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# CHAIRMAN'S LETTER

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

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

The sphere in which it is easiest to see the close correlation between sustainability and competitiveness is the environment. The greatest direct contribution that a telecommunications operator can make to safeguarding the environment lies in the efficient use of energy. A network that is being expanded to enable it to reach 24 million sites, encompassing over 15,000 radio base stations and more than 10,000 telephone exchanges, feeding 12 data centres in the service of the company and its customers, consumes a great deal of energy and tends to consume ever greater amounts, registering an increase of around 5% every year. Yet by renovating the network architecture, by employing the most modern methods of air-conditioning and by using a combination of alternative, renewable energy sources in a clever way, our electricity consumption

in 2009 remained substantially stable. These developments – together with many other initiatives, such as sharing the radio base sites with other operators, the adoption of green procurement policies in our dealings with suppliers, the use of new technologies and more efficient ways of managing the heating of buildings, reductions in travel and, above all, the renewal of the company's fleet with vehicles that meet the highest standards – have meant that Telecom Italia's carbon dioxide emissions have been reduced by more than 2%.

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

Nevertheless, we are well aware that it is not sufficient just to say that digital innovation exists and can be fully exploited. Two questions must be tackled: on one hand, it is vital that it should be accessible everywhere, even in the most far-flung areas; on

the other, the expansion of digital literacy must be accelerated so that everyone can play an effective part in the information society and share in its benefits. There are two faces to the problem of the digital divide, one concerning the infrastructure, the other regarding the cultural aspect. We are continuing to work on both. Across the territory, we are collaborating with local institutions in designing and offering solutions that will allow broadband to be extended to areas where market demand alone cannot take it, and we remain ready to play our part. On the other front, the one related to culture, we have multiplied the initiatives aimed at schools, showing the very young and adults how to use the new technologies responsibly, and offering digital training for the older generations.

Of course, our interventions at the social level are much broader than this. Telecom Italia pays a great deal of attention to the needs of the weaker members of society. No-one can forget, for example, the massive, immediate mobilisation of means, technologies and company personnel during two major human tragedies, the earthquakes in Abruzzo in the spring of 2009, and in Haiti at the beginning of 2010. Interventions in support of the community, moreover, have been boosted by the rapid engagement of the Telecom Italia Foundation which, in its first year of life, has already launched a series of initiatives, including one aimed at the early diagnosis and tackling of dyslexia. In addition, the Foundation conducted two very successful, well-subscribed competitions, one for a project aimed at finding stable, qualified employment for unemployed, marginalised or disadvantaged people, and a second for the renewal of teaching systems in schools through the use of the interactive multimedia whiteboard and new technologies.

It is our personnel who make our company's sustainability real. They have been involved in significant programmes in training and development, in the identification and promotion of talent and they have been receiving support in achieving a healthy

balance between working life and free time. We are aware that we must improve our policies on safety at work and, for the first time, we have set ourselves precise objectives in terms of reducing the number of accidents, and their severity. It should also be noted that, in 2009, Telecom Italia launched the company's first initiative for voluntary work in support of children suffering from serious illnesses.

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
















**Gabriele Galateri di Genola**  
Chairman

# EXECUTIVE SUMMARY



The main results achieved by Telecom Italian in 2009 are given below, with details of their impact on the stakeholders.

HIGHLIGHTS <sup>(1)</sup>	REFERENCE TO THE CHAPTERS IN THE REPORT	IMPACT FOR THE STAKEHOLDERS <sup>(2)</sup>
A reduction of around 3% in the energy consumed for heating	The Environment/Environmental performance/Energy	
A reduction of around 5% in the energy consumed for transport, to which the replacement of 1,504 Euro3 vehicles with diesel Euro4 vehicles has contributed	The Environment/Environmental performance/Energy	
A slight increase in the consumption of electricity	The Environment/Environmental performance/Energy	
An increase of 12% in the eco-efficiency indicator	The Environment/Climate Change	
A reduction of around 2% in carbon dioxide emissions	The Environment/Environmental performance/Atmospheric emissions	
A reduction of around 2% in the consumption of water	The Environment/Environmental performance/Water	
A reduction of around 4% in paper consumed for office use	The Environment/Environmental performance/Paper	
The use of 100% FSC certified paper for office use and telephone bills	The Environment/Environmental performance/Paper	
An increase in the percentage of the waste sent for recycling or recovery (more than 90%)	The Environment/Environmental performance/Waste	
The failure to reach some sustainability targets in 2009	Introduction/2009 Objectives and Results	
37,000 interventions carried out by the Solidarity ponies in support of elderly people facing difficulties	The Community/Responses to the stakeholders	
The launch of 99 fund-raising campaigns and the collection of 27 million euros through SMS, telephone calls and click solidarity	The Community/Responses to the stakeholders	
Support for the population hit by the earthquake in Abruzzo through numerous initiatives	The Community/Responses to the stakeholders	
The encouragement of 6,000 aspiring Web 2.0 entrepreneurs through the Working Capital project	The Community/Social Media and Digital Communication	
6,700 people over 50 have taken basic Internet courses thanks to the Internet Saloon initiative	The Community/Responses to the stakeholders	

**HIGHLIGHTS<sup>(1)</sup>****REFERENCE TO THE CHAPTERS IN THE REPORT****IMPACT FOR THE STAKEHOLDERS<sup>(2)</sup>**

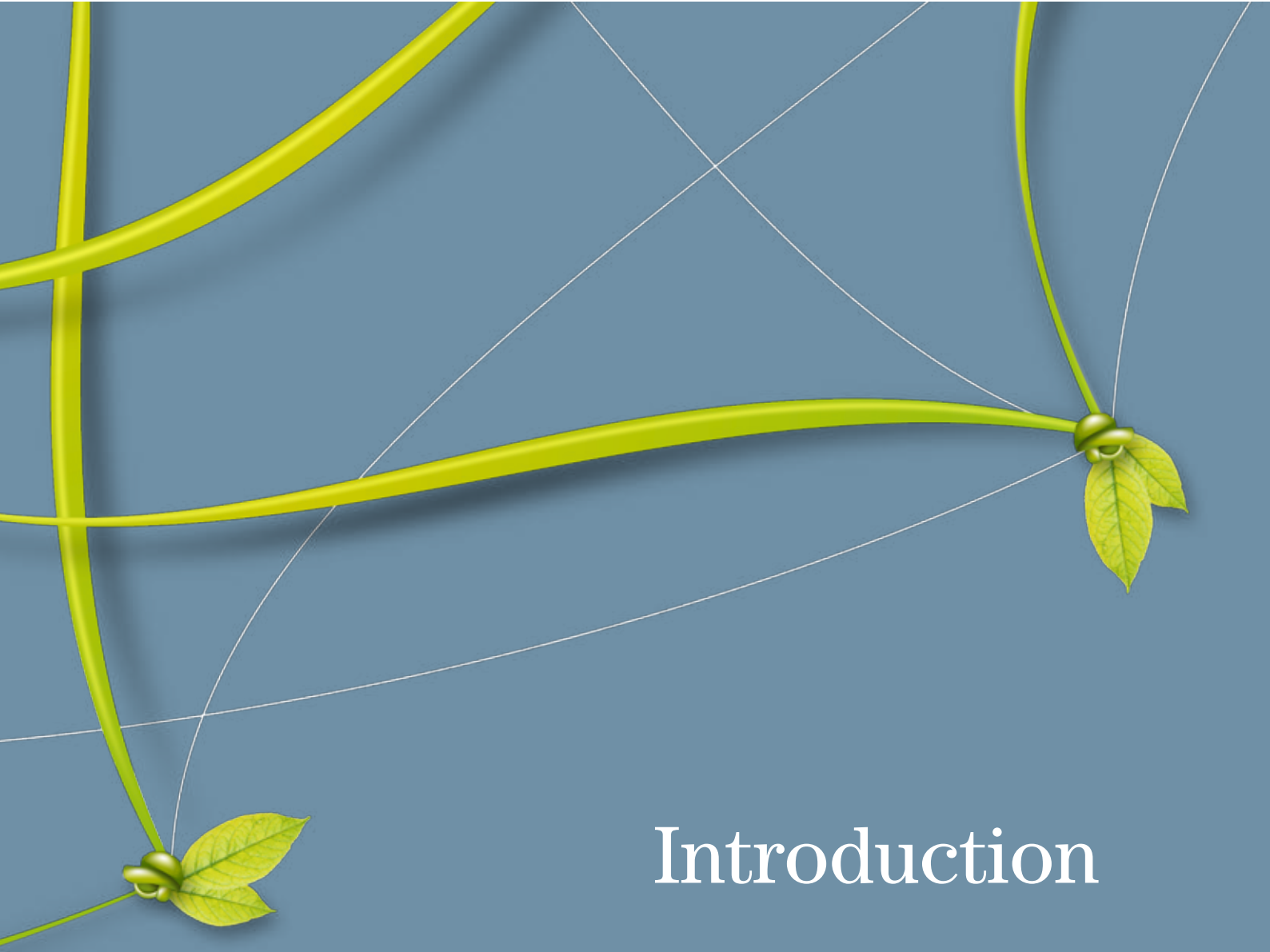
1 million individual users have followed AvoiComunicare in the course of the year	The Community/Social Media and Digital Communication	
An improvement in the majority of the customer satisfaction indicators	Customers/Customer satisfaction	
The launch of innovative services to reduce the energy consumption of customers, including in partnership with other companies	Customers/Innovative Services	
Numerous initiatives adopted to combat potential abuses carried out through the Tlc network	Customers/Protection of minors	
A reduction of more than 70% in the number of demands for conciliation waiting to be considered	Customers/Relations with consumer associations	
The launch of initiatives to reduce the socio-cultural digital divide	Customers/Digital Divide The Community/Responses to the stakeholders	
At the end of 2009, 96.5% of the total of Telecom Italia's fixed lines were covered by ADSL and 57.6% were covered by IPTV	Introduction/2009 Objectives and Results	
At the end of 2009, the percentage of the residential population covered by UMTS and HSDPA technology was 83.3%	Introduction/2009 Objectives and Results	
1.8 million hours of training for Italian personnel for direct costs of 19.8 million euros. In all, 80.1% of the Group's personnel participated in at least one training session in 2009	Human Resources/Training	
Numerous people caring initiatives were carried out through the integrated reconciliation of the family-work balance, recognised by awards from the Lombardy Region and ALTIS	Human Resources/People Caring	
Inclusion of the sustainability objectives in the variable pay scheme for managers	Human Resources/Remuneration policy	
The launch of the Green Procurement Policy	Suppliers/Main sustainability initiatives	
Inclusion in all the principal global sustainability indexes	Introduction/Placement in the indexes	
First place in Italy for the exposition of data regarding climate change, in accordance with the Carbon Disclosure Project	Introduction/Other acknowledgements	
Road show conducted with investors in Frankfurt on sustainability issues	Shareholders/Financial communication	

(1) The percentages of increase or reduction shown in the table are calculated based on 2008 data. All the data and information shown in the table, unless otherwise stated, refer to Telecom Italia S.p.A.

(2) The symbol  represents positive impact on stakeholders while the symbol  represents negative impact.







# Introduction

# The priorities of Telecom Italia: excellence in customer satisfaction, technological innovation, financial discipline and cash generation, sustainability.

## INTRODUCTION

8

### INTRODUCTION

references and  
governance

For 13 years, Telecom Italia Group has been analysing its own performance with regard to those interested parties with whom it interacts daily, that is, the stakeholders: Customers, Suppliers, Competitors, Institutions, the Environment, the Community, Human Resources and Shareholders.

In demonstration of the importance that Telecom Italia attributes to sustainability, the information concerning activities that regard the stakeholders has, since 2003, formed part of the Report on Operations, in confirmation of the Group's determination to integrate its financial and non-financial data.

