (Family Online Safety Institute);
- The Anche io ho qualcosa da dire (I have something to say too) project was developed in 2013, involving over 30,000 students in self-organised meetings held in three cities with experts on different aspects of online safety for children: education, medicine, paediatrics, psychology, social, legal and technical computing, which also received the attention of the President of Italy, Giorgio Napolitano, in a message sent for the inaugural stage;
- Navigare Insieme is the project dedicated to ensuring the digital inclusion of the over 60s, following on from Telecom Italia's previous digital education projects for the elderly: Internet Saloon and Telemouse. Training activities took place until May 2013, with 200 courses in 104 schools and 33 "digital workshops" in 16 cities, thanks to 3,000 students and volunteers from 7 associations, and online, thanks to the involvement of experts from the world of the Internet with a web-based e-learning path.

Over 10,000 over 60s were trained, while the project's website recorded around 100,000 unique visitors, with 28,000 likers on Facebook and 16,000 followers on Twitter.

Culture and Digital Technology

In 2009, Telecom Italia began to work with major Italian artistic and cultural organisations to develop projects aimed at bringing excellent cultural content together with digital language, making the most of the interaction opportunities offered by the Internet.

Telecom Italia assumed a role recognised by partners involved in digital dissemination initiatives in the fields of music (National Academy of Saint Cecilia, Music for Rome Foundation), opera (Fondazione Lirico Sinfonica Petruzzelli e Teatri di Bari), literature (Festival of Literature), science (Festival of Science, MUSE), classical art (Villa Borghese Museum), contemporary art (MAXXI, AMACI) and performance art (Romaeuropa Foundation), highlighted in particular by the first Premio Cultura + Impresa awarded to the Company by the Cultura + Impresa non-profit committee dedicated to the best partnerships and sponsorships created in Italy in the field of culture.

These initiatives also allow exclusive opportunities to be created for the Group's employees, increasing the sense of belonging thanks to initiatives such as dedicated visits (Villa Borghese, MAXXI, Romaeuropa Festival, Digital Life, Giornata del Contemporaneo) or attending dedicated concerts or events (Family Concert, Festival of Science).

The partnership with the National Academy of Saint Cecilia is part of the PappanoinWeb project designed to bring classical music to the web and which, in 2013, its third year, attracted over 50,000 users (150,000 over three years) to the 3 concerts conducted by Antonio Pappano and broadcast live on the telecomitalia.com website in streaming mode, plus 1 million users via Twitter.

In 2013, the partnership with Fondazione Lirico Sinfonica Petruzzelli e Teatri di Bari implemented the OperainWeb project, broadcast live opera on the telecomitalia.com website, with over 12,000 users connected in streaming mode, and the OperainClasse project, an educational show designed for teenagers.

The partnership with the 2013 Mantua Festival of Literature 2013 testifies to the Company's commitment to disseminating contemporary cultural experiences, with over 30 open meetings featuring some leading contemporary and emerging Italian writers. The event was attended in person by over 200,000 people and 22,000 guests took part in 60 hours of programming promoted by Telecom Italia, broadcast live on the telecomitalia.com website with around 20,000 users connected in streaming mode and 800,000 users reached via Twitter. The partnership with the Genoa Festival of Science promotes national and international scientific experiences thanks to a web platform which has been enriched with original content since 2010. The event was attended in person by over 200,000 people, with workshops and events promoted by Telecom Italia and broadcast live on the telecomitalia.com website with around 20,000 users connected in streaming mode and 850,000 users reached via Twitter.

The partnership with the Romaeuropa Foundation, which aims to promote performance art by combining new digital technologies, developed the Metamondi project in 2013 with 4 events selected from the Festival programme broadcast live in streaming mode to over 12,000 connected users, and the modern digital art exhibition Digital Life 2013 – Liquid Landscapes at MACRO Testaccio di Roma, with over 13,000 visitors. The partnership with MUSE of Trento developed the “Digital Way of Living” exhibition to make digital technology and the digital revolution more tangible. Through the ArteinWeb project, the partnership with the Villa Borghese Museum and Gallery allowed a new concept of artistic fusion to be developed in which universally recognised works of art are reinterpreted according to the principles of digital technology, particularly photography thanks to the “Candida Hofer” exhibition. The partnership between Telecom Italia and MAXXI implemented the MAXXlinWeb project aimed at promoting contemporary art by combining new digital technologies through dialogue with the main exponents of contemporary art and architecture, delivered in streaming mode to over 20,000 users and during internal exhibitions held in company offices.

Initiatives for general community development

The Telecom Italia Group companies are particularly attentive to the needs of the Community in which they operate and implement wide-ranging initiatives and projects dedicated to their social and economic development.

The Telecom Italia Foundation

The Telecom Italia Foundation (TIF) expresses the social commitment of Telecom Italia, from which it has inherited its founding ethical principals, its spirit of technological innovation, its attention to local issues and its strong sense of responsibility towards the community, which are part of the Group's DNA.

The values that have defined the identity of the TIF over time are:

- creative intuition linked to the spirit of technological innovation;
- local creative mastery;
- focus on social issues, as a commitment to the community.

Through replicable and measurable models based on the use of technologies, the mission is to promote and support the three areas in which it focuses its

activities and resources:

- in the social field, with educational and support initiatives dedicated to vulnerable or otherwise disadvantaged people;
- in enhancing projects applied to education, training and scientific research;
- in protecting historic and artistic heritage, developing ways of using and disseminating knowledge of the heritage itself.

It is a corporate foundation with a management fund tied to the profitability of the Telecom Italia Group, consisting of 0.5 per thousand of the consolidated EBITDA for the previous year. In 2013, the TIF received funding of 5.8 million euros from Telecom Italia.

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

TOOLS	• The Telecom Italia Foundation operates through invitations to tender and open calls, in response to which non-profit entities and associations are entitled to submit projects. The by-laws also allow the Foundation to provide direct funding for particular projects it considers to be consistent with its operating vision.
GEOGRAPHICAL AREAS OF ACTION	• Italy is the main geographical area of activity, but in April 2013, the TIF implemented its first international project in Brazil (Italy-Brazil: educating new global citizens) in partnership with Oxfam Italia.
STRATEGIC OBJECTIVES	• Anticipating and predicting the needs of the community. • Acting as a discoverer/facilitator of new development models that may set examples for the voluntary sector. • Finding concrete solutions to unresolved problems and new solutions to problems that have not been appropriately addressed, as well as promoting the dissemination of successful solutions.
PROJECT SELECTION AND MONITORING	• Selection takes place by considering the social impact of projects, which must be measurable, sustainable and replicable, and giving priority to projects which, in keeping with Telecom Italia's DNA, have a high technological content. • The monitoring system is established according to the specific characteristics and objectives of each project. Monitoring is a requirement for all projects, whether selected by tender or directly. As well as being an eligibility requirement, it also provides an assessment parameter.

In 2013, funding was disbursed for 43 projects, including 22 new ones. The main initiatives in 2013 are listed below.

Open Call on communication impairments

With the open call launched in February 2013, TIF decided to focus on language disorders, which account for over 70% of neuropsychiatric conditions in children and which the WHO says are a warning bell for mental health, considering that in 2/3 of cases they tend to develop into psychiatric disorders in adolescence and adulthood unless dealt with appropriately.

205 projects were received and out of these 3 winners were selected:

1. Volis Project

Hearing loss affects 70,000 people in Italy. The Volis project aims to develop Italian sign language (LIS) and verbal language comprehension tests with the help of lip reading and all the available language techniques that can be used with deaf or hearing children with communication or language impairments associated with developmental disorders, such as intellectual disabilities and autistic spectrum disorders. These tests will be implemented on an online platform accessible to all the professionals involved (communication assistants, educators, teachers, speech therapists, psychologists, child neuropsychiatrists), subject to registration and authentication. The cloud-based platform will record the answers given by the child being tested, producing a score that will be related to the child's medical history in order to determine the level of understanding of sign language by the child and make any clinical treatment proposals. Furthermore, the protocol created will be made available in OpenAPI mode.

2. SI DO RE MI Project

Autism affects 1 in 150 children in Italy. There are over 6.2 million children currently between the ages of 1 and 12 years old. The number of children interested by the project is therefore estimated to be around 42,000. The project provides for the development of a system that uses cloud computing to control sound and music generated by the gestures of children affected by autism. The acoustic feedback thus created is intended to emphasise and stimulate interaction with the surrounding world. The data related to children interacting with the system is monitored remotely by specialists to analyse trends in the disorder.

3. Cinque Petali (Five Petals) Project

Cinque Petali, a project run by the Piacenza local health authority, is dedicated to children with language/learning disorders. It aims to strengthen the technological tools available to support rehabilitation and develop preventive action for children, with a view to reducing the occurrence of forms of behaviour during development that can develop into psychiatric disorders in adolescence and adulthood. The Piacenza local health authority intends to support all the 2,850 children in its care who are affected by serious communication impairment with a diagnosis of developmental disorders (1,476). The project intends to supply 100 iPads equipped with the main compensatory computer programs (which children will use at school, at home and in their leisure time) with individual and customised paths aimed at ensuring independent communication, integration and interaction for socialising with their peers, networking and constant monitoring of the child by the health-care system.

Tenders launched by the Foundation

Invisible assets, places and mastery of traditional crafts

July saw the end of a new tendering process in which the “invisible assets” of historic and artistic heritage are associated with the recovery and reassessment of ancient crafts. The tendering process aims to demonstrate that creative spirit is alive in Italy and makes the country unique. This spirit can be combined with the enabling technologies of the web and digital connections, which are a vital component of the tender, as they provide a driving force for Italian culture and economy as a whole, promoting the tendered project both in Italy and abroad.

The tender process attracted great interest among non-profit organisations, municipalities and universities.

Projects received: 478 - Towns interested: 272 - Crafts involved: 168

Promoting the integration of foreign citizens

TIF launched a tender process for “Promoting the integration of foreign citizens by using technological platforms”. The purpose of this tender is to help towns with a resident population of over 50,000 inhabitants, where at least 9% of the population are foreign, to improve knowledge of the services available for foreign users, guiding users and operators and making it easier for them to use the available services by creating portals, communication points in the main meeting places and specific free apps.

Projects received: 25 out of 56 municipalities eligible (45%) - Regions involved out of the number eligible to take part (9 out of 11 = 81%).

Other significant projects launched in 2013

Italy-Brazil project: educating new global citizens project

Working with Oxfam Italy, TIF implemented its first international project in Brazil. The project aims to create an Educational Social Network between 20 secondary school classes in Brazil (São Paulo area) and secondary schools in Italy, involving and training 20 teachers and over 500 students to form a learning community. The aim is to contribute to the fight against poverty and social exclusion, strengthening the quality of educational processes and improving dialogue and participation between the new citizens of the world through an educational exchange on issues of active citizenship, the protection of environmental resources and access to new technologies.

I speak Italian

TIF and the Italian Ministry of Education, Universities and Research are supporting the “Io parlo italiano” (I speak Italian) project run by 75 schools in eight Italian regions and aimed at promoting the integration of foreign students arriving in Italy as teenagers without speaking the language. The project provides a language laboratory crash course in Italian during school hours and language support outside school.

AgendaImpegno

For the second year running, TIF and Telecom Italia have been working with “Libera Associazione contro le Mafie”, an association founded by Father Luigi Ciotti, on a new project that aims to encourage, action, contributions and discussions on important issues ranging from respect for the Italian constitution to the right to work, from environmental protection to the fight against poverty, all through a dedicated space on the Internet.

Initiatives involving employees

TIF is also very careful to look within the Company with initiatives that promote the volunteering spirit of its employees actively engaged in social work with non-profit organisations.

In 2013, TIF launched Fondazione Italiax10, an initiative involving the Group's employees in presenting projects, in partnership with their favourite charities, in three areas: violated rights, care and support for dependent elderly people and combating poverty. A competition held on the Company's intranet resulted in 10 winning projects being selected, the best of which will be supported by TIF with a financial contribution.

Projects received: 66, votes vast on the intranet by employees 10,000.

In 2013, TIF also launched a corporate volunteering initiative involving many employee "angels" from all over Italy who passionately and enthusiastically support TIF in its philanthropic activities. The first activity in which Telecom Italia employees were asked to participate was the assessment of projects received in response to the "Invisible assets, places and mastery of traditional crafts" call for tenders.

For further information regarding the strategy and projects of TIF go to the fondazionetelecomitalia.it website.

Tim Participações

The social investment strategy implemented by Tim Participações aims to promote the social inclusion of disadvantaged groups in Brazilian society, particularly children and teenagers, by running education programmes that support the corporate "without borders" concept even in the social sphere.

In 2013, the TIM Institute was founded with the aim of defining strategies and providing resources for the dissemination of science and innovation to

support the development of the community in Brazil, particularly by means of mobile technology.

Four areas of activity were identified in which to develop projects:

- education
- application
- work
- social inclusion

TOOLS

- Partnerships with organisations, institutions and public and private entities.

GEOGRAPHICAL AREAS OF ACTION

- The whole country.

STRATEGIC OBJECTIVES

- Implementation of educational projects for the social inclusion of young people and teenagers.
- Implementation of training projects to encourage daily use of the Internet and mobile phones as tools for social development and inclusion.

PROJECT SELECTION AND MONITORING

- Projects are selected according to their relevance to the company's strategies and requirements.
- Initiatives are monitored and a final evaluation is carried out on completion. A report is drawn up for each project that provides a detailed description of the initiative and the results achieved, also in quantitative terms.