### REFERENCES AND GOVERNANCE

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

In 2002, Telecom Italia subscribed to the princi-

ples 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:

- the Directives, Recommendations and Communications of the European Commission;
- the OCSE guidelines directed at multinational enterprises;
- the ISO 9000 and ISO 14000 certificates governing Quality and Environmental Management Systems;
- the principles of the Conventions of the International Labour Organisation (ILO) on respecting the fundamental rights of workers;
- the Social AccountAbility 8000 standard (SA8000), aimed at promoting respect for human rights and working conditions by companies and their supply chains;
- AA1000 AccountAbility Principles Standard (APS 2008) drawn up by AccountAbility, an international organisation which promotes collaboration between stakeholders, and lays out standards and guidelines on matters of sus-



tainability. The APS 2008 establishes the principles that a company must respect in order to qualify itself “responsible” (accountable), which are covered in the paragraph “Reporting and Planning”. The Group, for the first year, initiated the activities necessary to ensure conformity with the standards on the part of the Independent Auditors, Reconta Ernst & Young (see [Report of the Independent Auditors](#)).

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 the strict regulations on potential conflicts of interest. Within the Internal Control System is the Organisational Model of the Decree Law of June 8th, 2001, no. 231, designed to prevent the commission of certain infringements, including corruption, extortion and corporate crimes. For further information, see [§ Shareholders/Corporate Governance](#). Sustainability issues are subject to the supervision of the Committee for Internal Control and Corporate Governance, which carries out a check on sustainability activities in general, including projects conducted by the Telecom Italia Foundation, to ensure they are consistent with the Group’s ethical values.

## CODES, CHARTERS AND VALUES

The commitments undertaken by the Group towards its stakeholders are expressed in a system of Charters and Codes, which are available on the Internet site [www.telecomitalia.it](http://www.telecomitalia.it) (Corporate/Sustainability/Our approach/Policies).

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

The Charters of Services lay down the principles of conduct and the commitments undertaken by Telecom Italia on matters regarding services, as well as giving information about the channels through which customers can make contact and about the standard of quality of the services provided. These Charters are available on the websites of Telecom Italia ([www.187.it](http://www.187.it), [www.191.it](http://www.191.it), [www.tim.it](http://www.tim.it)).

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

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

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

- **Social responsibility in the Telecom Italia Group** on compliance with labour standards within the Group, with particular reference to child labour, forced labour, health and safety, freedom of association, discrimination, disciplinary procedures, working hours and pay.
- **Relations with suppliers in Telecom Italia Group’s procurement process** which governs the negotiating ethic of the Group (transparency, the separation of roles, fairness and traceability) and the requirements that Telecom Italia demands of its suppliers in the area of working and environmental standards.
- **Green Procurement Policy** which obliges the company to take environmental factors into consideration in the procurement specifications.
- **Codes covering the protection of minors** (Self-regulation codes for the mobile services, Self-

regulation Code for TV and minors, Code of Conduct for premium services). In these matters, the company subscribes to the European Regulatory Framework for the protection of minors in the use of mobile telephones.

- **Codes on information on sports and in relation to the representation of judicial proceedings in radio and television programmes.**
- **Guidelines of the Telecom Italia Group on voluntary contributions to the Community,** orienting the Group's donations and voluntary interventions in support of the development of the community in which it operates.
- **Self-regulation code on commercial communication** which regulates advertising.
- **Codes guaranteeing propriety in relations with the OLO** (Other Licensed Operators).

The System of Values adopted by Telecom Italia is the benchmark for the conduct of all those who work for the Group, creating a sense of belonging to a single organisation. The various corporate processes and systems for development and rewards, and for the assessment and training of staff, are inspired by the Charter of Values, thereby orienting individual attitudes in a common direction throughout the whole Group.

#### **Focus on the customer**

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

#### **Taking responsibility**

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

#### **Innovation**

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

#### **Proactivity**

To make things happen, rather than reacting to

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

#### **Time management**

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

#### **Integration**

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

#### **Transparency**

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

#### **Professional excellence**

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

## **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 "Hot Topics" of sustainability, which have been identified by Telecom Italia Group on the basis of:

- requests made by the Sustainability rating agencies for admission to sustainability indexes, 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.
- The Hot Topics identified in this way, together with other aspects of the company's activities, are taken into consideration in determining the materiality of the reporting, in accordance with the standard, AA1000 AccountAbility Principles Standard (APS), referred to in the paragraph "Reporting and Planning."

## HOT TOPICS TABLE

ISSUES	STAKEHOLDER	TELECOM ITALIA COMMITMENT	REFERENCE
Relations with customers	Customers	Attention to the needs of the customers and the improvement in the level of their satisfaction are among the main objectives of Telecom Italia and are the subject of numerous projects and initiatives.	Customers/Focus on Customers/Customer Satisfaction
Digital Divide	Customers, Institutions, The Community	The dissemination of communications technologies can create social and geographical discrimination. The risk of exclusion is especially high for certain population bands, such as the elderly, the sick and the disabled. Telecom Italia has undertaken numerous initiatives to ensure the wide availability of the new technologies.	Customers/Digital Divide The Community/Responses to the stakeholders
Climate change	Customers, Suppliers, Institutions, The Environment, The Community	The Group is committed to reduce its emissions of carbon dioxide and provide services which contribute to the reduction of the emissions of 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 caring for employees and implementing plans to attract and retain the best talent.	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 mounting a series of actions designed to protect the environment and the standards of work, including the promotion of the principles of the Life Cycle Assessment (LCA).	Suppliers/Main initiatives of sustainability The Environment/Product responsibility
Privacy and data security	Customers, Institutions	Telecom Italia has implemented a series of measures to protect data security and the privacy of those who use the networks and services.	Customers/Research and innovation in e-security/ Protection of privacy and protection of personal data
Protection of minors	Customers	The spread of the Internet is a great opportunity but it can also be a source of danger. Telecom Italia has carried out a series of measures for the protection of minors from content that could harm their psychological and physical development, and to prevent and detect any abuse carried out through the telecommunications networks.	Customers/Protection of minors
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. To improve the communication among the stakeholders on environmental, social and governance issues, Telecom Italia has supported a European workshop on the evaluation of non-financial performance.	Introduction/Other acknowledgements Shareholders/Financial communication

## PLACEMENT IN THE INDEXES

The 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 and/or questionnaires, taking account of opinions expressed by the media and stakeholders. The selection process is extremely rigorous and only companies deemed worthy are given a place in the indexes.

Inclusion in these indexes is of strategic importance to companies, both for the positive repercussions for their reputation and for the fact that, in addition to the pension funds and ethical funds, an ever increasing number of investors favour sustainable companies, considering them to be less risky and more promising in the medium to long term. Taking part in the process of evaluation is, moreover, a timely moment for reflection within the company on the results achieved. The suggestions of the rating agencies at the end of the process are very useful in planning improvement actions in the future.

Telecom Italia has been confirmed in both categories in the Dow Jones Sustainability indexes:

- Dow Jones Sustainability World Indexes (DJSI World), which include 317 leading Sustainability companies at the worldwide level;
- Dow Jones STOXX Sustainability Indexes (DJSI STOXX): the Europe index, made up of 154 leading securities at the European level; the Euro index, made up of 84 listings in Euroland.

On the basis of the assessments carried out for admission to the DJSI in 2009, Telecom Italia has been included in the prestigious Gold Class in the fixed telecommunications sector of the "Sustainability Yearbook 2010", published by the SAM (Sustainable Asset Management) Group, which manages the DJSI, and PricewaterhouseCoopers.

The Sustainability Yearbook accepts only those companies with the highest score in terms of sustainability, divided into three categories: Gold Class, Silver Class and Bronze Class. Specifically, the fixed telecommunications sector is composed of a group of 54 companies, while the Gold Class is composed

of the 4 companies in the sector with the highest score.

Telecom Italia has been included in all the important indexes of the Financial Times Stock Exchange for Good (FTSE4Good):

- FTSE4Good Global (653 companies);
- FTSE4Good Europe (264 companies);
- FTSE4Good Environmental Leaders Europe, which includes 40 listings selected from the FTSE4Good Europe on the basis of the results achieved on matters of environmental protection.

Telecom Italia is also included in the following indexes:

- Advanced Sustainable Performance Index (ASPI) Eurozone, made up of 100<sup>(1)</sup> companies;
- Ethibel Sustainability Indexes (ESI):
  - Excellence Europe, comprising 198 listings;
  - Excellence Global, comprising 134 listings.
- KLD Sustainability Indexes:
  - FTSE KLD Global (GSIN), comprising 630 listings;
  - FTSE KLD Europe (EUSI), comprising 209 listings;
  - FTSE KLD Global ex US Index (GSIXU), comprising 452 listings;
  - FTSE KLD Europe Asia Pacific (EAPSI), comprising 401 listings.
- E.Capital Partners Indexes (ECPI):
  - Ethical Index Global, comprising 300 listings;
  - Ethical Index Euro, comprising 150 listings;
  - Ethical Index EMU, comprising 150 listings.
- Axia:
  - Ethical, comprising 40 listings;
  - Euro Ethical, comprising 40 listings;
  - CSR, comprising 30 listings.

Tim Participações, the stock market quoted holding of TIM Brasil Group, has been included in the ISE (Índice de Sustentabilidade Empresarial) index, managed by Bovespa (the São Paulo stock exchange) to

(1) To which may be added 20 in the "buffer" zone, that is listings not included directly in the index but which may find places should any of the 100 companies be excluded during the review processes held during the year.

gether with the Brazilian Environment Ministry, UNEP and other financial Sustainability organisations. The index is composed of the listings of 34 companies that have obtained the highest scores in terms of sustainability, selected on the basis of a questionnaire submitted to the 137 most traded companies of the Bovespa.

## OTHER ACKNOWLEDGEMENTS

Telecom Italia was again judged by the Carbon Disclosure Project (CDP) to be the best Italian company in the “Global 500” index in the exposition of data regarding climate change in the 2009 edition (as happened in 2008). The CDP is an international initiative, now in its seventh year, which provides instructions on how to measure and represent greenhouse gas emissions, encouraging companies to focus on risk management and the emerging opportunities in the field of climate change (for further information, [see § The Environment/Climate Change](#)).

AvoiComunicare, Telecom Italia’s integrated communication project on major social and environmental issues, won the “Aretê 2009” award, promoted by Pentapolis (Confindustria) for responsible communication, in the Internet category (for further information, [see § The Community/Social Media and Digital Communication](#)).

Telecom Italia was awarded the “Family-Work 2009” Prize, devised and promoted by the Lombardy Region in collaboration with ALTIS (Alta Scuola Impresa e Società, Catholic University) for creating the best integrated system for family-work balance in support of its employees and their families (for further information, [see § Human Resources/People Caring](#)).

Telecom Italia is in second place in Italy for web communication on sustainability in the Lundquist classification (for further information, [see § The Community/Traditional media](#)).

By virtue of the experience gained through the co-leadership of the laboratory “Sustainability and evaluation of the non-financial performance”, started within the Alliance launched by the European Commission in March, 2006, Telecom Italia was the only

Italian company called on by the Directorate-General for Enterprise and Industry of the European Commission to take part in the stable nucleus of stakeholders invited to the ESG (Environmental, Social, Governance) workshops. These are meetings aimed at discussing possible actions to improve the reporting and communication on sustainability issues which have involved businesses, investors, civil society, non-governmental organisations, consumer associations, the media, trade unions and institutions in the second half of 2009 and in the first months of 2010.

## REPORTING AND PLANNING

### Reporting

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

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

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

With the integration of the sustainability data within the Group’s Annual Report, which has been carried out since the financial year 2003, the Group anticipated the application of European Directive

51/2003, adopted in Italy under the Decree Law of February 2nd, 2007, no. 32. The subsidiary companies included in the consolidated area are taken into consideration, unless otherwise indicated (see § The Environment and § The Community), excluding discontinued operations/non-current assets held for sale.

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

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

In order to determine relevance, the Group has developed a process in which results are put into

schematic form in the “materiality matrix” shown below. The relevant issues are identified on the basis of the expectations of the stakeholders and their influence on the Group.

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

A methodology is being developed for the management of risk within the framework of the best practice of the “Enterprise Risk Management Framework”, under which social and environmental risks, and those arising from possible conflicts between stakeholders in general, will be taken more into account (for further details, see § Shareholders/Risk Management).

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

**MATRIX OF MATERIALITY**





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.

The Content Index regarding the GRI is available on the Internet site [www.telecomitalia.it/Corporate/Sustainability](http://www.telecomitalia.it/Corporate/Sustainability).

<b>GLOBAL COMPACT (GC) PRINCIPLES</b>	<b>GRI INDICATORS WITH REFERENCE TO THE GC</b>	<b>CHAPTERS/PARAGRAPHS REFERRING TO GC PRINCIPLES</b>	<b>PAGE NUMBER</b>
1. Businesses should support and respect the protection of internationally proclaimed human rights in the areas of the respective spheres of influence.	HR1-7, LA4, LA7-9, LA13, PR1, PR8	Reference and Governance, Codes, Charters and Values, Reporting and Planning, Stakeholder Involvement, Suppliers, The Community, Human Resources	8, 9, 13, 23, 45, 79, 96
2. Businesses should make sure they are not complicit, even indirectly, in human rights abuses.	HR1-7	References and Governance, Codes, Charters and Values, Suppliers, Human Resources	8, 9, 45, 96
3. Businesses should uphold the freedom of association of workers and the effective recognition of the right to collective bargaining.	HR1-3, HR5, LA4-5	Codes, Charters and Values, Reporting and Planning, Stakeholder Involvement, Human Resources	9, 13, 23, 96
4. Businesses should uphold the elimination of all forms of forced and compulsory labour	HR1-3, HR7	Codes, Charters and Values, Suppliers, Human Resources	9, 45, 96
5. Businesses should uphold the effective abolition of child labour.	HR1-3, HR6	Codes, Charters and Values, Suppliers, Human Resources	9, 45, 96
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	HR1-4, LA2, LA13	Codes, Charters and Values, Stakeholder Involvement, Suppliers, Human Resources	9, 23, 45, 96
7. Businesses should support a precautionary approach to environmental challenges.	EC2, EN18, EN26, EN30	Hot Topics, Reporting and Planning, 2009 Objectives and Results, Objectives 2010, Stakeholder Involvement, Suppliers, The Environment	10, 13, 17, 20, 23, 59
8. Business should undertake initiatives to promote greater environmental responsibility.	EN1-5, EN8, EN16, EN17, EN20, EN22, EN23, EN26-27, EN30, PR3	2009 Objectives and Results, Objectives 2010, Stakeholder Involvement, Suppliers, The Environment	17, 20, 23, 45, 59
9. Businesses should encourage the development and diffusion of environmentally friendly technologies	EN5-7, EN18, EN26-27, EN30	Hot Topics, Reporting and Planning, The Environment, The Community	10, 13, 59, 79
10. Businesses should work against corruption in all its forms, including extortion and bribery.	SO2-4	References and Governance, Codes, Charters and Values, Suppliers, Shareholders	8, 9, 45, 116

## Planning

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

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

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

These reports are taken into account within the decision-making process that leads to the approval of investments, and they provide a useful summary for assessing the overall impact of the Group's investment choices in terms of sustainability.

### IDENTIFICATION OF THE AREAS FOR IMPROVEMENT



## 2009 OBJECTIVES AND RESULTS

The results attained regarding the objectives published in the Report on Sustainability 2008 are reported below.

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

Target: ● reached  
● not reached

- The data includes all the Group's companies in Italy.
- The data includes classroom, on line and on the job training.
- For more information on the eco-efficiency indicator, please refer to The Environment/Climate change.
- This is the percentage of mobile phones subject to the SAR (Specific Absorption Rate) qualification. The percentage is calculated on the most widespread and technologically innovative models of mobile handsets.
- Under high traffic conditions, by using two radio frequency carriers instead of one, the total power emitted by the station is less.
- Measured against the total amount of paper procured for office use. FSC = Forest Stewardship Council.
- Most of the new plants are fuelled with gas.
- A reduction of around 30% in CO<sub>2</sub> emissions is achieved with the Euro4 vehicles compared to Euro3 vehicles. The target was calculated by considering the emissions of the models of vehicles effectively replaced.
- The percentage refers to fixed telephone lines.
- The percentage refers to the residential population.

**TELECOM ITALIA S.P.A. – CUSTOMERS**

<b>AREA OF REFERENCE</b>	<b>INDICATOR<sup>(1)</sup></b>	<b>UNIT OF MEASUREMENT</b>	<b>TARGET 2009</b>	<b>FINAL RESULT 2009<sup>(2)</sup></b>
Customers – Mobile	Activation time for voice service – Pre-paid service – Percentage of valid orders completed within the maximum period laid down in the contract	%	<b>97</b>	–
Customers – Mobile	Activation time for voice service – Post-paid service – Percentage of valid orders completed within the maximum period laid down in the contract	%	<b>97</b>	–
Customers – Mobile	Customer assistance services – Average response time of the operator to incoming calls	Seconds	<b>40</b>	–
Customers – Mobile	Disputed charges – Ratio between the number of disputed charges in invoices received during the survey period and the number of invoices issued in the same period (post-paid service)	%	<b>1.8</b>	–
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)	%	<b>5</b>	–
Customers – Internet	Activation time for services of broadband access – Percentage of valid orders completed within the date agreed with the customer (active telephone lines)	%	<b>90</b>	–
Customers – Internet	Activation time for services of broadband access – Average time of supply (active telephone lines)	Days	<b>11</b>	–
Customers – Internet	Broadband internet access service faults – Average repair time	Hours	<b>34</b>	–
Customers – Internet	Customer assistance services – Average response time of the operator to incoming calls	Seconds	<b>105</b>	–
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	%	<b>1.5</b>	–
Customers – IPTV	Activation time of the IPTV service – Percentage of valid orders completed within the date agreed with the customer	%	<b>78</b>	–
Customers – IPTV	Customer assistance response time – Average time of operator response to incoming calls	Seconds	<b>105</b>	–
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)	%	<b>1.6</b>	–
Customers – IPTV	Availability of IPTV service – Average unavailability of the service	Hours/Year	<b>50</b>	–

1. The complete list of the quality targets of Telecom Italia for 2009 is available on the Group's Internet site.
2. The final results for 2009 will be published in July, 2010, on the Group's Internet site.

**TIM BRASIL**

AREA OF REFERENCE	INDICATOR	UNIT OF MEASUREMENT	TARGET 2009	FINAL RESULT 2009	TARGET STATUS 2009
Human Resources	Satisfaction of employees measured through the questionnaire "TI Group Photo" <sup>(1)</sup>	Average level of satisfaction	7.5	-	(2)
Human Resources	Reduction in turn-over of employees	% (monthly)	2.2	2.5	●
Human Resources	Reduction in absenteeism	%	3.2	4.3	●
Human Resources	Training (total n° of hours: in class + on line + on the job)	Hours of training	715,000	456,606	●
Human Resources	Training – Coverage (percentage of managers out of the total eligible who have taken part in at least one training session)	%	95.2	98	●
Human Resources	Training – sustainability (n° of managers out of the total eligible who have taken part in at least one training session on sustainability issues)	%	47	73	●
The Environment	Reduction of the total of paper procured (office use only)	%	2.1	11	●
The Environment	Ratio between recycled waste and the total waste generated in the offices	%	43	49	●
The Environment	Mobile phones, batteries and accessories collected and sent for recycling	Tons	11	18	●
The Environment	SAR qualification Brazil <sup>(3)</sup>	%	25	25	●
Suppliers	Percentage of the main suppliers assessed under sustainability criteria	%	30	90	●

Target: ● reached  
● not reached

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

## 2010 OBJECTIVES

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

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

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

1. Training delivered directly by SPPA (Prevention, Protection and Environment Services).
2. The data includes all the companies of the Group in Italy.
3. The data includes training in class, on line and on the job.
4. The severity index shows the working days lost during the year for every thousand hours worked.
5. For further information on the eco-efficiency indicator, please see The Environment/Energy.
6. The introduction of an additional 80 plants, laid down as a 2010 target, avoids the use (and subsequent disposal) of 240 tons of lead. An assessment of the total life cycle shows a benefit in CO<sub>2</sub> not emitted equal to around 100 tons, compared to traditional batteries.
7. A reduction of around 30% in CO<sub>2</sub> emissions is achieved with Euro4 vehicles compared to Euro3 vehicles. The target has been calculated considering the emissions of the models that have been effectively replaced.
8. Measured against the total paper procured for office use. FSC = Forest Stewardship Council.
9. This is the percentage of mobile phones subject to the SAR (Specific Absorption Rate) qualification. The percentage is calculated on the most widespread and technologically innovative models of mobile phone handsets.
10. The percentage refers to fixed telephone lines.
11. The percentage refers to the residential population.

## TELECOM ITALIA S.P.A. – CUSTOMERS

AREA OF REFERENCE	INDICATOR <sup>(1)</sup>	UNIT OF MEASUREMENT	TARGET 2010
Customers – Mobile	Activation time for voice service – Pre-paid Service – Percentage of valid orders completed within the maximum period laid down in the contract	%	<b>97</b>
Customers – Mobile	Activation time for voice service – Post-paid Service – Percentage of valid orders completed within the maximum period laid down in the contract	%	<b>97</b>
Customers – Mobile	Customer assistance services – Average response time of the operator to incoming calls	Seconds	<b>40</b>
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)	%	<b>1.6</b>
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)	%	<b>1.3</b>
Customers – Internet	Activation time for services of broadband access – Percentage of valid orders completed within the date agreed with the customer (active telephone lines)	%	<b>92</b>
Customers – Internet	Activation time for services of broadband access – Average time of supply (active telephone lines)	Days	<b>10</b>
Customers – Internet	Broadband internet access service faults – Average repair time	Hours	<b>32</b>
Customers – Internet	Customer assistance services – Average response time of the operator to incoming calls	Seconds	<b>78</b>
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	%	<b>1.4</b>
Customers – IPTV	Activation time of the IPTV service – Percentage of valid orders completed within the date agreed with the customer	%	<b>78</b>
Customers – IPTV	Customer assistance response time – Average time of operator response to incoming calls	Seconds	<b>80</b>
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)	%	<b>1.4</b>
Customers – IPTV	Availability of IPTV service – Average unavailability of the service	Hours/Year	<b>40</b>

1. The complete list of the quality objectives that Telecom Italia has set out for 2010 is available on the Group's Internet site, where the respective final totals will be published for 2009.

## TIM BRASIL

AREA OF REFERENCE	INDICATOR	UNIT OF MEASUREMENT	FINAL RESULT 2009	TARGET 2010
Human Resources	Voluntary service work (percentage of employees who benefit from at least 1 day's leave in lieu for taking part in voluntary activities)	%	– <sup>(1)</sup>	<b>1</b>
Human Resources	Training (total n° of hours: in class + on line + on the job)	Hours of training	456,606	<b>715,000</b>
Human Resources	Training – Coverage (percentage of employees out of the total workforce who have taken part in at least one training session)	%	98	<b>97</b>
Human Resources	Training – sustainability (n° of employees out of the total workforce who have taken part in at least one training session on sustainability issues)	%	– <sup>(2)</sup>	<b>20</b>
The Environment	Ratio between recycled waste and the total waste generated in the offices	%	49	<b>51</b>
The Environment	Reduction of electricity consumption in the offices	GWh	<sup>(3)</sup>	<b>1</b>
The Environment	Reduction of water consumption in the offices	m <sup>3</sup>	<sup>(4)</sup>	<b>2,400</b>
The Environment	Mobile phones, batteries and accessories collected and sent for recycling	Tons	18	<b>12</b>
The Environment	SAR qualification Brazil <sup>(5)</sup>	%	25	<b>25</b>
Suppliers	Number of the main suppliers assessed under sustainability criteria	no.	29	<b>70</b>

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## INTRODUCTION

the group sustainability department

1. In 2009, acknowledgement for days paid to employees for voluntary service work was not provided.
2. In 2009, the objective "Training – sustainability" only concerned managers.
3. In 2009, the objective of a reduction in the consumption of electrical energy was not provided. The reduction target for 2010 of 1 GWh comes from the difference between 2009 consumption, equal to 73 GWh, and that expected for 2010, equal to around 72 GWh.