Maths Club

The poor quality of maths teaching is a serious obstacle to people acquiring the specific skills needed for innovative and technological development in Brazil. In order to overcome this, a creative and participatory way of teaching maths conceived by Bob and Ellen Kaplan at Harvard University has been set up called “Maths Club”. Aimed at children in elementary school between the ages of 7 and 9, the initiative involved about a thousand students in 2013. 50 selected public school teachers from across the country were trained by Bob and Ellen Kaplan themselves in how to replicate the Maths Club model in their classrooms.

São Paulo in your hands

One of the priorities for the municipality of São Paulo is to disseminate technologies that help citizens establish new relationships with the city. Working with the local Sé (Cathedral) authority, the TIM Institute set up a project that allows people to participate directly in public administration, allowing inefficiencies and urban maintenance problems to be reported by mobile phone. The system allows reports to be tracked (geographically and otherwise) and therefore actual maps to be created that public administration can use to monitor and plan maintenance work.

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

4.5 RESEARCH AND DEVELOPMENT

Research and development activities at Telecom Italia are carried out by the Information Technology, TILab and Innovation Functions, which oversee the analysis of new technologies and the engineering of services offered to customers.

Activities to enhance and generate competitive advantage for the Group are of particular importance and are pursued through strategic management of the relationship between research, Intellectual Property Right (IPR) and business, aimed at developing the Company's assets in patents rights.

12 new applications for patents were filed during 2013.

With a view to promoting an innovative system of relations between companies and universities, Telecom Italia has adopted the Joint Open Lab (JOL) model, consisting of joint laboratories where academic research and knowledge combine with industrial know-how and experience. During 2013, 7 new laboratories were inaugurated, joining the JOL SKIL (Semantics & Knowledge Innovation Lab) opened in Trento in the first half of 2011. For information on the activities of the laboratories go to telecomitalia.com.

IN 2013, 7 NEW LABORATORIES WERE INAUGURATED

Working Capital is the programme that has supported the birth and development of new digital innovation businesses in Italy since 2009. The projects developed in 2013 include the following:

- Welco (www.welco.it), a device that allows people to connect their home or office internet to their smartphone or tablet;
- Cityglance (www.cityglance.co), innovative social networking app that connects people travelling on public transport anywhere in the world;
- ViciniDiCasa (www.vicinidicasa.com), which allows a neighbourhood platform to be created to connect people and create new social relationships, communities of interest and even business opportunities between neighbours;

- Dropin (www.dropin.fm), an innovative cloud service that provides access to a virtual recording studio via your browser, making music composition a “social” experience;
- Starteed (www.starteed.com), innovative crowd-funding platform (collective financing via the Internet), which provides support for people to promote ideas, with funding and expertise, on a non-profit-making basis;
- Fattura24 (www.fattura24.com), cloud service, usable online or as a mobile application (IOS and Android), which allows self-employed professionals or businesses to manage their invoicing on the move, sharing documents with customers, suppliers and accountants;
- HackAcademy (www.hackacademy.com), e-learning platform that allows people to design and create electronic objects. A personalised education path allows people to master open hardware or quickly develop their products with the community and then sell them through the shared store.

Changemakers is the business acceleration programme promoted by Telecom Italia and Expo Milano 2015, with the ambitious aim of changing the lives of 10 million people. Projects implemented in 2013 included:

- Tooteko (www.tooteko.com), which allows an “audio” track to be applied to objects and make any surface clickable and interactive. The potential applications of this technology include helping the visually impaired to gain information about the appearance of objects, providing a new educational tool to teach children to read and write, and creating a new device to replace conventional light switches. Tooteko, launched a partnership with M.A.R.T in Rovereto;
- Orange Fiber (www.orangefiber.it), a “social” fashion project that uses nano-technologies to transform citrus fruit waste into textile raw materials and clothing that release vitamins when they come into contact with the skin, involving women in difficulty and disadvantaged people in the production process;
- PanPan (www.panpan.biz), a smartphone social information app that allows geolocalised questions associated with specific areas to be sent and users to be identified in the same area who might be able to answer the questions. The application can also be used as a B2B platform for surveys and market research;
- Bircle (www.bircle.co), a mobile and web application allowing people to create and purchase travel guides for those with mobility impairments. Each guide is produced by experts (e.g. disability managers, associations) and, in crowd-sourcing mode, by the users themselves, using a rating system for buildings based on a universal language that allows people with mobility impairments and those accompanying them to determine and consult the degree of accessibility of different places and find appropriate facilities and services for their needs;
- Trail Me Up (www.trailmeup.com), a web service that uses enhanced virtual reality to go on guided tours of places that can only be accessed on foot. The tour that follows the virtual path is made possible by a special 360° photographic capture system fitted to a backpack, which allows the user to view the landscape with the same perspective as that of an actual traveller.

Relevant stakeholders

The relevant stakeholders for research and development are:

- the areas of the company involved (e.g. Marketing and Purchasing);
- the suppliers, for the joint development of solutions in accordance with the technical requirements of Telecom Italia;
- research centres and universities, for cooperation and joint projects. 27 new cooperation agreements with Italian universities were launched in 2013 on research topics relating to new technologies, coding algorithms, new communication services and paradigms; the standardisation bodies and forums (including NGMN, OpenIPTV Forum, OMA, 3GPP, ETSI, TM Forum, W3C, ITU-T) in which Telecom Italia is actively involved;
- the Ministries (Ministry for Economic Development and Ministry of Education, Universities and Research), the European Union and public authorities (e.g. CNR and local authorities) for projects funded through participation in competitive tenders, and partnership initiatives;
- non-governmental organisations, associations, alliances and industry forums (e.g. GSMA, m-health) which bring together all the entities involved in the value chain of the specific market;
- international research and development organisations (e.g. EURESCOM and Joint Technology Initiative).

Relevant issues

The themes on which projects are developed are identified on the basis of the Three-Year Technological Plan, the reference document for the Group, which provides guidelines for the evolution of the network, platform and services.

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

Projects and initiatives in this field can be divided into 4 macro-areas:

- New generation networks
- Future Internet applications
- Positive environmental impacts
- Positive social impacts.

New generation network projects

- As part of the work being done to improve the quality control of services, development of the CHECK Suite system continued. The system implements an innovative approach to mobile network configuration and performance management issues and presents the following strengths:
 - › design and optimisation integrated with network creation and operation processes;
 - › overall view of the network and services starting with its individual nodes;
 - › innovative and patented data analysis techniques;
 - › automatic detection of inefficiencies in Near Real Time and calculation of the impact on the end customer for optimal management of recovery activities in terms of cost/benefit.

- Metro-regional network configuration and validation operations were completed which allowed Telecom Italia, as the first operator in Europe, to obtain the MEF⁽²³⁾ “Carrier Ethernet 2.0” certification for Ethernet Access services. The certification allows TI to provide standardised services to its customers with improved QoS⁽²⁴⁾ and predictable SLAs⁽²⁵⁾.
- Laboratory testing and validation activities were completed of the Service Hub model for the scalable and flexible evolution of Telecom Italia PoPs⁽²⁶⁾.
- Research activities continue with a view to virtualising network functions, i.e. potentially transforming network services into applications run on cloud computing platforms. Meetings were held in this context with the leading manufacturers and a number of emerging businesses to explore strategies. A condominium wireless router was developed that can be installed outdoors to supply data connectivity in digital divide situations and industrial areas.
- As part of the plan to introduce new technologies (Cisco and Juniper) into Telecom Italia’s metro networks, the Turin Test Plant, working with the Engineering and Innovation functions, carried out a validation process, particularly in order to verify fixed and mobile end-to-end services. This required checks to be carried on interoperability with existing HW resources and support for innovative functions.
- Introduction of RAN sharing⁽²⁷⁾ for TIM Brasil: as part of the TIM Brasil network development activities, for the first time at Telecom Italia, the Turin Test Plant validated RAN sharing functions, which allow mobile access networks to be shared among operators (RAN Sharing), implemented on LTE⁽²⁸⁾ and Evolved Packet Core⁽²⁹⁾ (EPC) technology. New Data Center EASY-DC offers: as part of the development of Nuvola Italiana offers, a new test environment was created in the Turin Test Plant to allow new EASY-DC architectures and models to be validated in the laboratory. Comparative tests performed on the various technologies, with the engineers from Telecom Italia’s Data Center and TILab Innovation functions, allowed the testing of DataCenter geographic redundancy services which are totally innovative in the Italian cloud market.
- As part of the Mobile Network VAS Communication project, a platform (MES CE) was set up to deliver interactive communication services in Communication as a Service mode, which allows interactive multichannel, conventional voice and Web services to be created.

Developments

New generation network projects witnessed the following achievements:

- Machine-to-Machine (M2M) gateway for the management of home automation and Smart City services;
- external LTE router and cabling for apartment blocks or businesses using the existing television infrastructure (coaxial cable). A patent application has been submitted for this activity as well;
- creation of the “Machine-to-Machine SmartPhone Gateway” paradigm and development of a SIM card application for assessing physiological parameters associated with sports performance.

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Metro Ethernet Forum - MEF, the key organisation for Ethernet technology, is a global industrial alliance of 220 organisations, including telecom-communication operators, TLC network equipment and software producers, semiconductor component manufacturers and testing organisations.

24

Quality of Service.

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Service Level Agreement.

26

Points of Presence - Internet access points, or routers, supplied by Telecom Italia to route traffic to end users.

27

Radio Access Network Sharing is a smart way to share networks offered to operators as a useful way of coping with the gradual reduction in margins and contributing to a reduction in the use of energy and environmental impact.

28

Long Term Evolution - also known as 4G, is an advanced, high speed mobile telephony standard.

29

EPC is a core network architecture based on the Internet Protocol supporting LTE.

Future Internet application projects

In the field of Capillary Networks, Telecom Italia is conducting studies and developing network prototypes to create the IoT (Internet of Things) in Connected Cities. In particular, it provides for a very high number of devices (sensors, actuators, etc.) to transform a city into a Smart City. These devices will have a short-range, low cost and low energy radio interface. In order to start the development of Connected Cities it is therefore necessary to create the so-called Capillary Networks that will allow the devices (the “things” in IoT) fitted with short-range radio interfaces to communicate efficiently, just as smart phones do today on the 3G and LTE network. The TILab laboratories are developing the Capillary Network platform prototypes used for Smart City Trials and projects funded by the European Commission and the Italian Ministry of Education.

Developments

The future Internet application project achievements were as follows:

- augmented reality app that simulates a virtual clothing store;
- probe app to monitor the performance of services used on smart phones and the quality of the experience perceived by users;
- PC and smart phone app to speed up web browsing and video streaming services on mobile networks;
- smart phone app to improve the efficiency of the device's battery;
- Smart phone app to request different standards of service from the mobile network depending on the demand and type of application.

M2M (Machine-to-Machine) developments

In 2013, Telecom Italian joined the GMA (Global M2M Association), specifically by taking part in an international tender for the creation of VW/Audi automotive M2M systems alongside lead bidder Deutsche Telekom (DTAG). The estimated turnover is around 70,000 connected cars sold in Italy between 2014 and 2017.

Proximity technology services that make life easier for users

- TIMWallet Consumer/Business service: allows physical wallets to be replaced by a virtual wallet on a mobile phone displaying the services supplied by companies in the NFC⁽³⁰⁾ ecosystem or by Telecom Italia itself. Purchases are made by placing the phone close to a reader (POS, turnstile);
- launch of the cobranded Banca Intesa/Visa/TIM card within the TIMWallet;
- NFC Badge, Canteen, Vending machine services for Telecom Italia and Unicredit employees;
- launch of TIMPay for remote credit card payments using a mobile phone;
- launch of BNL payment cards.

Smart applications for the Internet of the future

Telecom Italia is actively involved in creating the Future Internet platform and services, also through cooperation projects funded by the European Union (Future Internet Public Private Partnership - FI-PPP), to enable and support customers in creating and using services based on advanced Internet technologies. The use and disclosure of personal information belonging to users, generally distributed among their various “digital identities”, is an increasingly widespread trend. The platform provides innovative functions, such as inhibition, associated with appropriate alarms, of the accidental or unintended sharing of sensitive content with contacts considered to be “non-trusted”, or setting of the privacy level to be associated in real time with more or less recurrent situations.

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Near Field Communication: a technology that supplies short range bi-directional wireless connectivity (RF) (up to a maximum of 10 cm).

- Telecom Italia has directed the end-to-end design and implementation of the Smart City App prototype for Expo 2015, which is intended to become a reference tool providing information, services and entertainment during the event, on the participating nations, the city and the country, the partners and players involved. The purpose is to establish an ongoing relationship with the visitor, particularly using new generation LTE mobile connectivity networks and more evolved devices. By using innovative technologies, such as Augmented Reality and Visual Search, this prototype will allow a view of Milan today and Expo 2015 tomorrow, integrating the real vision with multimedia animation and content. For further information go to telecomitalia.com.
- The Telecom Italia “SocialTV” programme monitors technological and business developments and evolution taking place as a result of feedback from broadcasting, where there is an increasing trend towards simultaneous TV viewing and real time social media discussion on tablets and smart phones. Telecom Italia released the Friend TV app available in the App Store and Google Play, which allows users to interact with this mode on a kind of Social second screen.