4. In 2009, the objective of a reduction in water consumption was not provided. The reduction target for 2010 of 2,400 m<sup>3</sup> comes from the difference between 2009 consumption, equal to 173,000 m<sup>3</sup>, and that expected for 2010, equal to 170,600 m<sup>3</sup>.
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 GROUP SUSTAINABILITY DEPARTMENT

### Mission and structure

The management of sustainability in Telecom Italia is ensured by the Group Sustainability department which carries out the following activities:

- promoting projects and initiatives at Group level with environmental and social impact, collaborating with the company departments which have operational responsibility for them;
- contributing to the dissemination of a correct approach to sustainability within the company, under the perspective of continuous improvement;

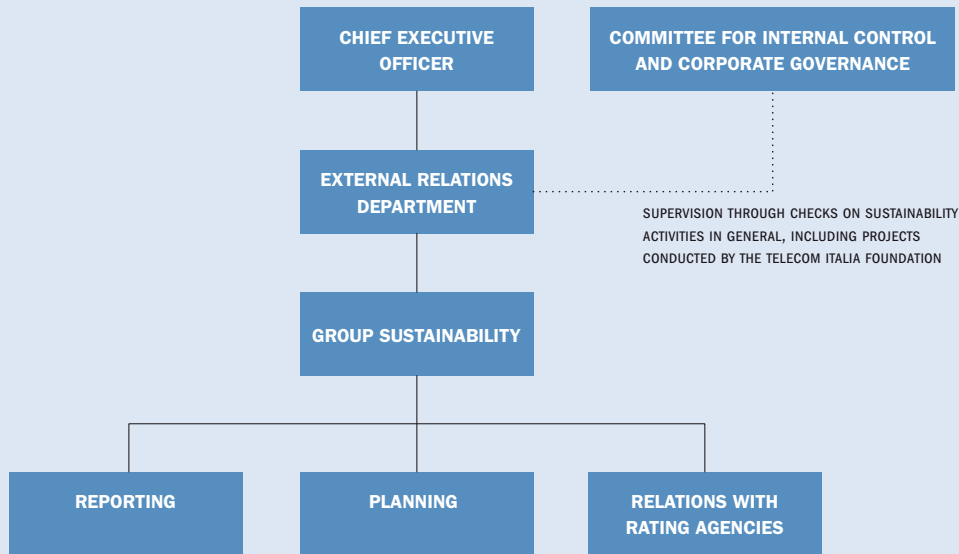
- ensuring the reporting to the outside of the activities of sustainability carried out;
- managing the relations with the specialised rating agencies;
- representing the Group in the national and international forums which are active on the issue.

From 2009, the department was passed to the External Relations Department to ensure a more structured communication of the initiatives undertaken and the results achieved.

The organisational structure is shown below.



## ORGANIZATIONAL CHART OF THE GROUP SUSTAINABILITY DEPARTMENT



In each department, sustainability data owners are responsible for monitoring the activities and gathering data and information for sustainability reporting and questionnaires from rating agencies.

### The guidelines

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

- inclusion of a summary of the sustainability data within the Financial Statement, in confirmation of the Group's determination to present its financial performance jointly with non-financial information;
- evaluation of the impact in terms of sustainability of the business projects presented for approval by the Group's Investment Committee, through the compilation by the proposing project manager of the investments schedule (see § Reporting and Planning);
- collaboration with the stakeholders through projects and initiatives at various levels (see § Stakeholder Involvement);
- the definition of quantitative objectives in line with the most important issues of sustainability (see § Strategy/2010 Objectives);
- integration of sustainability and innovation: a specific section is dedicated to issues of business responsibility within the technological plan, the document in which the company defines its strategy in terms of the evolution of the transmission network;
- confirmation of the international commitments on matters of sustainability, including adherence to the Global Compact;
- contribution to projects and initiatives on a national and international basis, developed also within the sector organisations (see § Competitors/Relations with the stakeholders and § The Environment/Environmental performance);
- adherence to the main international standards on matters of sustainability (see § References and Governance and § Reporting and Planning);
- continuous improvement of its own performance, including through benchmarking with peers;
- detailed communication to the stakeholders of the activities carried out.

### STAKEHOLDER INVOLVEMENT

The involvement of the stakeholders in the company processes takes place through a series of initiatives, classified in accordance with the guidelines recommended by AccountAbility 1000 (see § Reporting and Planning).

**STAKEHOLDER INVOLVEMENT TABLE**

		<b>TOOLS</b>				
		<b>INFORMATION</b>	<b>CONSULTATION</b>	<b>DIALOGUE</b>	<b>PARTNERSHIP</b>	
<b>STAKEHOLDER</b>	<b>CUSTOMERS</b>	Notification to the customers of offers and conditions through various methods (Customers/Communication to customers)	Customer satisfaction is surveyed systematically (Customers/Customer Satisfaction)	Collaboration with the consumer associations (Customers/Relations with consumer associations)	Participation in national and international work groups, in partnership with UN agencies, non-governmental organisations, and organisations in the sector, on the issue of protecting minors from potential abuses carried out through the Internet (Customers/Protection of minors)	
		Information on the rules for the safe use of the Internet and for combatting abuses through the Internet (Customers/Protection of the minors)		Use of web instruments based on the social networks to conduct a dialogue with the call centre operators (Customers/The involvement of the call centre operators)	Partnership projects with other agencies for the testing and creation of innovative assistance services (Customers/Digital Divide – Customers/Innovative services)	
	<b>SUPPLIERS</b>	Seminar on the Green Economy (Suppliers/Principal initiatives of involvement)	Third survey of satisfaction with the Purchasing Management, and more generally with TI, conducted with the Group's main suppliers (Suppliers/Main initiatives of involvement)	Updating the check list on suppliers for the CSR assessment (Suppliers/Main initiatives of involvement)	E-community of the main suppliers through the "TelecHome," accessible through the Suppliers' Portal (Suppliers/Main initiatives of involvement)	
	<b>COMPETITORS</b>		Periodic qualitative-quantitative researches to analyse the strength of the Telecom Italia and TIM brands, the image of the providers of Tlc services and mobile telephony, the reputation of the providers. (Competitors/Competitive positioning compared to the competitors)	Dialogue with the OLO on commercial issues and those regarding the implementation of the Commitments (Competitors/Services to the OLO – Competitors/Commitments regarding the access network)		
				Constant dialogue with the Authorities (Competitors/AGCOM and competitors/AGCM)		
					The Group subscribes to numerous national and trade federations/associations and organisations at the national and international levels (Competitors/Relations with the stakeholders)	
	<b>INSTITUTIONS</b>		Participation in the workshops organised by the Enterprise and Industry DG of the European Commission on the issue of communication and sustainability reporting (Introduction/Other acknowledgements)	Control of the process of abuse management by a key, in-house figure with the Postal Police (NNCPO, National Centre for Combatting Child Pornography, CNAIPIC, etc.) and the competent Authorities (Customers/Protection of minors)	Telecom Italia participates in the work group on human rights of the Global Compact and supports the GC Italian Network (Institutions / Relations with the stakeholders)	
				Dialogue with national and supra-national Institutions on business issues of relevance to the Group (Institutions/Relations with the stakeholders)	Numerous initiatives regarding the Community carried out in partnership with the Institutions (The Community/Our responses to the stakeholders)	
					"Digital Divide Day" workshop organised within TI with the participation of the Marche Region and the Autonomous Province of Trento (Customers/Digital Divide)	Agreement with the State Police to improve the prevention and suppression of crimes against the critical digital systems of the company (Customers/Research and innovation in e-security)
						Collaboration with the Postal Police for the suppression of abuses carried out through the transmission networks of the Group (Customers/Protection of minors)

## TOOLS

### INFORMATION

### CONSULTATION

### DIALOGUE

### PARTNERSHIP

#### ENVIRONMENT

“Carbon Meter” available on AVoiComunicare  
(The Environment/Information)

Collaboration with other European Tlc operators on issues of environmental relevance within the ambit of the associations of the sector, including GeSI and ETNO  
(The Environment/Climate change)

Co-siting agreements with the other Italian Tlc operators  
(The Environment/Energy)

The Group’s television broadcasters give ample visibility to environmental issues  
(The Community/Traditional media)

Contributions to the Working Groups promoted by the EU and ETNO in defining the Code of Conduct on broadband equipment and the data centres  
(The Environment/Energy)

Internal communications on social and environmental issues  
(The Environment/Training and Internal communication – Human Resources – Internal communication)

The integrated communication project AVoiComunicare encourages discussion on environmental issues  
(The Community/The Social Media and Digital Communication)

#### THE COMMUNITY

The Group’s television broadcasters ensure wide visibility to social issues  
(The Community/Traditional Media)

Working Capital was established to support Italian innovation and entrepreneurial initiatives in the field of web 2.0  
(The Community/The Social Media and Digital Communication)

Numerous projects carried out in partnership with non-governmental organisations and civil society  
(The Community/Our responses to the stakeholders)

The integrated communication project AVoiComunicare encourages discussion on environmental issues  
(The Community/The Social Media and Digital Communication)

The Group’s Internet site gives wide visibility to social issues  
(The Community/Traditional Media)

Venice Sessions is a platform for dialogue which involves stakeholders of innovation on the national and global scale  
(The Community/The Social Media and Digital Communication)

#### HUMAN RESOURCES

Internal communication activities  
(Human Resources /Internal communication)

“The Lighthouse” project  
(Human Resources/Listening projects and activities)

Electronic mailboxes, Intranet, blogs, virtual communities, climate analysis  
(Human Resources/Internal communication)

Courses on health and safety matters  
(Human resources/Protection of health and safety)

“Archimede” project  
(Human Resources/Listening projects and activities)

Activation of a number of focus groups on the issues of disability and human diversity  
(Human Resources/People Caring)

“Wellbeing in the call centres” project  
(Human Resources/Protection of health and safety)

#### SHAREHOLDERS

The shareholders’ club, “TI Alw@ys ON” ([www.telecomitaliaclub.it](http://www.telecomitaliaclub.it)) supplies important information to individual investors and the general public  
(Shareholders/Financial communication)

Direct meetings and daily telephone conversations  
(Shareholders/Financial communications)

Three monthly conference calls, meetings at institutional offices of the Group (reverse road shows), participation in sector conferences, making a total of around 300 investors meetings  
(Shareholders/Financial communication)

The Individual Shareholder’s Guide is an in-depth document available on the website  
(Shareholders/Financial communication)

Road shows abroad, also including one specifically dedicated to sustainability issues  
(Shareholders/Financial communication)

On line financial communication  
(Shareholders/Financial communication)

## ECONOMIC VALUE GENERATED AND DISTRIBUTED

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

According to the triple bottom line approach<sup>(2)</sup>, concern over the environmental and social variables must not detract from the attention paid to the economic-financial performance of a company, which must ensure balance and its own medium to long term survival.

Some of Telecom Italia Group's main economic, assets and financial data are reported below as well as the economic value generated and distributed to stakeholders. In the following table, data regarding the previous financial year have been restated as reported in Note 3 of the TI Group Annual Report, and have been recalculated for purposes of comparison.

Since 2008, the method of presentation recommended by the Global Reporting Initiative (GRI) has been adopted, with appropriate adaptation.