Development of Big Data solutions⁽³¹⁾

- With the Trentino Open Living Data (TOLD) project, Telecom Italia has set itself the goal of developing and testing a “Big Data” platform for collecting and analysing data from different local players (companies, industries, government organisations). The objective (also pursued by the SKIL, Telecom Italia’s Trento-based Semantics & Knowledge Innovation Lab, which carries out advanced research and post-university training activities in the field of semantic technologies) is to use telephone network data combined with other data sources (e.g. electricity meter readings, number of vehicles using motorways, public transport) to highlight trends, movements or the presence of people. This information allows services to be provided to customers for energy management, traffic forecasting, urban planning and insurance offers. For further information go to telecomitalia.com.
- One of the projects run by SKIL is the Mobile Territorial Lab (MTL) for the processing of Personal Big Data: the combined data that individuals generate via their smartphones and that transform people into local sensors, as theorised in the Smart City models. According to the Living Lab model promoted by the EIT (European Institute of Innovation & Technology) and the Autonomous Province of Trento, a pilot community has been created of young families who use smartphones with “sensing” software and SIM card that constantly collects information about their movements, interactions and preferences, thus providing a dynamic map of the area in which they live.

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Definition coined by the Computer Community Consortium in 2008 for a set of diverse pieces of information that is so large and complex as to require capture, processing, management, analysis and display tools that differ from conventional ones

A “BIG DATA” PLATFORM IS CURRENTLY BEING DEVELOPED, FOR COLLECTING AND ANALYSING DATA FROM DIFFERENT SOURCES

Projects with positive environmental impacts

- As regards issues associated with exposure to electromagnetic fields, work is continuing between Tllab and La Sapienza University of Rome, the Polytechnic University of the Marche and Regional Radioprotection Agencies. The dual purpose of this collaboration is to determine the average level of attenuation of electromagnetic fields afforded by the structures used in construction, in order to analyse the intensity of fields within buildings, and to measure, as accurately as possible, the amount of power transmitted by mobile radio base stations over a period of 24 hours. For further information go to telecomitalia.com.

- With regard to sustainable mobility, Telecom Italia is collaborating with a number of initiatives and projects aimed at developing Intelligent Transport Systems (ITS). The purpose of these activities is to implement ICT solutions that make vehicle transport and mobility for people and goods safer, more efficient and more environmentally-friendly, in accordance with the priorities and objectives established by the European Union and transposed into the ITS National Action Plan. For further information go to telecomitalia.com.
- The Smart Mobility research project is continuing with the design and prototyping of innovative services. In particular, prototypes are being created for multimodal transport planning, km0 logistics services managed using mobile terminals, ride sharing and car sharing services. The aim is to experiment with ways to make transport environmentally sustainable. The project also includes Connected Car project activities, focused on interactions between vehicles, mobile terminals and network services to deliver on-board navigation services and enable environmentally-friendly and economical driving styles. A prototype is currently being developed to gather data from vehicles, via mobile terminals, in order to analyse them and determine the ecological footprint of journeys.
- With its MUSA (MULTiservice network Simulator Application), Telecom Italia provides a general assessment of the design of a Wireless MBus 169MHz based multiservice network for a geographical area represented by one or more towns. The services considered, and the respective networks, relate for example to the remote reading of gas and water meters, heat metering and environmental monitoring sensors. The application uses the theoretical results of the simulation to a real area of the country, attempting to make the most of the business assets existing within it. The final result is a map of the best assets for the widest possible coverage of the chosen area.

Projects with positive social impacts

- Smile Project: working with the Municipality of Turin, actions and projects were planned that came together in the Master Plan for Torino Smart City. The following topics were covered:
 - › Safecity: evolved ICT video surveillance and sensor system solutions that allow real-time intervention in public emergency (e.g. natural disasters such as earthquakes and floods) and criminality situations;
 - › Smart Utility (Gas, Water, Wastes, Electricity): smart metering and smart resource usage solutions for sustainable cities. Solutions are being developed for identifying hidden leaks in water distribution systems, which exceed 30% of the amount distributed, leading to very high economic and environmental costs. With regard to gas metering, analyses and studies are being conducted with a view to implementing pilot projects with companies operating in the natural gas distribution sector, according to criteria established by the Italian electricity and gas regulator. M2M solutions are also being analysed for the purpose of improving the use of energy resources with a view to developing distributed generation and remote control. In particular, work began on assessing the opportunity to share the telecommunication and power distribution network infrastructure, with a view to cutting costs and reducing their environmental impact. In this respect, Telecom Italia recently took part in the EUTC (European Utility Telecom Council) meeting with a speech on the potential synergies between TelCo and Utility operators in the electricity sector;
 - › Electric Mobility: smart electric mobility solutions are being developed and turned into prototypes in a way that considers “smart” charging issues and the impact recharging can have on power networks (smart grid);

- › e2Call: this project enhances the “eCall” service (a project run by the European Commission to provide rapid assistance to motorists involved in a collision anywhere in the European Union) based on larger amounts of information compared to the original project, reducing the negative consequences of delays or unsuitable interventions to a minimum.

As part of the activities aimed at digitising Italian schools, TILab prototyped a solution which allows a diverse range of personal devices to be used, both in and out of school, which do not require any installation. The educ@Tlon solution is entirely web-based, based on open source and modular applications and created as an SaaS (Software as a Service) in the cloud. The platform allows any kind of digital educational content to be managed and provides teachers and students with a set of digital teaching tools, regardless of the type of devices available in the classroom - any kind of IMB (Interactive Multimedia Board) or Interactive Display can be used - and the personal devices used by teachers and students - PC, netbook, tablet, regardless of the operating system.

The educ@Tlon solution therefore allows educational content, whether it is self-produced, “downloaded” from the Internet or obtained from school text book publishers, to be managed in an integrated and shared way, making it easier to adopt 2.0 teaching methods, which are particularly geared towards skills-driven, collaborative and proactive teaching based on user generated content. For further information go to telecomitalia.com.

EDUC@TION MAKES EASIER TO ADOPT 2.0 TEACHING MEATHODS

- With regard to Health and Wellness, the development continues of ICT services that can improve and increase the efficiency of the health system, such as mobile technologies to support m-health (mobile health) applications, which allow automatic exchanges of data between devices and remote processing systems, cloud solutions which allow the offer to be diversified, making it scalable and, ultimately, big & open data solutions, which allow large amounts of diverse data from open and distributed sources to be analysed. The topics covered at the moment are described below:
 - › development of a Home Doctor platform (set of products and services for delivering healthcare services supported by ICT technologies and electro-medical solutions for monitoring parameters related to major chronic diseases) by means of:
 - › evolution towards Continua Health Alliance standards⁽³²⁾: implementation of Continua protocols for integrating Continua Certified tools on gateway applications (which allow the measurements taken by medical devices to be collected and sent to a networked platform) allows the process of configuring and taking/sending of the measurements by patients to be simplified, cutting the cost of integrating new medical instruments;
 - › state of health features: subjective data collected by questionnaires and objective measurement data collected by medical instruments are processed to provide an aggregated view of the overall state of health of the patient via a graphic dashboard. Other processing allows information to be obtained on data trends which allow any worsening of conditions to be promptly reported and therefore action to be taken on the patient.
- Wellness@School and Wellness@Company: prevention and wellness services aimed at providing solutions for healthy people to help them maintain and improve their health. The data collected and made anonymous can be processed for preventive purposes using the Business Intelligence techniques employed to process so-called big data. For further information go to telecomitalia.com.

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Continua Health Alliance is an open non-profit-making association that provides a forum for collaboration between healthcare and technology companies to improve the quality of personal healthcare assistance (www.continuaalliance.org).

- “Robot@school” solutions, which will be developed for Italian secondary schools, were presented during a workshop held at the Grassi Technical Industrial Institute of Turin. A memorandum of understanding was also signed between Telecom Italia and the Regional Education Department for Piedmont which, among other things, provides for a specific agreement on service robotics. In this context, Telecom Italia provides schools with systems and platforms for the introduction, sharing and network integration (the so-called “cloud”) of robots that will support human beings in their daily living environment. With a view to supporting secondary schools in this way, a dissemination workshop was organised to illustrate service robotics and its impact on the world of work.
- In the 3GPP (Third Generation Partnership Project)⁽³³⁾ Telecom Italia promoted the establishment of an LTE system operating on the 450 MHz band: the specification activity was completed in September 2013. The purpose is to deliver the service in rural areas in Brazil⁽³⁴⁾. For further information go to telecomitalia.com.
- “Digital islands” are a new urban furniture concept which allows government bodies and third parties to provide innovative and smart solutions for citizens. The first examples of digital islands have been installed in Milan. They are hyper-technological outdoor spaces available to citizens and tourists to communicate, get information, access city services and travel sustainably. They include multimedia NFC totems, Wi-Fi coverage, recharging facilities for mobile phones, lights and smart cameras and provide a point of access to smart mobility solutions, particularly electric quad bikes.

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3GPP is an inter-operation group involving several organisations from different countries: ETSI (European), ARIB and TTC (Japanese), TTA (Korean), CWTS (Chinese) and ANSI-T1 (USA).

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According to Brazilian government statistics, 15% of Brazilian homes are situated in rural areas, corresponding to 29.8 million people with no access to broadband.

Commitment to AAL (Ambient Assisted Living) with European projects and field tests

- In the field of health, development of the Fisio@Home application continued for the remote rehabilitation of patients affected by orthopaedic problems by allowing health care specialists to monitor them remotely. The application uses a network of wireless sensors worn by patients. These send kinematic data to a tablet, which analyses them and extracts information regarding motion in the joint to be treated. The results of this analysis are transmitted to a server which can be accessed by rehabilitation physicians and physiotherapists to assess rehabilitation progress.
- The Vrehab project, coordinated by the Italian Auxological Institute and co-financed by the Italian Ministry of Health and the Piedmont Region, continued with a view to developing, among other things, a non-intrusive system to assess the state of health of Parkinson’s Disease sufferers and provide neurologists with information useful for adapting treatments. This is carried out by analysing kinematic data collected by inertial sensors worn by patients while they perform specific exercises.
- Telecom Italia is also focused on the world of the elderly. The aim of the European WIDER (green groWing SMEs: Innovation and Development in the energy sector in mEd aRea) project in the field of Ambient Assisted Living is intended to achieve better management and sharing of knowledge for small and medium sized companies on the subject of ecosmart dwellings for the elderly. Telecom Italia is part of the scientific committee and contributes to guiding technical and technological activities.
- November saw the completion of the European Life 2.0 project aimed at promoting the use of technology by elderly people to support forms of fully independent life by means of a location-based services and social networking platform. Experimental activities organised by Life 2.0 involved around 80 users aged between 65 and 75, subdivided into four pilot cities (Milan, Barcelona/Spain, Joensuu/Finland, Aalborg/Denmark). Italian

activities were coordinated by the Polytechnic of Milan, with the technological support of Telecom Italia, and involved 19 people. The main purpose of the experiment was the native app for iPad created entirely by Telecom Italia, with which elderly people were able to manage their personal profile, read or publish ads and register for events organised by the non-profit-making entities which took part in the project. The Life 2.0 project activities were presented during major national and international events, including the Smart City Exhibition held in Bologna in October.

- Also for elderly people, an experimental service has been launched with Cilte, a social cooperative offering a remote assistance service. Users of the remote assistance service have been offered two different solutions they can use at home: RicordaTI and Cassiel. RicordaTI is a tablet app that reminds elderly people of the things they have to do, such as a doctor's appointment or a medicine they have to take. Cassiel instead uses a small wireless sensor to monitor the front door and alert the remote assistance centre if the door is left open for too long.

Internal Stakeholders









People Value

as a business success factor

1. HUMAN RESOURCES

1.1 STRATEGY

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

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

The management of the workforce aims to guarantee equal opportunities and to promote the professional growth of each individual, while respecting the specificities expressed.

A new way of designing and implementing strategies and policies for valuing people was launched in December, 2013. A three-year People Strategy was developed according to the Group Business Strategy and the main human capital management and development trends. The strategy consists of nine People Value (the new name of the Human Resources function, emphasizing the new identity based on the value of people) programmes. It will operate in close cooperation with the main Line functions, fully sharing their purpose, cross-contaminating each other and boosting innovation and effectiveness.

1.2 RELEVANT STAKEHOLDERS

The relevant stakeholders are the employees and trade unions.

1.3 HEADCOUNT AND CHANGES

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

Headcount as of December 31, 2013 is as follows:

Telecom Italia Group

(units)	12.31.2013	12.31.2012	Changes
ITALY	53,152	54,380	(1,228)
ABROAD	12,467	11,961	506
TOTAL PERSONNEL ON PAYROLL	65,619	66,341	(722)
AGENCY CONTRACT WORKERS	4	40	(36)
TOTAL PERSONNEL	65,623	66,381	(758)
NON-CURRENT ASSETS HELD FOR SALE	16,575	16,803	(228)
TOTAL	82,198	83,184	(986)

Excluding personnel concerned with “Non-current assets held for sale” (Telecom Argentina Group) and agency contract workers, the Group’s workforce has decreased by 722 units compared to December 31, 2012.

The changes can be itemised as follows:

- exit of LA7 Srl and MTV Group (543 people) from the consolidation scope;
- exit of a business unit of Olivetti i-Jet (35 people) from the consolidation scope;
- net turnover down by 144 people, as detailed below by individual Business Unit:

(units)	Recruited	Departed	Net change
DOMESTIC	564	(1,093)	(529)
BRAZIL	4,877	(4,359)	518
OLIVETTI, MEDIA AND OTHERS	14	(147)	(133)
TURNOVER	5,455	(5,599)	(144)

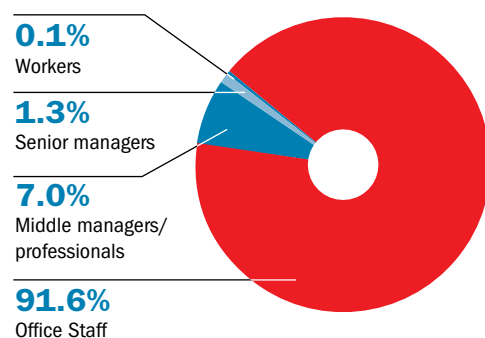
Turnover: detail by BU	Recruited	Departed	Internal transfers Group +	Internal transfers Group -	Total change
DOMESTIC	420	(984)	144	(109)	(529)
BRAZIL	4,877	(4,359)	–	–	518
OLIVETTI, MEDIA AND OTHERS	14	(112)	–	(35)	(133)
TURNOVER	5,311	(5,455)	144	(144)	(144)

Activities in Brazil are characterised by high staff turnover and account for the bulk of terminations in the Group as a whole. As regards Domestic BU terminations, voluntary redundancies due to fulfilment of the conditions for a retirement pension during the mobility period established by Law 223/91, accounted for 26% of terminations. Other voluntary redundancies accounted for 42%. The remainder relates to other causes, including dismissals that took place in the framework of a trade union agreement for staff who had fulfilled the conditions for a retirement pension, deaths, etc.

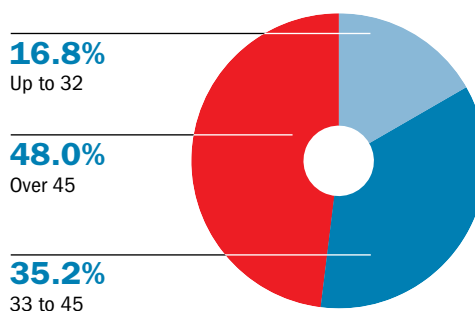
Characteristics of Telecom Italia Group personnel

Staff operating in the Telecom Italia Group, net of employees related to “Non-current assets held for sale” and agency contract workers, can be broken down as follows:

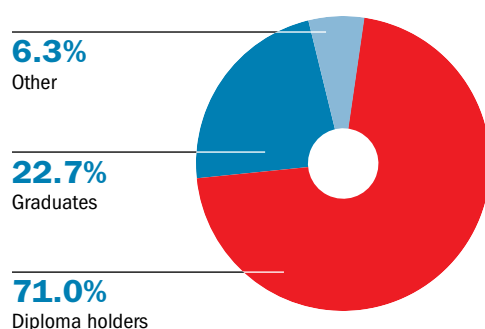
TELECOM ITALIA GROUP:
EMPLOYEE BREAKDOWN
BY JOB CATEGORY



TELECOM ITALIA GROUP:
EMPLOYEE BREAKDOWN
BY AGE BAND

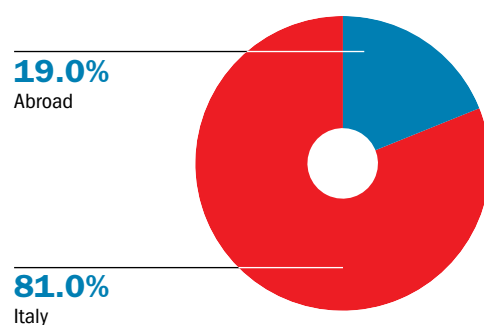


TELECOM ITALIA GROUP: EMPLOYEE
BREAKDOWN BY ACADEMIC QUALIFICATION

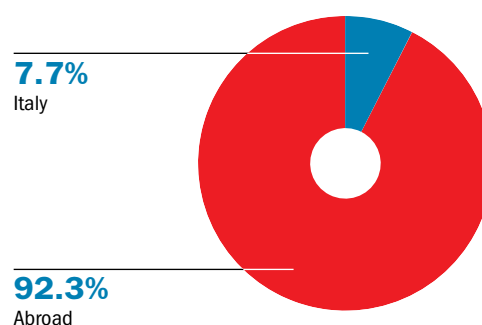


The geographical distribution and intake of personnel by the Group, net of employees related to “Non-current assets held for sale” and agency contract workers, are shown below:

TELECOM ITALIA GROUP:
EMPLOYEE BREAKDOWN
BY GEOGRAPHICAL AREA



TELECOM ITALIA GROUP:
RECRUITMENT BREAKDOWN
BY GEOGRAPHICAL AREA



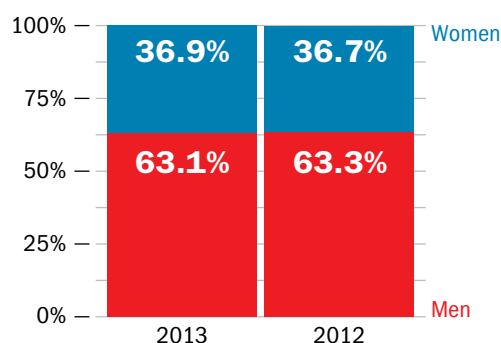
For further information regarding Group or BU personnel, see the sustainability section of the telecomitalia.com website.

1.4 GENDER BALANCE

In 2013, the distribution of men and women was the following:

DISTRIBUTION OF MEN AND WOMEN			
(units)	12.31.2013	12.31.2012	Changes
MEN	41,375	42,004	(629)
WOMEN	24,244	24,337	(93)
TOTAL	65,619	66,341	(722)

DISTRIBUTION OF MEN AND WOMEN IN TELECOM ITALIA GROUP (2013-2012)



In 2013, the percentage of women holding senior management positions in the Telecom Group was approximately 15% of the total senior management population. In middle management, the proportion was 26% of the total middle management population.

1.5 PEOPLE CARING

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

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

The main themes identified are:

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

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

At Telecom Italia

- Parking for expectant mothers: female employees are provided with a reserved parking space until the beginning of their maternity leave at all company offices with car parks.
- Nurseries: in addition to the 10 nurseries currently available at the company's offices in Rome (3), Turin, Milan, Ancona, Florence, Naples, Catanzaro and Palermo, 7 discount agreements have been signed with an equal number of external nurseries in Turin, Rome (5) and Padua. 438 children were registered in 2012-2013. As of today, 422 children are registered for the academic year 2013-2014.
- Loans for mums and dads: 197 loans were granted to new parents with children under the age of three.
- Time saving:
 - › handling of official formalities: 39 offices are available for this purpose at company offices in Turin, Milan, Venice, Verona, Padua, Bologna, Florence, Rome, Naples, Bari,

Cagliari and Genoa;

- › wellness area: gyms can now be found in the Padua and Rome offices of the company, while a Wellness Area is available in the Naples and Rome offices;
- › laundry/shoe repairs: service available in Milan and Rome (in 4 offices);
- › newsagents: available in 3 offices in Rome;
- › discount agreements: 49 online offers of products and services have been launched as a result of Telecom Italia's partnership agreements, mostly within Italy (cars and motorbikes, culture and shows, electronic goods, sports goods, financial institutions, health and wellbeing, travel and holidays, miscellaneous).
- Company loans: 70 loans granted for house purchase/building purposes, 106 for home renovation work, 421 for various other purposes.
- Mobility manager: in order to assist colleagues with commuting between home and work, an "Intranet Mobility" area has been created to answer questions from colleagues and provide an opportunity to share cars (car pooling) in some of the major cities (Turin, Milan, Genoa and Rome). 15 Company offices provide a shuttle service, making over

300 journeys a day and 32 offices have been equipped with bicycle racks.

NUMEROUS INITIATIVES FOR EMPLOYEES AND THEIR FAMILIES HAVE BEEN CARRIED OUT

- Breaks:
 - › traditional 15-day summer camps for children between the ages of 6 and 12 with 4,432 participants in 12 centres;
 - › 14-day themed summer holidays for older children between the ages of 12 and 17, dedicated to learning English and sports (football, tennis, sailing, horse-riding, volleyball, basket ball, outdoor pursuits, etc.) as well as archaeology, music and theatre and cycling trips along the Danube, with 2,297 participants in 17 centres;
 - › 14-day themed summer holidays for teenagers between the ages of 15 and 17 at seven colleges in the UK (5), Ireland (1) and the USA (1), with 562 participants.
- Scholarships abroad: scholarships were provided for teenagers between the ages of 15 and 17 for 100 4-6 week summer stays abroad to learn other languages (Ireland, Finland, Spain, Latvia, China and Japan) and 20 stays lasting one academic year (Europe, United States, Canada, Honduras, Costa Rica, Argentina, Brazil, Japan, China, Hong Kong and India).
- Refund of university fees: 288 refunds of first year registration fees were paid in 2013.
- Christmas Day 2013: children up to the age of 10 visited their parents' offices on December 19; in 60 offices, small gifts were distributed in addition to a snack.
- Motivational initiatives: involvement and participation by colleagues in sport, art, culture, music, entertainment and historical events together with various company departments.
- "Bimbi in campo" (kids on the pitch) initiative: 180 children of employees were given the opportunity to hold hands with TIM Serie A football champions and accompany them onto the pitch, wearing team strips.

In Brazil

- Favourable terms offered to employees for opening bank current accounts, discount agreements and health insurance.
- "Happy day": employees are entitled to take a day off on their birthday or, if on maternity leave, to full pay for the relevant day. Employees are also granted additional paid days in case of marriage (5 days in total) and further paid days to new fathers for the birth or adoption of a child (10 days in total).
- "TIM apre le porte" (TIM open day): this is an annual initiative aimed at introducing the children of employees to the environments where their parents work.
- "A future without boundaries": this programme helps the children of employees to

choose their career through seminars and meetings with a number of employees in order to understand how the work is done.

- “Children’s food kit”: all employees with children between the ages of 6 months and 2 years can request a kit provided free of charge by the Company which includes a number of specific foods. If prescribed by a doctor, the kit can also be requested for children under 6 months of age.
- “Accident and sickness insurance”: employees are guaranteed supplementary insurance cover to maintain their normal standard of remuneration in the event of a prolonged illness or accident at work.

Support for volunteering initiatives by employees

At Telecom Italia

- Volunteering at Dynamo Camp: this is the first facility created to allow children and young people suffering from serious or chronic diseases to spend time playing and having fun in contact with nature and in complete safety. During 2013, a further 30 colleagues volunteered for two sessions at the centre, using days of paid leave to cover the activities performed at the camp.
- Navigare Insieme (Surfing Together): Internet browsing assistance activities for the over 60s run in computer training centres in 17 Italian cities (see § The Community). Employees who took part in the internal tender and worked with volunteers from the project’s partner associations had 40 hours of paid leave over a period of four months, including travel.
- Telecom Italia blood donors group: during the year, the Group organised 63 days at the offices in Milan, Naples, Palermo, Rome and Turin.
- Charity initiatives: 133 banquets were organised at various company offices for charity initiatives.

In Brazil

Through its “Citizen without Borders” (Cidadão Sem Fronteiras) project, TIM Brasil gives employees a day off work per year to volunteer for organisations picked by employees or participate in social actions promoted within the Company.

Promoting the forms of diversity that exist in the workplace through activities and projects

At Telecom Italia

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

- the activities of the Diversity Committee, which consists of 35 colleagues representing diversities of gender, religious, age, sexual orientation, disability and ethnicity continued in 2013;
- a video was produced to promote diversity in the Company with funding provided by the Equal Opportunities Department;
- a collaboration was consolidated with the ASPHI Foundation regarding the integration of people with disabilities in the Company. The “Comunicolo” Convention was signed for hearing impaired employees, who were supplied with a special technological kit with which to work and communicate in the Company;
- a training event entitled “Non ho l’età” (I’m not old enough), on the subject of ageing and disability, was organised for 220 supporters and colleagues of the Marco Virzi Diversity

- committee. Attending as speakers were Marco Buemi of UNAR, Beatrice De Luca of the ASPHI Foundation and Maria Cristina Bombelli of Wise Growth, who spoke about building awareness and combating discrimination in Italy, as well as about disability and ageing;
- activities associated with the following projects continued in 2013:
 - › “Nuovamente in pista” (Back on track): a model was devised to manage the return of employees after long absences for whatever reason (maternity, study, illness) in order to help improve the organisational climate;
 - › “Role Model in the context of the Direzione Donna (Women in Management) Project”: this initiative aims to promote female leadership, to increase the representation of female talent within Telecom Italia and to support the involvement of women in the dynamics of our Company through concrete action. 17 meetings were organised in several Italian cities;
 - › workshops, skill building and seminars promoted by Valore D, involving Telecom Italia and other companies, to promote female diversity, talent and leadership;
 - › workshops and conferences promoted by Sodalitas, involving Telecom Italia and other companies, to address the issue of how to manage and motivate employees of different ages, particularly in light of recent legal provisions regarding pensions;
 - › activities of a working group set up last year, within Telecom Italia's Human Resources & Organization department, to draw up proposals aimed at recognising the contribution of senior colleagues;
 - › membership of the board of directors of Parks, an association for the promotion of LGBT (lesbian, gay, bisexual and transgender) rights, with resulting activities within the Company to guarantee paid leave for LGBT couples who decide to get married abroad.

In Brazil

TIM ran a diversity promotion campaign using internal communication tools and other initiatives, including the company's own version of the Olympic Games (Olimpiadas TIM). Now in its fourth year, this is an internal championship involving 8 disciplines to promote integration as well as the company's identity and values. Over 2,500 employees took part in the 2013 event.

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

Counselling service

In order to help colleagues deal with psychological difficulties and problems at work and in their personal lives, a counselling service run by professional psychologists has been operating since 2010 in the People Caring Centre. Following a trial period conducted in 4 Italian regions, as of 2013 the service

has been extended to the whole country. The Centre was contacted by 158 employees: 135 counselling processes were started and 46 Company-related cases were handled to the full satisfaction of the employees involved.