### TELECOM ITALIA GROUP – MAIN CONSOLIDATED ECONOMIC, ASSETS AND FINANCIAL DATA (MILLION EUROS)

	2009	2008
Revenues	27,163	29,000
EBITDA	11,115	11,090
EBIT	5,493	5,437
Net profit for the year	1,596	2,178
Total net equity	27,120	26,328
· attributable to the equity holders of the Parent	25,952	25,598
· attributable to the Minority interest	1,168	730
Net financial debt	34,747	34,039
Investments:		
· Industrial	4,543	5,040
· Financial	6	6
Headcount at year-end	71,384	75,320

### TELECOM ITALIA GROUP – ADDED VALUE GENERATED AND DISTRIBUTED (MILLION EUROS)

	2009	2008
<b>Direct economic value generated</b>		
a) Revenues and other income	27,445	29,336
b) Interest payable and dividends paid	104	345
c) Capital gains (capital losses) from disposals on non-current activities	(59)	35
<b>d) Direct economic value generated (a+b+c)</b>	<b>27,490</b>	<b>29,716</b>
<b>Economic value distributed</b>		
e) Operating costs	12,200	13,713
f) Employee costs	3,734	4,114
g) Shareholders and providers of capital	3,183	3,999
h) Taxes and duties	1,548	2,138
<b>i) Economic value distributed (e+f+g+h)</b>	<b>20,665</b>	<b>23,964</b>
<b>Economic value retained (d-i)</b>	<b>6,825</b>	<b>5,752</b>

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

OPERATING COSTS		
	2009	2008
Acquisition of external goods and services	11,480	13,120
Other operating costs <sup>(1)</sup>	1,220	1,212
Change in inventories	15	(113)
Internally generated assets	(515)	(506)
<b>Operating costs</b>	<b>12,200</b>	<b>13,713</b>

EMPLOYEE COSTS		
	2009	2008
Wages and salaries	2,570	2,597
Social security costs	942	944
Provisions for employees' severance and retirement	54	71
Other expenses	168	502
<b>Employee costs</b>	<b>3,734</b>	<b>4,114</b>

SHAREHOLDERS AND PROVIDERS OF CAPITAL		
	2009	2008
Dividends distributed	1,053	1,667
Interest payable	2,130	2,332
<b>Shareholders and providers of capital</b>	<b>3,183</b>	<b>3,999</b>

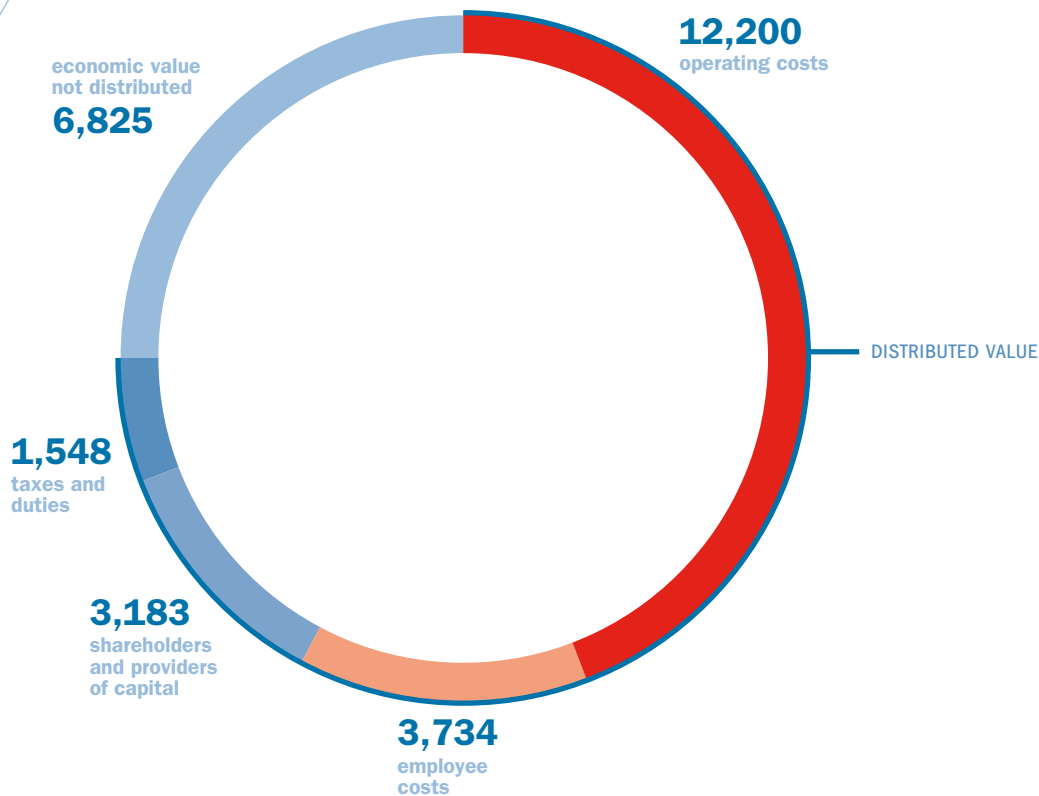
  

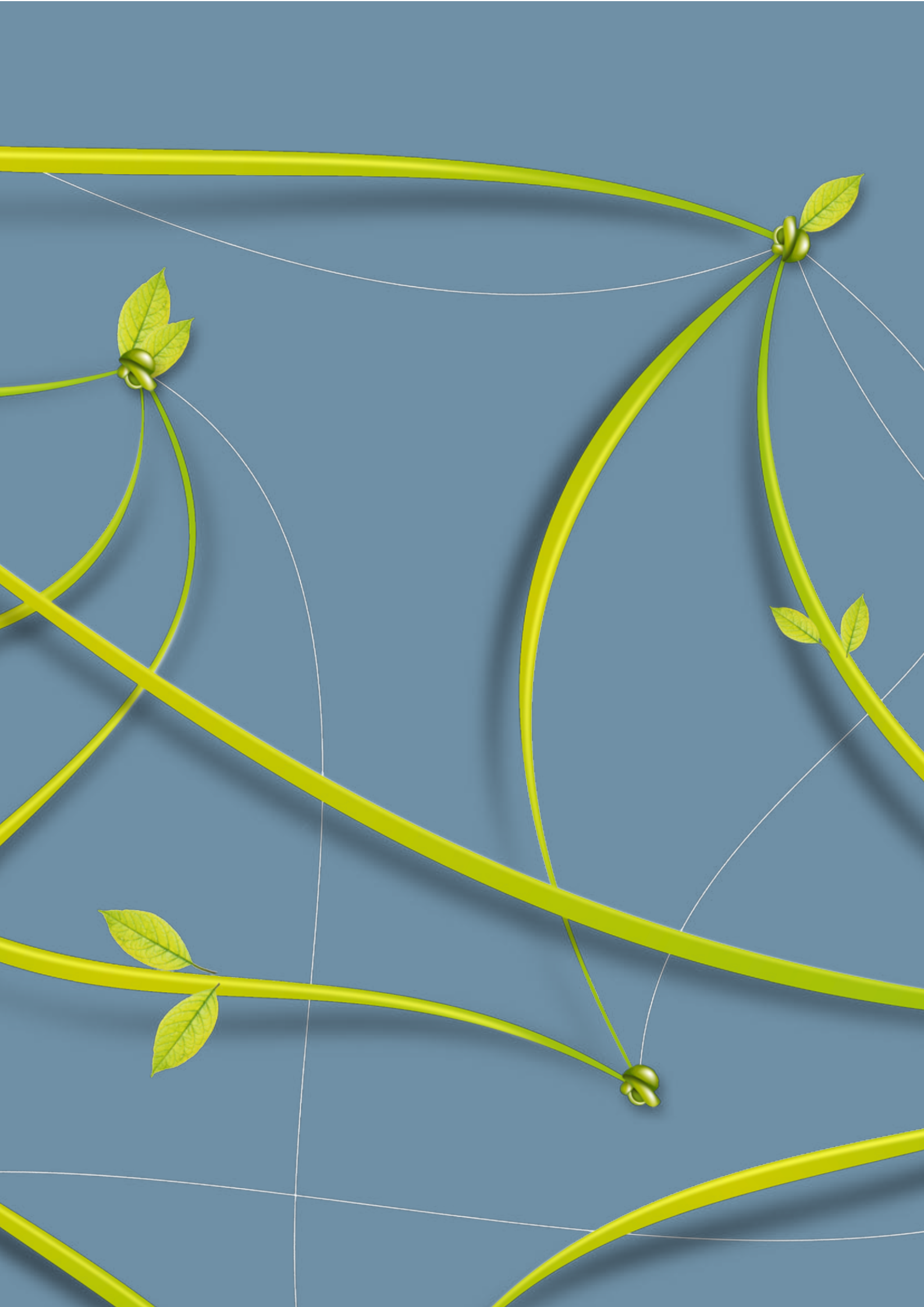
TAXES AND DUTIES		
	2009	2008
Income taxes	1,152	1,719
Indirect taxes and duties	396	419
<b>Taxes and duties</b>	<b>1,548</b>	<b>2,138</b>
regarding Italian activities	1,232	1,781
regarding activities abroad	316	357

(1) Mainly includes write-downs and charges connected to the management of non-financial credits for 565 million euros (687 million euros in 2008), accruals for risks equal to 164 million euros (70 million euros in 2008), and contributions and fees for the exercising of Tlc activities for 318 million euros (315 million euros in 2008) net of "Other taxes and duties" for 396 million euros (419 million euros in 2008) included in the item "Taxes and duties".

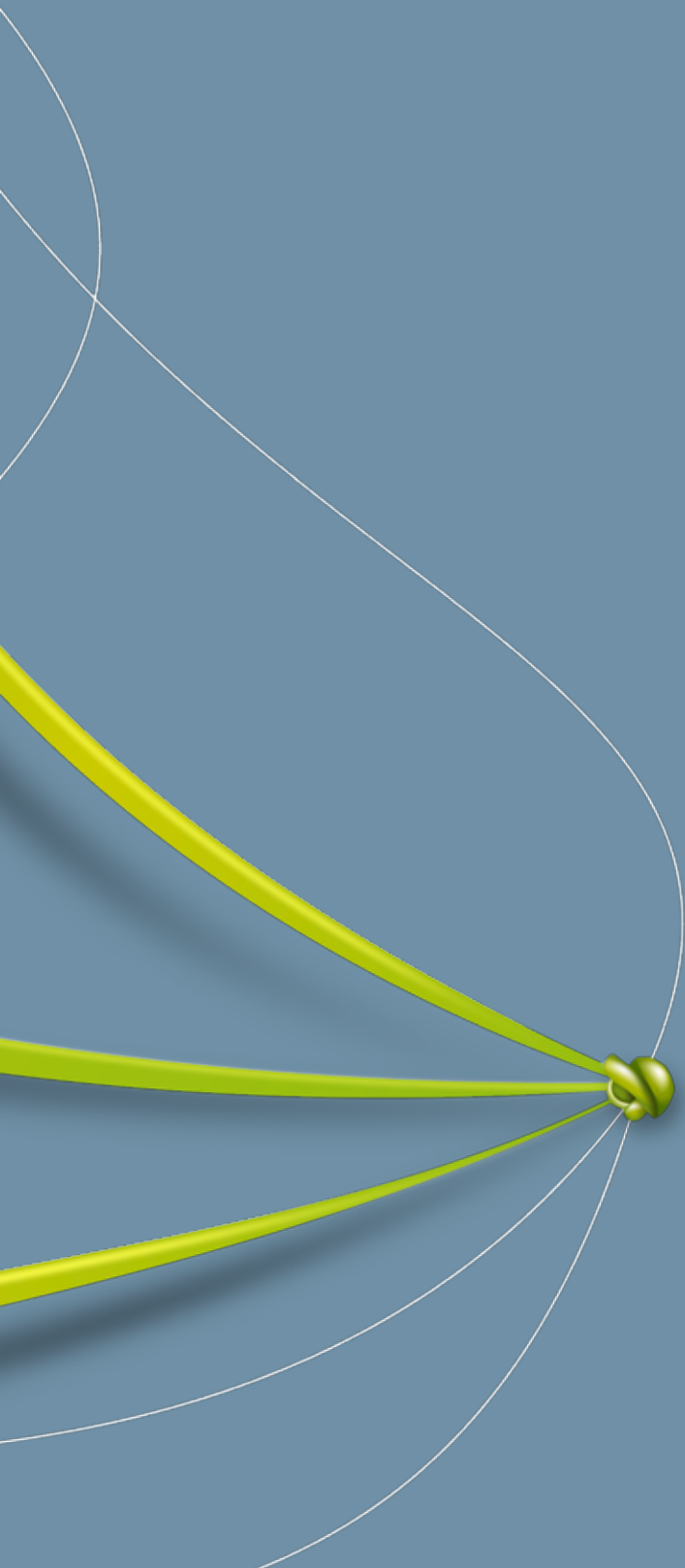
economic value generated and distributed

**ECONOMIC VALUE GENERATED AND DISTRIBUTED IN 2009 (MILLION EUROS)**





# External Stakeholders



# Focus on costumers.

## CUSTOMERS

30

### EXTERNAL STAKEHOLDERS

customers

#### STRATEGY

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

#### STAKEHOLDERS

The relevant stakeholders are:

- the consumer customers (residential), with particular attention to customers with special needs (the disabled, the elderly, minors etc.);
- business customers and top customers (major clients);
- the consumer associations.