1.6 DEVELOPMENT

At Telecom Italia

- Individual Performance Feedback is a project dedicated to providing feedback on the performance of employees, aimed at identifying areas of strength and improvement. By establishing a closer relationship between supervisors and employees, the tool is intended to help improve the performance of employees.
- The process was completed on January 29, 2013 and involved around 48,000 non-managerial staff from the Telecom Italia Group. 81.6% of participants stated in their feedback questionnaire that they were entirely satisfied with the process, which involved the use of dedicated focus groups including evaluators and the evaluated from different company functions and was benchmarked against the best practices employed in national and international companies.
- The proposals for improvement that emerged will be carefully considered, particularly in terms of their feasibility.
- Participated Development allows people at Telecom Italia to “participate” in their development and that of their colleagues/supervisors. The aim is to bring out talent by measuring the reputation of people, thus complementing the information obtained through “classic” development tools. Following the pilot stage, which ended in January 2013 and involved around 10,000 employees, focus groups were organised and survey was held to listen to people and identify actions for improvement.
- Individual development plans were set up at the beginning of 2014. For further details on this project go to the telecomitalia.com website.
- Assessment of the potential of managers and employees: assessment activities continued in 2013 covering the whole Telecom Italia Group and involving 397 people. The creation of the assessment centres - which is governed by specific guidelines - is entrusted to the company HR Services S.r.l. of the Telecom Italia Group, which is ISO 001 certified.
- A new development tool called Motivation Check was also introduced in 2013. This is specifically reserved for highly valued senior resources (over 50) who are an important asset for the TI Group in terms of experience and knowledge. The purpose of the initiative is to enhance the motivation of these people and support it over time, particularly by analysing their motivational style and implementing development plans aimed at planning a “second life” in the Company. The initiative involved 65 people in a total of 8 programmes.
- Management assessment: the manager assessment programme launched in 2009 continued with aim of assessing their readiness to cover more extensive managerial posts. 30 managers were involved in 2013, covering 30% of managers in total.

PARTICIPATED DEVELOPMENT IS A NEW TOOL FOR EMPLOYEE DEVELOPMENT

In Brazil

Several online assessment systems have been developed in order to map the potential of all the Company's employees, identifying strengths and areas of improvement, and to provide guidance on development activities. For details of the assessment and development tools used, go to the telecomitalia.com website.

The “Talent without borders” programme launched last year to attract and retain the best talents continued. It is aimed at young, dynamic and creative professionals, who are given the opportunity to access accelerated and diverse professional career paths.

1.7 SELECTION

At Telecom Italia

As of 2011, in agreement with the trade unions and following agreements signed with the relevant universities, the New Labour Market Initiatives project has been launched, involving the activation of 330 apprenticeship contracts, Tier II Master's Degrees for 60 recent graduates and doctorate scholarships for 100 engineering and economic students.

An initial group of young people involved in these programmes has now been hired by Telecom Italia on full-time permanent contracts. Hiring will continue throughout 2014-2015.

THE INDUCTION TRAINING PROGRAMME STRENGTHENS NEW HIRED PEOPLE PROFESSIONAL SKILLS

An Induction Training course has been planned to make it easier for new recruits to join the company, strengthening their professional skills (facilitating interaction between the generations) and maintaining a high level of motivation/engagement. The programme includes a first stage of development and training on cross-cutting and managerial issues, followed by a second stage aimed at developing professional skills based on the position held and the career path planned.

2013 activities carried out in partnership with Universities/Training Organizations

- Once again this year, Telecom Italia attended the main Italian Career Days, participating in events organised by universities in Rome, Milan, Trento and Bari. Turnout was high again this year, with over 500 interviews being held between students and employees manning the stands.
- Over 150 internships were provided, allowing young people to pursue learning at the Group's offices.
- For the 2013-2014 academic year, a new Tier II English Language Master's Degree programme called "Smart Solutions Smart Communities" was sponsored, in association with Scuola Superiore Sant'Anna in Pisa. The Master's programme also includes a six month internship in the Company.
- Scholarships and internships continued to be provided on subjects regarding innovation, ICT systems, TLC and Media, antitrust, security, general management and labour law.
- For the third year running, Telecom Italia was involved in the "Leader del Futuro" project (with The European House - Ambrosetti and the Federazione Nazionale Cavalieri del Lavoro) providing 3 development and merit scholarships.
- As part of the strategic partnership with Bocconi, a new "TIM Chair in Market Innovation" was established. Studies will be focused on determining which tools, strategies and organisational approaches can promote innovation and the creation of new markets, strategies and marketing.

In Brazil

The main selection programmes implemented in 2013 were:

- "Jovem Aprendiz" (Young Apprentice): this programme promotes the training of young people between the ages of 16 and 24 for potential employment in the Company. An administrative training course is provided for young people to prepare them to enter the world of work;
- "Talentos sem Fronteiras" (Talents without frontiers): intended to scout the market for young graduates in order to create a talented team of people who can be trained and developed to build the company management team of the future. In 2013, 16 young talented people were recruited in strategic areas of the business;

- “Estágio sem Fronteiras” (Internships without frontiers): intended to select talented interns with the aim of offering young university students an opportunity to develop in diverse ways and prepare for the labour market, as well as to increase their potential for finding permanent employment in the Company and possibly access the “Talentos sem fronteiras” programme. TIM selected around 120 young people in 2013;
- around 230 people per month were recruited for Call Centres (2,752 people in total);
- around 180 senior and high level managers per month were recruited (2,134 people in total).

1.8 TRAINING

In 2013, around 3.7 million hours of training were carried out in the company costing over 22 million euros in total. 97.2% of personnel participated in at least one training session. Summary data of the training provided by the Telecom Italia Group is shown below.

TRAINING BREAKDOWN BY JOB CATEGORY

	HOURS		Participations (*) (no.)	Participants (no.)	Coverage (%) (**)
	Total hours (no.)	Hours per head (no.)			
TOTAL	3,765,649	57.39	453,188	63,806	97.2%
SENIOR MANAGERS	23,091	26.36	2,387	675	77.1%
MIDDLE MANAGERS	114,123	24.87	14,214	3,902	85.0%
OFFICE STAFF/ WORKERS	3,628,435	60.32	436,587	59,229	98.5%

*

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

**

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

At Telecom Italia

Training in the Company is primarily aimed at:

- business culture transformation by means of support plans for the management of organisational changes;
- the development of individual skills by means of personalised plans;
- professional redevelopment/retraining for the purpose of acquiring and reinforcing the skills required by organisational developments;
- respect for the ethical and compliance principles declared by the Company (e.g. sustainability, ethics, Legislative Decree 231, respect for privacy).

I care about myself

Launched at the end of 2010, the project gives employees the opportunity to register free of charge for one of the degree courses offered by the faculties of law, economics, engineering, communication science, psychology and arts of the Uninettuno International Telematic University, with the aim of promoting non-work related knowledge and skills.

Anyone gaining at least 50% of the credits required by their curriculum is also entitled to a refund of registration costs for subsequent years. Agreed with the industry's main Trade Unions - SLC-CGIL, FISTel-CISL and UILCOM-UIL - the initiative was remarkably successful, with 2,540 active participants in the academic year 2012-2013.

In Brazil

The main training activities carried out related to:

- Basic training and refresher courses dedicated to Sales and Customer Relations staff regarding new offers. All new recruits are required to attend training courses on company-wide issues, such as ethics and sustainability.
- 650 training courses were held, amounting to 550,000 hours in total.
- Review of training activities with the help of a consulting firm in order to find a more effective and efficient teaching method. Around 230 people per month were trained in this way for Call Centres (2,752 people in total).

1.9 LISTENING ACTIVITIES AND PROJECTS

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

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

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

In this respect, the Intranet and portal are fundamental tools as they allow everyone to get involved, provide information and implement formal and informal forms of “listening”, such as climate surveys, blogs and open virtual communities. In this way, discussion and debate are encouraged on internal issues linked to the business and more general current topics, including environmental and social issues, making structured channels available for the purpose of collecting contributions and proposals. These include the Archimede project, which, from 2008, rewards the most innovative and feasible ideas every year in order to optimise the processes and services supplied, gathering proposals from the people directly involved in operational processes.

During the first half of 2013, awards were presented for the 2012 Archimede campaign to Open Access and Customer Care colleagues. The plan is currently being extended to other parts of the Company.

Reports to the Audit Department Manager

Any requests for clarification regarding the appropriateness of one's own conduct or the conduct of other people, in order to ensure full compliance with the Code and the values set by the Code itself, must be addressed to the Audit Department of Telecom Italia S.p.A. or to the Audit Function manager of the Group's overseas company directly involved, in accordance with specific internal procedures.

Recipients of the Code and anyone who has adhered to it are required promptly to inform the manager of the Telecom Italia S.p.A. Audit Department or the manager of the Audit Function of the Group's overseas company directly involved, using the appropriate internal procedures:

- any violations, requests or inducements to violate legal provisions or regulations, provisions of the Code and internal procedures with regard to the activities and services of interest to the Group;
- any irregularities or negligence in accounting procedures, keeping of relevant accounting documentation, fulfilling reporting obligations or internal management in Group companies.

There are no negative consequences for people who make reports in good faith.

The confidentiality of the identity of people making reports is in any case guaranteed by appropriate internal procedures, subject to legal requirements. No recipient of the Code, employee or third party having business relations with the Group can be subject to sanctions or otherwise discriminated against if he/she refuses to perform actions or adopt a conduct which are considered, in good faith, to infringe the Code, even if this refusal should result in a loss of business or other adverse consequence for the company's business and/or the Group.

1.10 INTERNAL COMMUNICATION

At Telecom Italia

The main communication initiatives are listed below:

- two editions of the journal Sincronizzando were published, addressed to everyone in the Group in Italy and dedicated to the future and to talent in all its forms within the Company. Digital development of the journal is planned with the launch of an online edition, accessible via the Intranet confirming the prestige and authority of the content and enriched with opportunities for interaction and hyperlinking;
- the finishing touches were put to a new 2.0 intranet environment which will allow maximum cross-departmental involvement the development of ideas, allowing people to share spaces online for group work, practice communities, knowledge-sharing activities;
- the Agendalmpegno (agenda of commitments) was created with Libera, involving 12 schools of all levels, throughout the country, on the issues of the "Miseria Ladra" (poverty is a thief) campaign: for the first time, the agenda was digitised and made available on the Internet to bring the employees of Telecom Italia, school children and Libera volunteers together around the relevant issues;
- multimedia conventions are now the established method for conducting internal meetings. They involve a small number of people gathering in an auditorium or large meeting room and interacting with a vast virtual audience of colleagues connected from their workstations by video-streaming. People taking part in these multimedia conventions submit their questions to speakers before and during the meeting, interact on the subjects and

NUMEROUS INITIATIVES OF INTERNAL COMMUNICATION HAVE BEEN CARRIED OUT

DIALOGUE IN THE COMPANY IS MORE AND MORE ONLINE

provide feedback through blogs, forums and virtual networks. This way of holding meetings is in keeping with the interaction and involvement experiences with which the Company is experimenting through an increasingly widespread social media presence. The online mode also allows the content to be used at a later date and contributes to minimising greenhouse gas emissions by avoiding the need for people to travel.

- In particular, June saw the fourth Parli@mone e-convention, during which senior managers and Top Management held discussions with people from Telecom Italia regarding the network spin-off. The fifth Parli@mone event was held in October, during which senior managers and Top Management presented the main features and objectives for the business over the coming months;
- kick-offs of the new Business and Consumer organisations took place and the launch programme continued for the new Telecom Italia Information Technology company, involving surveys of internal expectations, two management meetings, an e-convention with an innovative format, the live involvement of other company offices and an open debate;
- the first Compliance Day dedicated to Telecom Italia management was organised.

In Brazil

The Company's fourth Olympic Games (Olimpíadas TIM) were organised to promote integration within the Company, corporate identity and corporate values (see [§ People Caring](#)).

1.11 HEALTH AND SAFETY

At Telecom Italia

The main health and safety initiatives implemented are listed below:

- at the end of the "Sicuri, adesso" (Safe, now) campaign, which ran from the end of 2012 to May 2013, aimed at improving knowledge and awareness among Telecom Italia S.p.A. employees regarding health and safety at work, a final survey was addressed to around 20,000 employees to verify the effectiveness of the actions taken.
- The results showed a general improvement in the percentage of correct answers compared to the initial survey (10.5% increase), demonstrating the effectiveness of the initiatives taken.
- the "Sicuri, adesso" campaign was supported by the "Sicuri, più" (Safe, plus) competition, aimed at keeping attention alive regarding health and safety issues, reducing injuries, encouraging active involvement, showcasing colleagues by rewarding best performance. The safety training plan continues. Aimed at all Company personnel (workers, supervisors, managers), it uses a personalised approach based on the role and operational context of trainees and state-of-the-art educational tools that measure the effectiveness and efficiency of the training. The plan, which will be completed during the first half of 2014, provides for at least 8 hours of training to be provided for each employee involved. 211,060 hours of training were provided in total;
- ad hoc activities were also carried out on the subject of "work in confined spaces", which involved technical personnel and staff of the businesses operating in the fixed network area.
- the following road safety activities took place:
 - › two-wheeled vehicle safe driving courses for 40 network engineers who use MP3 eco-scooters in Italian historic city centres;

- › on-road safe driving courses for staff driving company vehicles;
- › off-road safe driving courses for staff who use 4-wheel drive vehicles for work.

The training sessions involved 382 employees;

- following the cooperation with Istituto Superiore per la Protezione e la Ricerca Ambientale – ISPRA, launched in the first half of 2013 to develop a new method for assessing occupational exposure to certain sources of electromagnetic radiation, instrumental measurements are taking place at the company sites identified;
- with regard to occupational exposure to noise, an assessment was made of the risk incurred by various uniform groups of technical personnel in performing their work. Furthermore, with regard to exposure to noise through headphones, an evaluation method was established and a call centre measurement campaign is being completed relating to the Telecom Italia 187, 187-2, 119 and 191 services;
- with regard to the assessment of work-related stress, according to the guidelines set by the Standing Advisory Commission for Health & Safety at Work and the methodological guidance contained in the INAIL Manual of 2011, a detailed analysis and assessment project was launched in mid-September focused on Open Access technical staff and Customer Care 119 and 187 personnel. Among these uniform groups of workers, the preliminary assessments carried out in 2011 and 2012 had in fact identified a MEDIUM risk, which remained unchanged despite the specific improvement actions undertaken as a result of the evaluation carried out in 2011.
- Coordinated by the Prevention, Protection and Environment Service with the cooperation of a Research Team consisting of experts from the company BSD and the University of Rome “Tor Vergata” (Occupational Medicine), the survey has the following aims:
 - › to assess the individual stress factors - identifying potential corrective actions - and to determine the impact of organisational change on the physical and mental health of individuals;
 - › to propose tools to manage, communicate and monitor the effects of organisational change, so as to support both line management and operational staff involved in the project. For further information regarding research into work-related stress go to telecomitalia.com;
- with regard to the checks carried out on suppliers, 17 audits were carried out on fixed network companies during 2013. As of 2014, the results of health, safety and environment audits carried out will contribute to determining the Vendor Rating;
- in the second half of 2013, following the establishment of a permanent working group among Italian networked companies (including Vodafone, Ferrovie, Autostrade per l'Italia, British Telecom, Anas, Condotte, Enel, Poste) an initial series of meetings were held to discuss issues arising from the fulfilment of legal requirements and the development of health and safety at work activities.

On this occasion, the meeting discussed the subject of “training in health and safety at work” and provided an opportunity to consider technical and implementation aspects in detail with the contribution of legal and institutional experts.

In Brazil

At TIM Brasil, all newly hired employees receive training on health and safety in the Company. TIM sites with more than 50 employees set up internal committees for the prevention of accidents at work. There are 9 of these committees across the country. TIM has 26 members of staff dedicated to prevention activities.

Accidents

The Group continues to pay constant attention to the issue of safety in the workplace, mainly by verifying implementation of risk control measures and providing training aimed at disseminating a logic of respect and protection for oneself and others. Similar attention is paid to providing training for the operation and maintenance of TLC systems that involve overhead work (poles, ladders and pylons) in order to ensure that people acquire sufficient knowledge on how to behave correctly during work-related activities.

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



	12.31.2013	12.31.2012
NUMBER OF ACCIDENTS (EXCLUDING COMMUTING)	538	577
SEVERITY INDEX ^(*)	0.21	0.15
FREQUENCY RATE ^(*)	8.34	8.10
AVERAGE DURATION IN HOURS	132.83	97.46
UNPRODUCTIVITY INDEX ^(*)	1.40	0.94
ACCIDENTS PER 100 WORKERS	1.23	1.23

*

The severity, frequency and unproductivity indexes are respectively:

- the number of conventional working days lost due to accident per thousand hours worked
- the number of accidents per million hours worked
- the number of hours lost due to accidents per thousand hours worked

In keeping with the trend set in recent years, 2013 saw a further decrease in the absolute terms in the number of accidents at work. However, compared to 2012, there was an increase in a number of accident indexes, particularly those associated with the length of the incident, such as severity and unproductiveness.

An analysis is being carried out to determine the causes of this reversal in the trend and identify what actions can be taken to achieve ongoing improvement in the rate of accidents.

See the telecomitalia.com website for the main indicators of accidents recorded across the Group in 2013.

1.12 INDUSTRIAL RELATIONS

At Telecom Italia

In February and March, during specific meetings, Telecom Italia provided the trade unions with an overview of the macroeconomic context, which is particularly critical for the whole telecommunication sector, and the respective market scenario, characterised by very strong competitive pressure. The meetings addressed the development prospects for the various businesses, the organisational considerations and the impact on employment levels.

In this context, the Company and the trade unions held discussions to find solutions aimed at achieving the shared goal of safeguarding employment levels by recovering efficiency and productivity, particularly in access network operations and caring services.

The discussion ended positively with specific agreements being signed on March 27 and 28, which identify an important series of actions to support employability and aimed in particular at promoting internalisation processes. The agreements also provided for production surpluses to be managed by using the most socially sustainable safety nets: above all defensive solidarity contracts and voluntary collective mobility. For employees who already meet the requirements for access to social security payments, an agreement was reached to consider this condition as an entitlement to collective mobility.

At the same meeting, an agreement was signed between the Company and the trade unions regarding the Performance Bonus, running from January 1, 2013 to December 31, 2015, which provides for the variable elements of the remuneration that do not vest in the employee to be correlated to results achieved, which are assessed on the basis of profitability, revenue performance and quality of service.

SAFEGUARDING EMPLOYMENT LEVELS IS AN OBJECTIVE SHARED BETWEEN THE COMPANY AND TRADE UNIONS

Telecom Italia has also decided to recognise the contribution made by workers to the economic and productive performance of the Company by paying an undifferentiated amount to all employees of the same grade for the second half of 2012. For this purpose, a specific agreement was reached with trade union representatives.

Pursuant to current legislation regarding Company transfers, Telecom Italia S.p.A. and Telecom Italia Sparkle S.p.A. implemented the procedure with the trade unions involved with regard to Telecom Italia Sparkle's intention to transfer its Network Operations business unit to Telecom Italia S.p.A., through a partial spin-off, as of September 1st, 2013. Employment contracts will be transferred without interruption from Telecom Italia Sparkle S.p.A. to Telecom Italia S.p.A.

The operation will allow the organisational structures dedicated to planning activities, processes and skills to be made more efficient.

Specific agreements were signed in June, as part of the discussions held between the Company and the trade unions to help find agreed solutions on how to introduce new work shifts for people operating in the Consumer Mobile and Business Credit Customer Operations, in the context of Caring Services.

These agreements, which will contribute to further improving oversight of the service and meeting the requirements of the relevant customers, will also allow workers to achieve a better work-life balance.

The Company signed a memorandum of understanding with the trade unions which allowed staff to receive one day of paid leave for every public holiday that fell on a Sunday in 2013, as listed in the agreement, instead of the financial and legal arrangement for which their contract provides. This option was also granted, through agreements with the trade unions, to the employees of other Group companies (Telecontact, HRS, TI Information Technology, TI Digital Solutions, IT Telecom).

In line with the agreements reached on March 27, 2013, a further year's extension was signed in July with the trade unions of the defensive solidarity contract for personnel operating in Directory Assistance offices in southern Italy.

For information on industrial relations relating to TI.IT, Telecontact Center, Advanced Caring Center, HRS s.r.l. TI Sparkle, TI Media, Olivetti and Brazil see the sustainability section of the telecomitalia.com website.

1.13 REMUNERATION POLICY

The Group's remuneration policy is based on an individual pay packet structure that aims to ensure a proper balance between the fixed and variable components, based on the Company's strategic objectives and risk management policy. The architecture is intended to safeguard the identity and integration of the Group (unity) as well as to respect the diversity of the relevant markets (differentiation), so as to sustain the Company's competitiveness and performance and ensure staff involvement, honesty and internal fairness. Remuneration policies differ according to a horizontal classification of employees aimed at subdividing resources based on the role they perform and their individual value.

The fixed remuneration component reflects the breadth and strategic nature of the role performed, measured using a job assessment system based on methods that are recognised and certified at international level, as well as the distinctive subjective characteristics and strategic skills of the employee.

The short term variable remuneration aims to establish a transparent link between pay and the degree of fulfilment of annual targets. For this purpose, the targets are fixed according to qualitative and quantitative indicators that represent and are consistent with the strategic priorities and business plan, measured according to pre-established and objective criteria, subject to discretionary assessment margins.

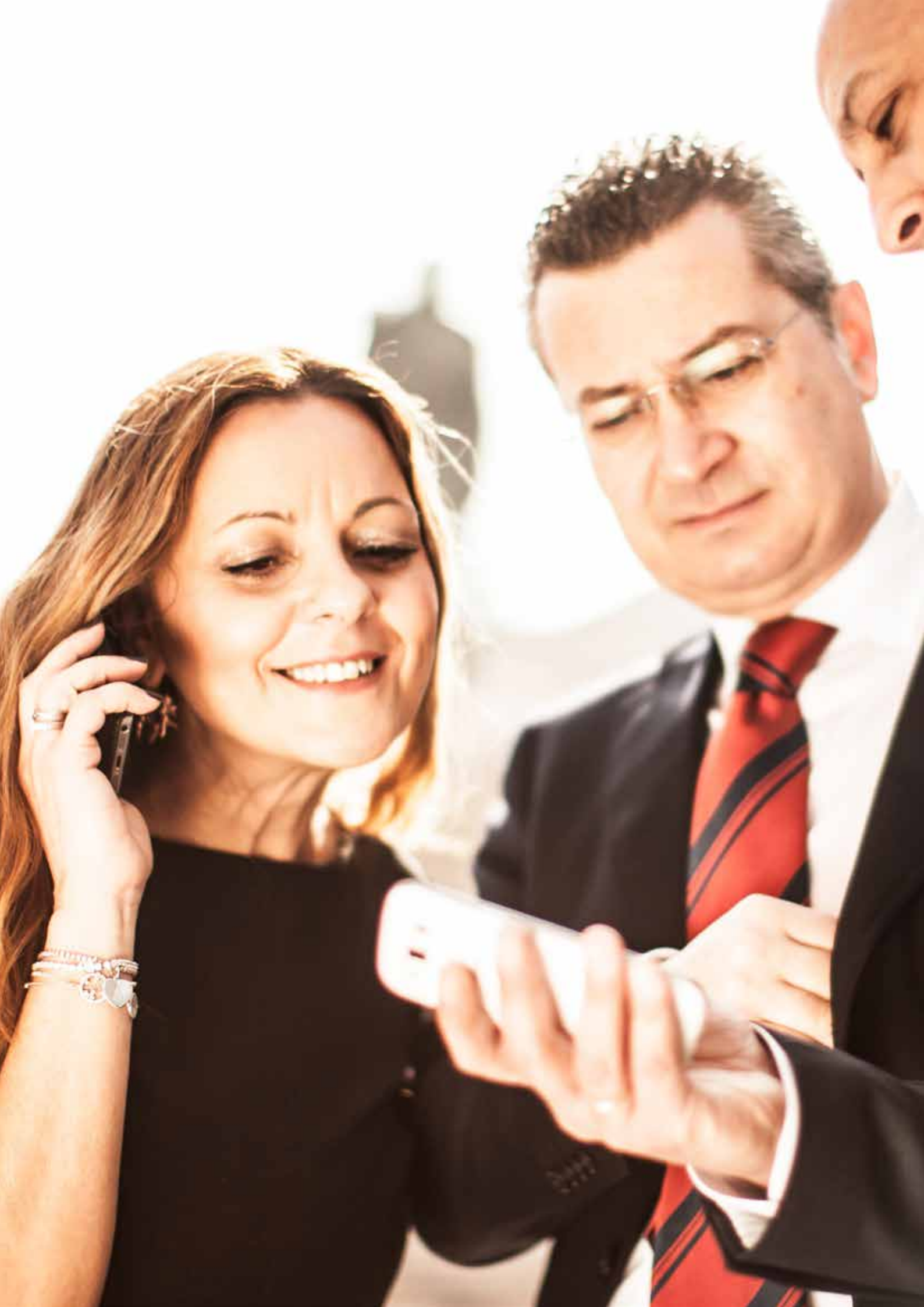
The general terms of short-term incentive (MBO) policies, which were significantly reviewed in 2012 in terms of operating mechanisms and people involved, are understood to be confirmed for 2013, except for the further refinements introduced, particularly in light of the incentive results reported in 2012.