#### FOCUS ON CUSTOMERS

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

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

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

To increase the level of awareness of the Customer



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

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

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

## COMMUNICATION TO CUSTOMERS

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

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

This notification or “news” is published in the appropriate section devoted to useful information for customers on the websites [www.187.it](http://www.187.it), [www.191.it](http://www.191.it)

and [www.tim.it](http://www.tim.it). In the event of tariff changes or initiatives in response to specific regulations (for example, new services for disabling calls to certain numbers), notification is published in the appropriate place (“On line with you” for those regarding fixed network services and “Telecom Italia for you” for those regarding mobile services), in the main national daily newspapers and, if time permits, a message is inserted in the “Telecom News” section of the Telecom Italia bill, or attached to the mobile phone statement, or sent via SMS for customers using the prepaid service.

For completeness of information, as a rule, the tariff schedules, products and services have one or more suitably dedicated pages on the website, in which the following are given:

- the description of the service/product/offer;
- the prices;
- the operational characteristics;
- the contractual conditions.

Depending on the commercial importance of the service/product/offer, the Company may decide to give notification in a broader, more structured manner, carrying out an appropriate campaign through various channels, such as TV, press, radio and Internet, and by creating specific materials for the sales outlets.

## CUSTOMER SATISFACTION

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

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

- **the “reflective” survey** is based on the overall perceptions of the customer and is not connected to a moment in time when contact was made for some specific reason. This method permits the analysis of the causal relationships that determine the customer’s level of satisfaction. On the basis of telephone surveys conducted by specialised agencies through

a specific questionnaire, the CSI (Customer Satisfaction Index) is calculated. This survey, similar to the one used for the ACSI (American Customer Satisfaction Index), yields an indicator which is stable and has a predictive capacity, and that can be used to make comparisons between sectors and countries. This indicator furnishes important suggestions about the levers that can be employed to improve the levels of customer satisfaction. This type of survey has been extended to cover all categories of customers, consumer and business;

- **the “reactive” survey** is conducted immediately after the specific event that is the object of the inquiry (for example a contact with the Call Centre). Those interviewed are asked to express, with the experience of the call still fresh in their minds, an overall assessment of the service received (overall satisfaction) and an assessment of the individual aspects of the experience (for example, the time waiting to speak to an operator, courtesy and competence).

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

CUSTOMER SEGMENT	2009	2008
Consumer	69.86	68.33
Business	63.42	60.63
Top Clients	70.30	70.74
<b>Total</b>	<b>68.60</b>	<b>67.19</b>

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

FIXED TELEPHONY					MOBILE TELEPHONY				
CUSTOMER SEGMENT	SATISFACTION WITH ACCESS SERVICE <sup>(*)</sup>		SATISFACTION WITH BILLING <sup>(*)</sup>		CUSTOMER SEGMENT	SATISFACTION WITH NETWORK COVERAGE <sup>(*)</sup>		SATISFACTION WITH BILLING <sup>(*)</sup>	
	2009	2008	2009	2008		2009	2008	2009	2008
Consumer	8.18	7.98	7.27 <sup>(1)</sup>	7.14 <sup>(1)</sup>	Consumer	8.36	8.34	7.79 <sup>(2)</sup>	7.60 <sup>(2)</sup>
Business	7.80	7.59	6.73	6.56	Business	8.15	8.10	6.83 <sup>(3)</sup>	6.97 <sup>(3)</sup>

(\*) Average satisfaction on a scale of 1-10, where 1 means “not at all satisfied” and 10 means “completely satisfied”.  
 (1) As for the consumer segment – fixed telephony, starting from 2009 the satisfaction item “Ease of reading the bill” has been replacing the one used in 2008 “Transparency and accuracy of info in the bill”. For this reason data are not comparable.  
 (2) As for consumer segment – mobile telephony, starting from 2009 the satisfaction item “Ease of reading the bill” has been replacing the one used in 2008 “Transparency of the bill”. For this reason data are not comparable.  
 (3) As for business segment – mobile telephony, starting from 2009 the satisfaction item “Ease of reading the bill” has been replacing the one used in 2008 “Transparency and accuracy of operators and management of credit /bonus in the bill”. For this reason data are not comparable.

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

### Customer satisfaction within the managerial incentives schemes

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

### Customer satisfaction within collective incentives schemes

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

### The involvement of the call centre operators

To support and help people who work in customer care, the Group employs certain web tools based on the “social networking” concept. These provide effective assistance both in the rapid dissemination and sharing of information among personnel and in bringing the customer’s voice within the Company.

Campus is an educational social network for the people who respond to 119 calls (for residential

## CUSTOMER SATISFACTION WITH CUSTOMER CARE

CUSTOMER SEGMENT	OVERALL SATISFACTION <sup>(*)</sup>		COURTESY AND KINDNESS <sup>(*) (**)</sup>		ABILITY TO UNDERSTAND AND SATISFY NEEDS AND REQUESTS <sup>(*) (**)</sup>	
	2009	2008	2009	2008	2009	2008
<b>FIXED TELEPHONY</b>						
Consumer <sup>(1)</sup>	7.19	6.63	8.47	8.34	8.01	7.67
Business <sup>(2)</sup>	6.39	6.07	8.14	8.13	7.47	7.23
<b>MOBILE TELEPHONY</b>						
Consumer <sup>(3)</sup>	7.81	7.50	8.81	8.74	8.46	8.16
Business <sup>(4)</sup>	6.67	6.49	8.27	8.31	7.49	7.32

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

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

(1) Assistance given by the 187 (commercial) service for information and commercial and administrative requests, reminders and

complaints (excluding calls regarding faults).

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

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

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

customers) and the Toll-free Number (for business customers). The project is characterised by the extent of customisation that the system allows each participant. Operators manage their own profile containing both company and personal information. These profiles are linked to and accessible from all other content produced on the same platform (in forums, blogs etc.). A personalised virtual training section has also been set up that allows the individual's learning programme to be automatically updated and checked. The outcome is a snapshot, updated in real time, of the person's competence, immediately available both to managers and other colleagues, without passing through an intermediary. Alongside the information entered by the operators, a system by "experts" directly chosen from the network, guarantees ready answers to the various subjects that can arise in handling customers' requests.

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

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

better assisting the customer.

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

TUO is not just for consultation: the system also offers operators the possibility of entering their own suggestions and those of customers. In addition to containing technical information, the platform allows operators to converse with colleagues, directly or through forums subdivided by subject, and share knowledge and solutions in order to create a collaborative social network.

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

TUO was awarded the prize in the "Virtual Community Projects" category of the "Relations with Customers 2010" awards, promoted by Customer Management Multimedia Competence, an initiative that, since 1997, has brought together companies and organisations concerned with relations with customers and citizens through multimedia channels.

## CERTIFICATIONS

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

In particular, customer care and the quality of the products and services offered is recognised by the certificate UNI EN ISO 9001:2008, concern for en-

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

In the following table, the certificates obtained

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

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

by the various departments/companies of the Group for particularly important company procedures and activities are listed below. Detailed information is available at [www.telecomitalia.it](http://www.telecomitalia.it) (Sustainability/Our Model/Certifications).

The attainment of the following certificates is planned in 2010:

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

## DIGITAL DIVIDE

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

### Geographical Digital Divide

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

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

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

14.4 Mbp/s (megabits per second) to be reached.

From the point of view of local investment, co-operation with the regional authorities takes place according to two principal means of intervention; the first is "contributive" (the so-called "claw back" model), based on direct financial incentives (in accordance with the regulatory framework in matters of state aid), the second is "collaborative", based on supporting potential demand.

Specifically:

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

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

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

### Socio-cultural Digital Divide

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

Telecom Italia offers certain provisions and economic assistance aimed at promoting the use of Tlc services and the Internet in favour of specific social categories, and certain services of assistance aimed at customers with specific needs (the elderly, the sick etc.) or to health organisations. For further information on Digital Inclusion, see § The Community.

### Offers and special rates

#### Offers for customers with hearing impairment

In 2010, Telecom Italia will extend the two offers (compulsory and agreed with AGCOM) dedicated to customers with hearing impairment:

- “50 SMS to all”. The offer, for the 30 days of its activation, allows the sending of 50 SMS messages a day at no charge to all mobile and fixed numbers. For messages beyond the 50 limit, the cost is that provided by the tariff profile of the customer or by other supplementary, active offers;
- “MMS, Mail, Instant Messaging”. The package includes, for the 30 days of activation with an activation/renewal charge, a daily package of free MMS messages to TIM numbers (more than 100 MMS, at reduced cost, to the mobiles of other operators), 30 Mb free mail traffic independent of the APN (Access Point Name) and 9,000 free Instant Messages.

#### Financial facilities: the “Social Card”

In addition to the facilities for fixed network customers, regulated by the specific resolutions of AGCOM (314/00/CONS, 330/01/CONS and 514/07/CONS and 202/08/CONS), with regard to the variations in the line rental of February 1st, 2009, Telecom Italia introduced, from that date, the “Social Card” facility, which maintains the costs of line rental unchanged. The facility is aimed at all those customers who possess the “Social Card” who have:

- a basic line (the general analogue telephone network);

- the purchase card, or beneficiaries of the purchase card (in cases in which the purchase card holder is a different person) appropriately delegated to beneficiaries over 65, or purchase card holders in the event of beneficiaries under 3.

The purchase card must already be activated at the moment in which the “Social Card” facility is requested.

The facility lasts for a year and may be renewed, presenting once again the documents required.

### Assistance services

#### MYDoctor@Home

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

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

#### The e-health platform

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

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

#### Line@Medica Diabete

This is an Impresa Semplice service for the management, on the move, of people with diabetes through the technological support of DominoMobile®. The service allows the visualisation of glycaemia data on a mobile phone and automatically updates the patient's glycaemic diary, which is archived in electronic form. The service is exclusively reserved to associations in the diabetes field which have signed a framework agreement with Telecom Italia.

#### Big Angel

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

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

### INNOVATIVE SERVICES

Telecom Italia develops, in collaboration with research institutes and universities in Italy and

abroad, numerous innovative services, some of which are still undergoing trials. These services deliver an important contribution to the containment of CO<sub>2</sub> by reducing the need to travel across the territory and by helping to promote different, more sustainable lifestyles.