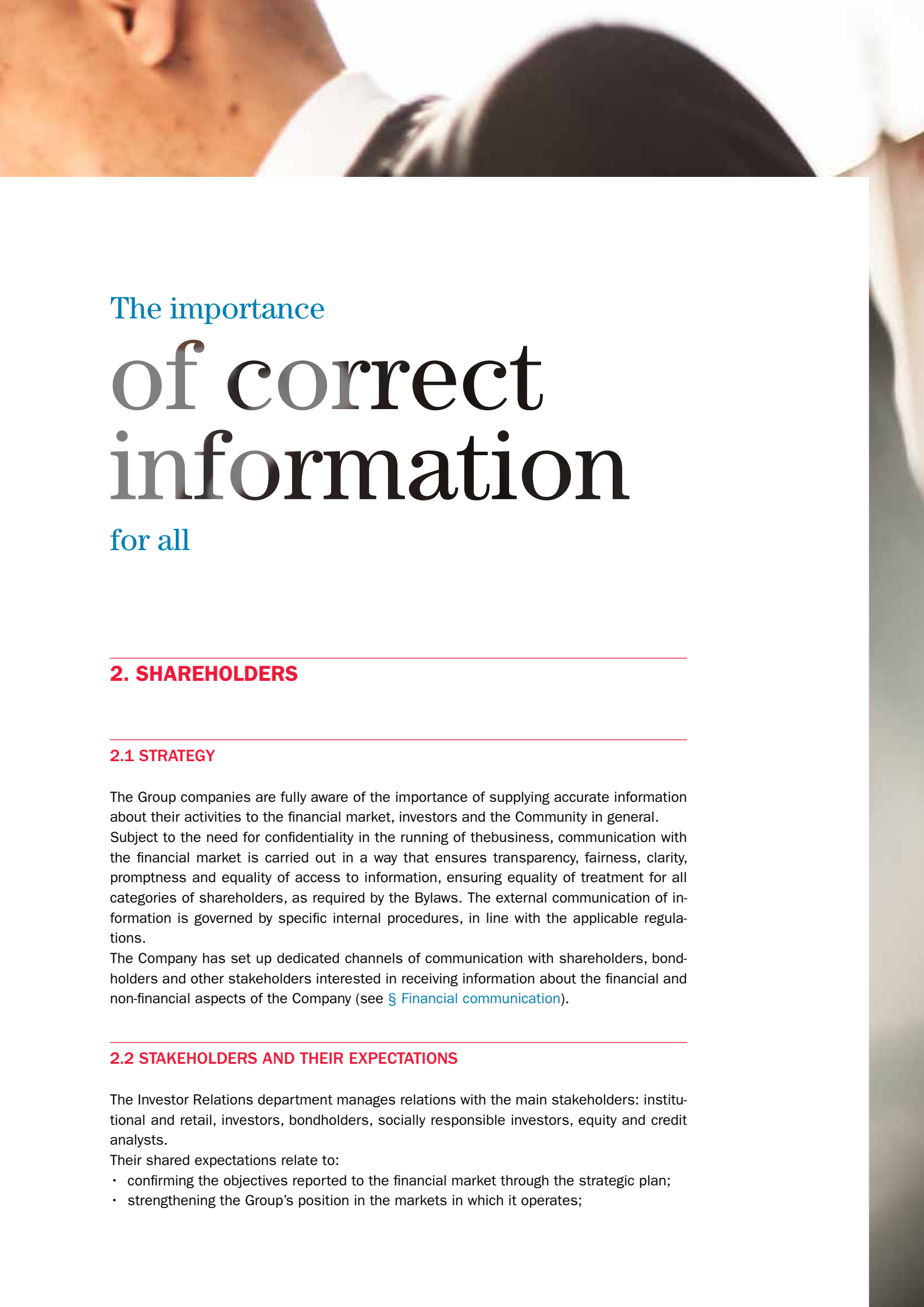
Alongside the MBO system, another system of incentives exists for professional staff, with the aim of aligning the results achieved by these employees with the overall performance of the Company.

The Company's remuneration structure also provides for a long-term variable component that involves participation in annual Long Term plan cycles with an incentive period corresponding to the strategic planning period. In light of the current economic situation, the Board of Directors decided to suspend the 2013 Long Term Incentive plan cycle intended for a select group of the Company's managers.



Stakeholder of reference	Targets subject to incentives	% of managers to whom the target applies
Customers	• Customer satisfaction • Quality of the service delivered • Quality of the service perceived by consumer and business customers • Quality of the service perceived by other national fixed and mobile telephony operators	90% 4% 90% 9%
Human Resources	• Health and safety of employees • Programmes of training and professional growth • Welfare activities (People Caring) and the wellbeing of employees	} 1%
Environment	• Consumption of materials, energy	1%
Shareholders and Institutions	• Quality and speed of company information delivery	1%
The Community	• Organisation of corporate events • Quality of corporate initiatives/projects	} 1%





The importance

of correct information

for all

2. SHAREHOLDERS

2.1 STRATEGY

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

Subject to the need for confidentiality in the running of the business, communication with the financial market is carried out in a way that ensures transparency, fairness, clarity, promptness and equality of access to information, ensuring equality of treatment for all categories of shareholders, as required by the Bylaws. The external communication of information is governed by specific internal procedures, in line with the applicable regulations.

The Company has set up dedicated channels of communication with shareholders, bondholders and other stakeholders interested in receiving information about the financial and non-financial aspects of the Company (see [§ Financial communication](#)).

2.2 STAKEHOLDERS AND THEIR EXPECTATIONS

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

Their shared expectations relate to:

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

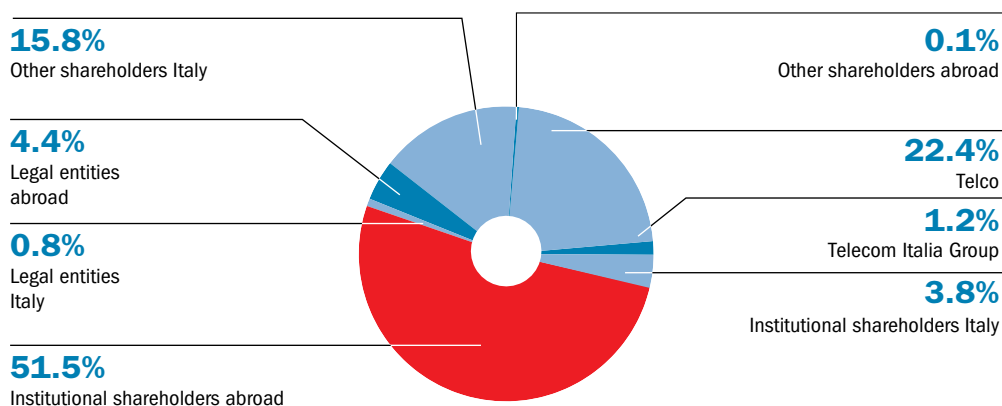
- the certainty of receiving a prompt and effective response to requests for information.
- The expectations of individual stakeholder categories are also given special consideration:

Stakeholders	Needs
Institutional and retail investors	• Good financial and operational performance by the company • Positive Total shareholder return (stock market performance of the shares and dividends distributed) • Good reputation of the Group's brand • Involvement in the Group's activities and initiatives
Socially responsible investors	• Attention paid to the social and environmental impacts of the company's business and to the Group's governance • Positive total shareholder return • Good reputation of the Group's brand
Bondholders and credit analysts	• Stability of the yield from the investment • Certainty of repayment of the debt at maturity • Maintaining of creditworthiness
Financial analysts	• Direct contact, even with the Group's management, on matters relevant to the business

35

Source: Register of shareholders as of December 31, 2013, supplemented by communications received and by other available information.

The shareholding structure as of December 31, 2013 is shown below.⁽³⁵⁾



2.3 FINANCIAL COMMUNICATION

During the course of 2013, the Company organised quarterly conference calls, road shows and meetings abroad in the Group's corporate centres (reverse road shows) as well as attending industry conferences. During these events, the Company met over 400 investors. In addition to these there are the direct contacts and telephone conversations that the Investor Relations team has on a daily basis. Furthermore, in order to improve communication with the stakeholders, Telecom Italia promoted a series of meetings regarding Corporate Governance.

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

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

As regards relations with individual (retail) - shareholders - more than 400,000 holders of ordinary shares - Telecom Italia's strategy aims to increase communication channels in order to respond quickly and effectively to queries regarding the performance of shares and the Group strategy as a whole. The messages and ideas that emerge from dialogue with retail investors are collected and reported to top management.

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

- SMS alert, which provides a daily report of the closing price and percentage variations of Telecom Italia's ordinary and savings shares compared to the previous day, as well as the daily percentage variations in the FTSE/Mib index;
- Weekly stock exchange report, sent every Monday morning and summarising performance during the week ending the previous Friday;
- Quarterly newsletter, available on the website, contains the main messages drawn from the press releases published when the Group's results are released.

With regard to on line financial communication, the telecomitalia.com website is constantly updated and innovated. In 2013, Telecom Italia achieved second place in the Italian and European "KWD Webranking 2013" produced by KWD, the digital division of Hallvarsson & Halvarsson, a Swedish company that assesses and rewards listed companies that are most attentive to online corporate and financial communication (see § [Introduction/Other acknowledgements](#)).

TI ALW@YS ON IS ALSO OPEN TO NON-SHAREHOLDERS

2.4 RISK MANAGEMENT

Telecom Italia's risk is understood to be an event that might generate a departure from the goals of the three-year plan.

In order to ensure a global approach to risk management, the Telecom Italia Group has adopted an Enterprise Risk Management (ERM) process.

At the heart of the system is the Group Risk Management Committee which is chaired and

coordinated by the “Administration, Finance and Control” Function Manager.

The Committee meets every three months (or when specifically required) and is intended to govern the Group risk management process, which is designed to guarantee the operational continuity of the company's business. The adopted process provides for:

- the definition and updating of the policies on the efficient operation of the risks management process;
- the prior analysis of the context within and outside the Group;
- the assessment of the risk profile by the management, understood as a variation to the strategic objectives set out in the three-year plan;
- risk mapping with a specific focus on the ones deemed to be most significant;
- the assessment of the level of maturity in risk management and the establishment of inter-functional working groups defined by the Risk Management Committee for the implementation of dedicated mitigation action plans and control key risk indicators.

With a view to ensuring continuous improvement, a process was launched in 2013 to renew the ERM process, which will be operational as of 2014. Responsibility for overseeing the redesign of the new process has been assigned to a specific steering committee (known as the Enterprise Risk Management Steering Committee), chaired and coordinated by the Group CFO and reporting to the CEO.

The results of this work will allow greater awareness and protection of the business to be developed thanks to a more objective approach to risk exposure, to the connection between assessment activities and planning and capital allocation processes as well as to a timely verification of existing and/or future controls to mitigate the identified risks.

2.5 CORPORATE GOVERNANCE

At Telecom Italia

The Telecom Italia corporate governance system is structured in the conventional way and is consistent with the principles of the Code of Conduct drawn up by the Corporate Governance Committee of Borsa Italiana (available at borsaitaliana.it). At the end of 2012, the Company abolished its own internal code, which was considered obsolete, and adopted a number of principles of corporate governance that waive and/or supplement the framework of rules applicable to the tasks and operation of corporate bodies, referring in all other respects to the principles and criteria of the Code of Borsa Italiana (December 2011 edition).

Compared to the pre-existing internal code, the new principles of corporate governance:

- reaffirm the responsibility of the Board of Directors, with a greater focus on the internal control and risk management system;
- simplify the listing of strategic operations requiring a prior resolution of the Board, stating that it is an illustrative list;
- confirm the principles of operation of the Board, introducing the principle of long-term scheduling;
- confirm the presence of a Lead Independent Director and three internal committees within the Board of Directors: Executive Committee, Nomination and Remuneration Committee, Control and Risks Committee (which replaces the Internal Control and Corporate Governance Committee, supplementing its functions);
- transfer the annual assessment of the Board of Directors from the Internal Control and Corporate Governance Committee to the Nomination and Remuneration Committee;

- introduce specific references to procedures aimed at ensuring fulfilment of the commitments made to the Brazilian authorities to ensure “separateness” from Telefónica in the management of the Group’s South American subsidiaries;
- fully renew the internal control and risk management system rules.

The principles of corporate governance can be viewed on the Company’s website at telecomitalia.com, Governance section - Governance System/Codes.

For further information on the project, see the Annual Corporate Governance Report on the telecomitalia.com website.





Appendix



1

The actual figures of the above mentioned objectives for 2013 will be available in July 2014 on the websites stated in note 2.

2

The full list of mobile service quality indicators, and the respective objectives for 2012, are available at tim.it.

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

*

Status target:

● achieved

● not achieved

1. RESULTS FOR 2012 AND 2013

The results achieved are shown below, compared to the objectives published in the previous sustainability Report for the year 2013 and in relation to the Customers stakeholder only, for the year 2012⁽¹⁾.

1.1 TELECOM ITALIA S.P.A. – CUSTOMERS⁽²⁾

Area of reference	Indicator	Unit of measurement	Target 2012	Final result 2012	Target status 2012 ^(*)	Target 2013
Customers Mobile	Activation time for voice service (pre-paid service) – Percentage of valid orders completed within the maximum period laid down in the contract	%	97	100	●	97
Customers Mobile	Activation time for voice service (post-paid service) – Percentage of valid orders completed within the maximum period laid down in the contract	%	97	100	●	97
Customers Mobile	Residential customer assistance services – Average response time of the operator to incoming calls	seconds	35	20	●	35
Customers Mobile	Disputed charges – Ratio between the number of disputed charges in invoices received within the survey period and the number of invoices issued in the same period (post-paid service)	%	1.3	0.5	●	1.2
Customers Mobile	Disputed charges – Ratio between the number of disputed charges on pre-paid cards within the survey period and the average number of active SIM/USIM in the same period (pre-paid service)	%	1.2	0.3	●	1.2
Customers Internet	Activation time for broadband Internet access services – Percentage of valid orders completed within the date agreed with the customer (active telephone lines)	%	94	98.9	●	95
Customers Internet	Activation time for broadband Internet access services – Average time of supply (active telephone lines)	days	9	7	●	9
Customers Internet	Broadband Internet access service faults – Average repair time	hours	27	18	●	26
Customers Internet	Disputed charges – Ratio between the number of disputed charges in invoices regarding all Internet access services (received during the survey period) and the total number of invoices issued in the same period	%	1.2	0.36	●	1.0
Customers IPTV	Customer assistance response time – Average time of operator response to incoming calls	seconds	70	63	●	70
Customers IPTV	Disputed charges – Ratio between the number of disputed charges in invoices regarding the IPTV service (received during the survey period) and the total number of invoices containing charges regarding this service (issued during the same survey period)	%	1.2	0.6	●	1.0
Customers IPTV	Availability of IPTV service – Average unavailability of the service	hours/year	36	7	●	36

1.2 TELECOM ITALIA S.P.A. - OTHER STAKEHOLDERS

Area of reference	Indicator	Unit of measurement	Target 2013	Actual figure 2013	Target status 2013
Human Resources - Training	Training in health, safety and environment issues ⁽¹⁾	Training hours	300,000	359,364	●
Human Resources - Training	Training – Training hours per head ⁽¹⁾	Training hours per head	30	31.4	●
Human Resources - Training	Training - Coverage (percentage of employees out of the entire workforce who have taken part in at least one training session)	%	82.50	95.3	●
Human Resources - Accidents	Accidents per 100 workers ⁽²⁾	Number	1.30	1.23	●
The Environment - Energy	Eco-efficiency indicator ⁽³⁾	bit/joule	2,800	2,828	●
The Environment - Energy	Self-generation of energy from mixed sources (cogeneration)	GWh	113	84	●
The Environment - Energy	Fluorescent lighting units replaced with LED units	Number	100,000	100,072	●
The Environment - Atmospheric Emissions	Reduction of the quantity of ozone-depleting gas (R22) used in air-conditioning and cooling systems	kg	22,000	22,000	●
The Environment - Electromagnetic Emissions	SAR qualification ⁽⁴⁾	%	100	100	●
The Environment - Electromagnetic Emissions	SAR qualification of other technologically innovative devices (USB memory sticks, tablets and routers) marketed under the TIM brand	Number	10	10	●
The Environment - Paper	Used paper sent for recycling	Tons	19,000	19,975	●

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

²
The severity index shows the working days lost during the year for every thousand hours worked.