#### E-learning

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

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

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

#### E-tourism

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

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

### Teleworking

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

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

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

### Infomobility

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

Among the solutions and services enabled:

- information on the road network and traffic conditions, payment services, navigation services;
- electronic management of paid parking spaces (the location of the user of the service is monitored through their mobile terminals, so that

the system can inform the user about the best parking spaces and the routes to get to them, identifying any parking permits and applying the correct tariff);

- dynamic management of the access of motor vehicles to regulated urban areas (controlled through personal mobile phone systems and devices placed in the vehicles). An example is the management of traffic on motorways, in partnership with the motorway company, Autostrade S.p.A.

### Mobile Ticketing/Fidelity/Payment

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

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

### Green@Home

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

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

After the trials, Telecom Italia has signed an agreement with Electrolux, Enel and Indesit to research and develop innovative services based on communication between next generation domestic appliances and the electrical infrastructure (allowing the remote control and management of electricity consumption), thanks to Telecom Italia's fixed and



mobile broadband. The aim is to create a system in which “smart” domestic appliances are able to manage themselves by regulating the consumption of energy in the entire home, avoiding network peaks and surges, without compromising the comfort of the users.

### **The smart home**

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

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

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

## **RESEARCH AND INNOVATION IN E-SECURITY**

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

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

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

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

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

## **PROTECTION OF MINORS**

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

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

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

portals.

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

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

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

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

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

munication in general.

In the light of this, information initiatives have been implemented, aimed at minors, parents and teachers, on the risks connected to the new technologies and navigation on the Internet (chat lines, instant messaging, forums, communities etc.). These initiatives have required the involvement of certain important stakeholders, including various public and private organisations, selected, above all, on the basis of the activities and commitment to safeguarding the rights of children (including, for example, the Postal and Communication Police, [www.ilFiltro.it](http://www.ilFiltro.it)<sup>(1)</sup>, Save the Children, Adiconsum, GSMA, ITU etc.).

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

- the “abuse” topic area on the company Intranet, for the protection of minors and the prevention of computer crimes, to inform and make company staff aware of the activities conducted and the tools in existence for preventing digital crimes and protecting minors who use the internet services provided;
- the “Protection of Minors” topic area on the portals [telecomitalia.it](http://telecomitalia.it) and [alice.it](http://alice.it), dedicated to the protection of minors, to inform and make end users, and all the other stakeholders, aware of the correct behaviour to adopt during navigation on the network, as well as the values and objectives that Telecom Italia pursues to combat digital abuse and protect minors. Multimedia content has been posted on the Alice portal to attract and actively involve minors who visit the site;
- the notification form for customers/Internet users. This form, available on the Group's institutional and commercial portals, can be used by Telecom Italia's end customers, or by outsider users, to give notification of any crimes involving child pornography that are encountered during navigation on the Internet.

(1) The [www.ilFiltro.it](http://www.ilFiltro.it) portal was launched on the initiative of Prof. Michele Crudele in 2001 in response to requests for information from parents and teachers on the issue of protecting the navigation of minors on the Internet. The ELIS Centre Association manages activities connected to the portal as part of its institutional mission, and in collaboration with other organisations that adhere to the ELIS Manifesto.

There is a guide to compilation, and notification can also be made anonymously;

- the booklet “Born with the Network”, distributed through company shops, dedicated to the adult-parent public for the purposes of:
  - illustrating the fundamental rules for the safe use of the Internet;
  - alerting people to the dangers that can be hidden on the network;
  - furnishing the tools to convey to children the rules of conduct and to guide them in the selection of content to consult;
- web filtering: in line with the Implementing Decree of the law 28/2006 (Gentiloni Decree) which defines the technical prerequisites of the filtering tools which providers of internet network connections must use to prevent access to sites identified by the Postal Police through the CNCPO, Telecom Italia has also introduced a filtering system on external web-sites with child pornography content;
- Alice Total Security – Magic Desktop: to allow minors to explore the web safely, Telecom Italia provides the services “Alice Total Security” and “Magic Desktop”. Alice Total Security protects Internet navigation from any digital attacks or threats, thanks to anti-virus programmes and a centralised firewall. In addition, it is equipped with parental controls that allow parents to decide which categories of sites can be displayed to their children. Magic desktop is an operating system software that works in parallel with the standard one. Children learn to use the computer in a simple and entertaining way. Parents can select the sites to which the children have access and set up the management of emails so that they can only exchange emails with people known to them;
- the drawing up of “Guidelines for combatting child pornography on line” which facilitate the objective and uniform identification of cases of child pornography to be notified to the Postal Police. The aim is to minimise any interpretation uncertainty in the minds of the subjects concerned (chat moderators and/or community services, the developers, the abuse desk operators etc.) and to ensure compliance with the current regulations. The guidelines are

also modelled on those provided and implemented by the CNCPO and the major external organisations active in the area (Save The Children, Telefono Arcobaleno etc.);

- the management of the abuse desk; operational groups who handle abuse differentiated by type of service (residential and business), formed in accordance with the national and community regulations on the protection of minors, the prevention of criminality and the fight against sexual exploitation (juvenile pornography). Their task is to receive alerts from outside users/customers on alleged digital crimes or the presence of child pornography material on the Group's networks, and then direct them to the competent department, where necessary involving the competent authorities through the key contact of the Postal Police;
- participation in the work group “ITU Child Online Protection: Guidelines for industry”, which is coordinated by ITU (International Telecommunication Union). Telecom Italia is taking part in drawing up the Guidelines on “Child Online Protection – COP” aimed at companies in the sector of broadcasting, internet and mobile telephony. A document has been drawn up, “Guidelines for Industry”, which was presented at the World Summit Information Society Forum 2009. On October 7th, in Geneva, the Secretary General of the ITU presented Telecom Italia with an award for its contribution to the “Child Online Protection” initiative, which comes under the broader international project, “Global Cybersecurity Agenda” under the aegis of the United Nations. To find out more: [www.itu.int/osg/csd/cybersecurity/gca/cop/index.htm](http://www.itu.int/osg/csd/cybersecurity/gca/cop/index.htm);
- participation in the Work Group “GSMA – Mobile Alliance against Child Sexual Abuse Content”, within the GSM Association, for all technological and communications initiatives aimed at the protection of minors in the sector of mobile phones. In particular, the website <http://teachtoday.eu/> has been created, aimed at educating children and young people in the safe use of the Internet. The portal supplies a wide range of content, including practical suggestions for teachers in managing any problems connected to the use of mobile

phones;

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

## RELATIONS WITH CONSUMER ASSOCIATIONS AND CONCILIATION

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

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

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

In the course of the years, an ever greater number of associations have signed the accord. By December 2009, the Telecom Italia Group was collaborating with 20 of the leading associations. This collaboration includes meetings aimed both at guaranteeing the protection of customers’ rights concerning new products and services supplied by the Group, as well as presenting the main organisational development projects that might impact on customers (for example, the reorganisation of certain cus-

tomers care procedures, or methods of keeping customers informed, the option of enabling/disabling non-geographic enumeration through an appropriate PIN number etc.).

Telecom Italia regularly brings the associations up to date regarding:

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

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

### The conciliation procedures

The Telecom Italia Group was the first major Italian company to successfully adopt the parity conciliation procedures<sup>(2)</sup>, based on the ADR (Alternative

(2) Joint conciliation (in particular, the Telecom Italia – Consumer Associations project) has received various official recognitions over the years, both at the European and Italian levels:

- mention in the Green Book for access of consumers to justice and the resolution of disputes in consumer matters within the single market (16/11/1993);
- recognition of the Telecom project as a pilot project of the European Union, with finance agreed by the DG XXIV for four years, from 1994 to 1997;
- mention of the Telecom project on the DG SANCO site, in the list of ADR procedures meeting the criteria of the recommendation of March 30th, 1998;
- approval by the DG SANCO of the pilot project for the diffusion of the European joint conciliation procedure (1999-2000);
- mention of the Telecom project by Dr. A. La Torre, Attorney General of the Republic in the report on the administration

Dispute Resolution) model. This procedure provides for the establishment of a commission of conciliation, formed by a member of the consumer associations (representing the consumer) and a representative of the business. There is no third party in the role of mediator or referee because the resolution arises solely from the discussions between the parties. Another particular feature is the presence of a regulatory framework, the so-called “rules of the game”, signed by the parties, which must be applied by the commissions.

The system is simple: the person who has a problem lays a complaint. If within 30 days (as laid down in the Charter of Services) the customer does not obtain a satisfactory response, they can ask Telecom Italia, or one of the associations that adhere to the accord, to activate the procedure. Conciliation applications are presented at appropriate offices hosted in Telecom Italia’s premises over the national territory. The application is discussed by the conciliation commission, which identifies possible ways of resolving the dispute. At the end of each stage of the procedure, a conciliation report is drawn up. The procedure is free of charge and is concluded, on average, within 45 days.

At the end of 2008, on the basis of the conciliation case histories, it emerged that positive outcomes from conciliations under the ADR model were higher (more than 90%) than those of conciliations conducted at the Co.Re.Com and the CCIAA (around 62%), which the customer can choose as an alternative.

This fact can be mainly attributed to the different client targets (consumers for the first, businesses for the second) and the different methodological approaches (technical-legal for Co.Re.Com and CCIAA, and caring in the case of the parity conciliation).

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

merce, pursuing the organisational model for parity conciliation.

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

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

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

## SAFEGUARDING PRIVACY AND PERSONAL DATA PROTECTION

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

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

The adoption of legal measures and the instructions of the Privacy Guarantor is assured by constantly updating the regulations and policies of the Group. In particular, in 2009, the complete revision and updating of the “System of rules for the treatment of personal data in the Telecom Italia Group” has been completed, which defines, for each commitment concerned, the respective measures and

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of justice in the year 1999 as “the most striking example of Italian coexistential justice.”;  
• recognition by the Guarantor Authority for Communications of the Telecom Italia – Consumer Associations (2002) procedure.

operational instructions. For the purposes of the correct application of the Privacy Code, therefore, a significant campaign of information and awareness has been mounted from December, 2009, for the managers concerned and those responsible for the treatment, which will also continue in 2010 with a series of meetings, broken down according to the topics covered and the organisational structures involved.

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

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

In 2009, on the instructions of the Privacy Guarantor on matters of system administrators (Provision of 27/11/2008), measures were adopted to improve the security and control of the operations entrusted to internal personnel and outsourcers who run digital systems for companies. The implementation of the project, with the involvement of the technical,

legal, organisational and customer relations departments, and the suppliers, allowed the realisation of the interventions required to conform with the instructions of the Guarantor, and raise the level of protection of personal data. In particular, a list of formally appointed system administrators has been established.

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

Training interventions have continued to spread the culture of privacy in the company which, in 2009, have regarded, in particular, the prerequisites of compliance in the treatment of the customers' data in the commercial departments, including the external sales network, and customer care, with special reference to the structures which take care of the conciliation of disputes with the customers.

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

Finally, in accordance with rule 26 of attachment B (Technical Regulations on Minimum Security Measures) of the Privacy Code, Telecom Italia declares it has drawn up the Data Security Planning Document (DPS) for 2009. This document lays out the technical and organisational criteria adopted for the protection of personal data, be it of a general, sensitive or judicial nature, that is processed by information technology, as well as the training schedule for those responsible for the treatment of data.

The procurement process takes account of the best market conditions and respect for the prerequisites of quality, safety and the protection of the environment.

## SUPPLIERS

### STRATEGY

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

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

### STAKEHOLDERS

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

### GENERAL MATTERS

The process of selection, assessment and control of Telecom Italia Group's suppliers is achieved, for high risk categories of commodities, through a pre-contractual phase of evaluation in which the economic/financial and technical/organisational characteristics are assessed. The positive evaluation of these characteristics allows inclusion in the Group's Register of Suppliers. The Group requires every supplier to make a commitment, on behalf of the company in question and any authorised sub-contractors, collaborators and employees, to observe the principles of ethics and conduct contained in the Group's Code of Ethics.