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

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

1.3 TIM BRASIL

Area of reference	Indicator	Unit of measurement	Target 2013	Actual figure 2013	Target status 2013
Human Resources	Training (total hours: in class, online and on the job) provided to its own employees, outsourced employees and interns	Training hours	600,000	2,135,543	●
Human Resources	Sustainability training (percentage of employees, outsourced employees and interns out of the total workforce who have taken part in at least one training session on sustainability issues)	%	30	31.7	●
The Environment	Collection of mobile phones, batteries and other accessories to be sent for recycling	Tons	13	0.37 ⁽¹⁾	●
The Environment	Ratio between recycled waste and the total waste generated in the offices	%	65	68	●
The Environment	Energy - Reduction of the average quantity of electricity required by the mobile network compared to the number of lines	%	4.17	4.43 ⁽²⁾	●
The Environment	Low environmental impact paper Paper purchased for office use	Tons	57.3	52.2	●
Suppliers	Suppliers assessed under sustainability criteria	Number	228	228	●

1

In 2013, the phone, battery and accessory collection system was reviewed and suspended. The programme will be relaunched in 2014 with a point of sale communication plan aimed at training the teams involved and encouraging the public to practice recycling.

2

Although electricity consumption in 2013 was in line with the plan, the target was not reached because the customer base for the year was smaller than planned. The specific target will be replaced by an absolute target for energy consumption based on the efficiency projects to be implemented in 2014.

2. 2014 AND MULTIANNUAL TARGETS

2.1 TELECOM ITALIA S.P.A. – CUSTOMERS

Area of reference	Indicator	Unit of measurement	Target 2014
Customers mobile	Activation time for voice service (pre-paid service) – Percentage of valid orders completed within the maximum period laid down in the contract	%	97
Customers mobile	Activation time for voice service (post-paid service) – Percentage of valid orders completed within the maximum period laid down in the contract	%	97
Customers mobile	Residential customer assistance services – Average response time of the operator to incoming calls	seconds	35
Customers mobile	Disputed charges – Ratio between the number of disputed charges in invoices received within the survey period and the number of invoices issued in the same period (post-paid service)	%	1.2
Customers mobile	Disputed charges – Ratio between the number of disputed charges on pre-paid cards within the survey period and the average number of active SIM/USIM in the same period (pre-paid service)	%	1.2
Customers internet	Activation time for broadband Internet access services – Percentage of valid orders completed within the date agreed with the customer (active telephone lines)	%	95
Customers internet	Activation time for broadband Internet access services – Average time of supply (active telephone lines)	days	9
Customers internet	Broadband Internet access service faults – Average repair time	hours	26
Customers internet	Disputed charges – Ratio between the number of disputed charges in invoices regarding all Internet access services (received during the survey period) and the total number of invoices issued in the same period	%	1.0
Customers - IPTV	Customer assistance response time – Average time of operator response to incoming calls	seconds	70
Customers - IPTV	Disputed charges – Ratio between the number of disputed charges in invoices regarding the IPTV service (received during the survey period) and the total number of invoices containing charges regarding this service (issued during the same survey period)	%	1.0
Customers - IPTV	Availability of IPTV service – Average unavailability of the service	hours/year	36

2.2 TELECOM ITALIA S.P.A. – OTHER STAKEHOLDERS

Area of reference	Indicator	Unit of measurement	Actual figure 2013	Target 2014	
Human Resources - Training	Training in health, safety and environment issues ⁽¹⁾	Training hours	359,364	105,000 ⁽²⁾	¹ The data includes classroom, online and on-the-job training.
Human Resources - Training	Training – Training hours per head ⁽¹⁾	Training hours per head	31.4	28	² Training in this area will decrease in 2014 because much of the activity associated with the State-Regions Agreement was carried out in 2013.
Human Resources - Training	Training – coverage (percentage of employees out of the entire workforce who have taken part in at least one training session)	%	95.3	80	³ Up to the last edition of the Sustainability Report, the eco-efficiency indicator referred to Telecom Italia S.p.A., but it can be considered to apply to the whole Domestic BU, since it takes into account the total traffic generated by the Group companies operating nationally and the corresponding energy consumption. Therefore the target for 2014 is understood to extend to the whole Domestic BU.
Human Resources - Accidents	Accidents per 100 workers	number	1.23	1.28	
The Environment - Energy	Eco-efficiency indicator ⁽³⁾	bit/joule	2,828	3,100	⁴ As of 2014, the target is extended to the whole Domestic BU. Note in this respect that cogeneration plants currently only exist in Telecom Italia S.p.A. See the Multiannual Targets table.
The Environment - Energy	Self-generation of energy from mixed sources (cogeneration) ⁽⁴⁾	GWh	84	115	
The Environment - Electromagnetic Emissions	SAR qualification ⁽⁵⁾	%	100	100	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.
The Environment - Electromagnetic Emissions	SAR qualification of other technologically innovative devices (USB memory sticks, tablets and routers) marketed under the TIM brand	number	10	10	

2.3 TIM BRASIL – 2014 TARGETS

Area of reference	Indicator	Unit of measurement	Actual figure 2013	Target 2014
Human Resources	Training (total hours: in class, online and on the job) provided to its own employees, outsourced employees and interns	Training hours	2,135,543	2,000,000
Human Resources	Sustainability training (percentage of employees, outsourced employees and interns out of the total workforce who have taken part in at least one training session on sustainability issues)	%	31.37	30
The Environment	Collection of mobile phones, batteries and other accessories to be sent for recycling	Tons	0.37	13
The Environment	Ratio between recycled waste and the total waste generated in the offices	%	68	68
The Environment	Completion of the inventory and technical reports regarding the presence of asbestos in 95 (82%) of office and mixed use premises by October 2014	Number	⁽¹⁾	95
Suppliers	Suppliers assessed under sustainability criteria	Number	⁽²⁾	50

¹
Target not set for 2013.

²
The target for 2013 related to the assessment of "Suppliers". In 2014, however, we preferred to focus attention on assessing the "main suppliers". For this reason, the actual final figures for the previous year are not available.

2.4 DOMESTIC BU – MULTIANNUAL TARGETS – ENVIRONMENT AND DIGITAL INCLUSION

Area of reference	Indicator	Unit of measurement	Target 2013	Actual figure 2013	Status Target	Target 2014	Target 2015	Target 2016
The Environment - Energy	Total electricity procured or produced ^(*)	GWh	1,898	1,898	●	1,942	1,911	1,876
The Environment - Energy	Self-generation of energy from mixed sources (cogeneration)	GWh	113	84	●	115	121	125
The Environment - Atmospheric Emissions	Reduction of CO ₂ emissions from the purchase and generation of electricity compared to 2013 ^(**)	Tons	5,500	2,082	●	11,000	23,000	35,000
Digital Inclusion	Next Generation Plan (fixed telephony) cover	%						>50
Digital Inclusion	LTE Coverage ^(***)	%					60	80

*
The actual total energy requirement for 2013 relates to the Telecom Italia S.p.A. component. The 2014/2016 targets relate to the whole Domestic BU. Achievement of the total electricity consumption target for purchase and generation by TI S.p.A. did not ensure achievement of the other two associated targets because in 2013 the energy generation mix was significantly changed, prioritising the air conditioning requirements of Data Centres resulting from the increased volume of traffic handled. Total emissions from electricity purchased and generated fell by less than the stated target of 5,500 t.

**
2013 target refers to 2012 data.

The percentage refers to the resident population.



Report of the
independent auditors
(PricewaterhouseCoopers)



INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2013

To the Shareholders of
Telecom Italia SpA

1. We have carried out the limited assurance engagement of the Telecom Italia Group (hereafter the "Group") Sustainability Report as of 31 December 2013 (hereafter the "Report"), following the verification procedures summarized in paragraph 3 to this Report. The Board of Directors of Telecom Italia SpA are responsible for the preparation of the Report in accordance with the Inclusivity, Materiality and Responsiveness principles included in *AA1000 AccountAbility Principles Standard (2008)* (AA1000APS - 2008), issued by AccountAbility (Institute of Social and Ethical Accountability), as described in the paragraph "Reporting". The Board of Directors of Telecom Italia SpA are responsible for the definition of the Group objectives with regard to the sustainability performance and reporting results achieved. The Board of Directors are also responsible for the identification of the stakeholders and of the significant aspects to report, as well as for the implementation and maintenance of appropriate management and internal control processes concerning data and information included in the Report. We are responsible for the preparation of this Report on the basis of the work performed.
2. Our work has been conducted in accordance with the principles and guidelines established, for a limited assurance engagement, by the International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by the International Auditing and Assurance Standards Board. These principles require the compliance with applicable ethical principles (Code of Ethics for Professional Accountants of the International Federation of Accountants), including professional independence, which was respected also in accordance with the *AA1000 AccountAbility Assurance Standard (2008)* (AA1000AS - 2008), since services or activities that could have generated an independence conflict have not been performed for the Group. ISAE 3000 requires that our work is planned and performed with the aim of obtaining a limited assurance, rather than a reasonable assurance, that the Report is free of material errors.

Furthermore, our work has been conducted taking into account, consistently with the AA1000AS - 2008, those aspects relevant for the valuation of the reliability of data and information on sustainability performance detailed in Appendix 1.

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A limited assurance engagement of the sustainability report consists in interviews, primarily with company's personnel responsible for the preparation of the information included in the sustainability report, in the analysis of the sustainability report and in other verification procedures.

3. The verification procedures performed on the Report are summarized as follows:
- comparison between the economic and financial information and data included in the Report with those included in the Group consolidated financial statements as of 31 December 2013;
 - analysis of design and implementation of governance and management system of sustainability topics related to strategy and operation of Telecom Italia SpA, as well as of the processes and instruments used to identify the stakeholders and the most significant issues to them;
 - analysis of the processes underlying the generation, recording and management of quantitative data included in the Report. In particular, we held meetings and discussions with Telecom Italia SpA, Telecom Italia Sparkle SpA, TIM Participações SA and HR Services Srl management representatives selected on the basis of a quantitative and qualitative risk analysis, in order to achieve a general understanding of the information, accounting and reporting system in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the department responsible for drawing it up;
 - meetings and discussions with Telecom Italia SpA, Telecom Italia Sparkle SpA, TIM Participações SA and HR Services Srl management, in order to understand and evaluate the processes utilized to comply with the Inclusivity, Materiality and Responsiveness principles included in the AA1000APS – 2008 standard;
 - analysis, on a sample basis, of the documentation supporting the Report in order to obtain the evidence of processes in place, confirm the reliability of data and information obtained in the above-mentioned meetings and discussions and regarding the sustainability performance, as included in Appendix 1;
 - obtaining a representation letter, signed by the legal representative of Telecom Italia SpA and CSR responsible, relating to the completeness and reliability of the Report and of the information and data included in it, as well as to the compliance with the principles referred to in paragraph 1.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 and, as a consequence, it provides a lower level of assurance that we became aware of all the significant events and circumstances that a reasonable assurance engagement could have identified.

As far as data and information concerning the sustainability report of the prior year, presented for comparative purposes, are concerned, refer to the assurance report issued on 8 April 2013 .



4. Based on the procedures carried out, nothing came to our attention that causes us to believe that the sustainability report of Telecom Italia Group as of 31 December 2013 is not in compliance, in all material respects, with *AA1000 AccountAbility Principles Standard (2008)*, as stated in the paragraph "Reporting" of the Report, and that the sustainability performance included in Appendix 1 is not reliable.

Turin, April 1st 2014

PricewaterhouseCoopers Advisory SpA

Paolo Bersani
(Partner)

This report has been translated from the original, which was issued in Italian.
We have not performed any controls on the Sustainability Report 2013 translation.

Appendix 1 Data and information on sustainability performance

Area	Information/KPI	Page
Economic value	Economic value generated and distributed	32
Human Resources	Training Telecom Italia Group	109
Human Resources	Training TIM Brasil	110
Human Resources	Accidents Telecom Italia S.p.A.	114
Human Resources	People Caring	103
Human Resources	Turnover Telecom Italia Group	100
Environment	Heating systems	59
Environment	Vehicles	60
Environment	Number of vehicles and distance travelled	60
Environment	Electricity procured and produced	61
Environment	Atmospheric emissions	66
Environment	Waste	71
Stakeholder Involvement	Stakeholder Involvement	27
Community	The measurement of our contribution to the Community	78
Community	Initiatives consistent with the core business	79
Community	Initiatives for general community development	81
Customers	Customer Satisfaction Index	39
Customers	Customer satisfaction concerning customer care	40
Customers	Geographical Digital Inclusion and ADSL/broad band coverage	41
Customers	The conciliation procedures	47
Customers	Certifications	40
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