Registered companies which have received purchase orders are usually subject to controls throughout the course of the supply, which range from vendor rating monitoring (the systematic assessment of the supply) to incoming quality control (mandatory for the acceptance and use of the goods acquired). In the course of 2008, a Global vendor rating index was introduced experimentally, in order to assess the performance of the supplier in its entirety. The index takes into account aspects of the various supplies in which the sustainability criteria count for 20%. These criteria include indexes of accidents and contributory propriety, as well as possession of the environmental

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EXTERNAL  
STAKEHOLDERS

suppliers

and social certification, the level of proactivity in the e-community and the adoption of initiatives to save energy and reduce environmental impact.

## MAIN SUSTAINABILITY INITIATIVES

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

The following initiatives were undertaken during 2009:

- the application continued of the “Guidelines for the Evaluation of the Life Cycle of the Products” (issued in 2007) regarding 23 products. These guidelines allow the assessment, through an eco-compatibility index, of how far the acquired goods that are managed or marketed by the Group meet the prerequisites of the key environmental regulations, and that they are designed, realised, used and discarded in such a way as to facilitate the management of the entire life cycle, from the environmental and economic point of view.  
The product families to which the Guidelines are applied, defined on the basis of the volume acquired, their impact on the company's reputation, the economic and legal risks and dangers, are as follows:
  - products that are intended for marketing (telephone terminals, switchboards, fax machines, modems);
  - office products (computers and peripherals, photocopiers, paper, consumables such as toners, batteries etc.);
  - network apparatus and materials (poles, mobile phone antennas, cabinets, accumulators, exchanges).
- For 52 suppliers, this evaluation has also been supplemented by checks on aspects of social and environmental sustainability, such as respect for the principles of ethical conduct in business, the adoption of procedures to ensure the health, safety and rights of workers

and the protection of the environment. These checks are conducted through an appropriate check list, in the process of being updated, and have the objective of promoting a better application of the sustainability criteria throughout the entire supply chain.

- In November, 2009, the certification of conformity with the regulation, ISO 9001:2000, of the “Management System for Quality” for the Group's Purchasing Department was confirmed, with specific acknowledgement of the initiatives undertaken in the field of sustainability. This initiative has led to the mapping of 27 Department processes with the identification of 149 performance indicators that permit the monitoring and improvement of the administration of services supplied to internal clients and suppliers. Moreover, the ISO 14001 certification has been confirmed for the operations of Service Centre Facility and Infrastructure Acquisitions.
- In order to align Telecom Italia with the best practices in the sector and ensure conformity with the strategy of sustainability adopted, a Policy of Green Procurement was defined which furnished the guidelines to establish the environmental prerequisites for the products/services acquired.  
The Policy considers all the phases of the product life cycle: planning, production, use, end of life. The document, published on the supplier portal, in the sustainability channel of the corporate site ([www.telecomitalia.it](http://www.telecomitalia.it)) and on the company Intranet, contributes to directing acquisition policies in support of products and services with low environmental impact.
- Under the perspective of the continuous improvement and greater involvement of the suppliers, questions on the Policy of Green Procurement and the adherence of the suppliers to the principles enunciated by it have been included in the usual satisfaction survey dedicated to them. The action plan for green procurement which has just been drawn up will bring a wider use of the LCCA (Life Cycle Cost Assessment) methodology in 2009, applied to the tenders for the procurement of products/services.



## CONTROLS

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

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

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

## MAIN INITIATIVES OF INVOLVEMENT

- For the third consecutive year, the Group's main suppliers have been involved in surveys

of satisfaction with the Purchasing Department and, more generally, with Telecom Italia. The on line questionnaire, made up of 33 questions, remained active for two weeks and the analysis involved 1,022 suppliers with access to the Portal.

The overall average outcome of the 328 questionnaires compiled was 72/100 (69/100 in 2008 and 71/100 in 2007) with a percentage of participation of around 32%, compared to 43% in 2008 and 35% in 2007.

- Regarding the network works, the activities of the e-community (launched in 2008) have continued, aimed at improving communications with and between suppliers, chiefly on subjects regarding social and environmental sustainability. To this end, an appropriate Internet site was created called "TelecHome," which can be reached through the Suppliers Portal using the correct access credentials. The site, developed on the web 2.0 logic, contributes to the dialogue in the e-community in order to:
  - integrate the best operational practices adopted in specific subject areas;
  - publish the results obtained, in terms of the environmental and social certification attained;
  - support voting campaigns on various initiatives, for their assessment.

In 2009, discussions were held regarding the correct management of processing waste and the process of training personnel on health and safety in the workplace.

- In June, the first seminar on the "green economy, sustainability and green procurement" was held. The seminar, which involved around a hundred people from various company managements (Purchasing, Group Sustainability, Open Access, TILab, Marketing and Services of Prevention and Environmental Protection), had the objective of disseminating the recent Policy of Green Procurement and, generally, to illustrate the issues connected to the green economy. Speakers from public organisations, other companies and Telecom Italia suppliers took part (see § The Environment/Product Responsibility).
- A review of the check list used to assess the

social and environmental sustainability was launched with the aim of improving and extending the audit of the suppliers on these issues. The changes led to an increase in the number of questions and their definition in three fields of inquiry: ethics, environment and labour policies, with particular attention

to the latter. The new check list has been applied as an experiment to certain suppliers. Downstream of the observations that emerge, a definitive check list will be drawn up in the first months of 2010 which will be used for subsequent audits.

## 2009 RESULTS AND 2010 COMMITMENTS

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

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

(2) The objective was achieved in the following version, redefined in the course of 2009: in the acquisition of certain products (corded, cordless, fax) obligatory procurement specifications were incorporated for suppliers regarding eco-sustainability criteria covering

energy consumption, packaging and materials (plastics, paints...).  
 (3) It is planned to extend the sustainability audit to suppliers with production establishments in the Far East. A specific check list will be defined including assessments on: child labour, health and safety, freedom of association, non-discrimination, disciplinary practices, working hours, remuneration, environment and ethics. The audits will be carried out by company personnel and third parties.

# The importance of fair competition for all the stakeholders.

## COMPETITORS

### STRATEGY

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

### STAKEHOLDERS

In this area, the Group interacts with certain stakeholders, including:

- OLO (Other Licensed Operators) made up of 150 Tlc operators, large and small, of fixed networks and mobile networks;
- the Italian Communications Authority (AGCOM);
- the Competition and Market Authority (AGCM);
- the regional associations, federations/trade associations:
  - in Italy: Confindustria, CSIT (Confindustria Innovative and Technological Services), Asstel, Assoelettrica, Assinform, Fondazione Ugo Bordoni, Audio and ICT District, Ra-

dio and Television Federation, HD Forum, DGTvI, Auditel, CNID;

- in the world: ETNO (European Telecommunications Network Operators' Association), EIF (European Internet Foundation), EABC (European-American Business Council), ITU (International Telecommunication Union), EITO (European Information Technology Observatory), BIAC (Business and Industry Advisory Committee), GII (Gruppo di Iniziativa Italiana).

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EXTERNAL  
STAKEHOLDERS

competitors

### RELATIONS WITH STAKEHOLDERS

Telecom Italia is involved in the management of association relations, coordinating lobbying and representation activities with Confindustria and its member associations.

The initiatives at the national and local levels consist of actions and meetings about business development and protecting the company's interests in the fields of economics, regulations, trade unions and labour. These initiatives are based on dialogue and on the comparison of the respective positions in order to identify, where possible, a common position of the sector to be represented in national and

European Community institutions.

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

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

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

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

Furthermore, TI Media subscribes to the Radio and

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

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

The activities and objectives of the Association are established by the Administrative Council, in which TI Media participates through its own representative.

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

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

In 2003, TI Media and MTV subscribed to the Self-regulation Code for the protection of minors on TV, as

part of which the TV and Minors Committee was established with responsibility for control of the commitments under the Code. TI Media has been elected as the broadcasters' representative and therefore has a privileged position as observer with regard to the institutions for the purpose of maintaining a constructive dialogue with the sector.

In addition, on August 1st, 2009, the dissemination has begun of commercial services of unencoded programmes on the "tivù" satellite platform, a company in which TI Media has a 3.5% holding with RAI and Mediaset owning the rest. Tivù promotes a unique platform of services in digital terrestrial and unencoded satellite (tivùsat) television.

Finally, on November 10th, 2009, following the signing of the Self-regulation Code on matters of the representation of judicial matters in radio and television transmissions, a Committee of implementation was established. In addition to TI Media, the Committee is formed of representatives of RAI, Mediaset, the local broadcasting associations, FRT and Aeranti Corallo, the National Press Federation and the National Order of Journalists. The Committee operates on the basis of a Charter, carrying out investigations on behalf of television audiences, ACGOM and the members of the Committee.

As regards, finally, the activities of collaboration at the international level, the Group collaborates with various organisations and/or trade associations in which it takes part, such as ETNO, EIF, EABC, EITO, GII, ITU, BIAC.

## COMPETITIVE POSITIONING

Every year, a qualitative and quantitative survey is carried out to analyse the strength of the Telecom Italia and TIM brands, both in absolute terms and in comparison with competitors.

For Telecom Italia, specific focus has been directed on the business targets (formerly SOHO and SMEs) in terms of the value of the brand and competitive positioning in comparison with the main competitors.

Every three months, moreover, a quantitative survey is carried out on a representative sample

of the Italian population to gauge the image of the telecommunications and mobile telephony service providers.

Quantitative surveys are periodically carried out on a representative sample of the adult Italian population to measure the effectiveness of the advertising for fixed and mobile telephony and Tlc services. These reveal the renown of the individual providers, the spontaneous and solicited awareness of the advertisement, the memory and enjoyment of the advertising.

## SERVICES TO OLO

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

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

Each OLO has direct relations with its own Account Manager of reference in the Sales department of

NWS, who receives the requests of the OLO for which they are responsible, customising the respective contractual instruments of the offer, with respect for the current regulatory obligations. These contracts include clauses which establish constant monitoring of the various phases of the supply of the service, ensuring that a number of the main indicators are subject to period notification to AGCOM. The interests of the client are therefore safeguarded in a continuous manner, formalised through a process of conference calls, video call and meetings through which all the company departments concerned are involved.

Telecom Italia, under the perspective of the improvement of the company processes, has presented a complex, integrated series of “Commitments” designed to improve the performance of the delivery of services supplied to the OLO which, following the Procedure, 351/08/CONS, were approved by AGCOM and came into force on January 1st, 2009 (for more information, [see § Commitments regarding the access network](#)).

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

Among the initiatives implemented in administrative areas to improve attention to the needs of the OLO are the following:

- tracing of complaints for greater transparency in the process of management and resolution;
- tracing all the communications exchanged;
- constant monitoring of the economic/financial/assets management, thanks to the publication on line of the statement of accounts.

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

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

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

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

## THE ITALIAN COMMUNICATIONS AUTHORITY (AGCOM)

Telecom Italia interacts with AGCOM with the aim of contributing to the administration of the regulatory process on issues of relevance to the growth in value of the Company, attempting to influence changes in the market over the medium to long term. In this light, Telecom Italia pursues a steadfast dialogue and a continuous discussion with the authorities and institutions with the aim of arriving at a simple, effective and symmetrical regulatory framework. Furthermore, the Group makes its own knowledge available by participating in public consultations, institutional hearings, conventions, public meetings and by presenting appropriate testimony and petitions. The constant discussions with AGCOM and the institutions ensure that Telecom Italia gathers opinions, supplying transparent, reliable responses, and anticipates events, creating and exploiting the best opportunities for the Company.

The public consultations provided by the provision schedules of the authority, market analysis and fact-finding inquiries into the regulatory framework

on matters of services and electronic communications network, transposed into national law through Decree Law August 1st, 2003, no. 259 (“Code of electronic communications”), are carried out according to the provisions contained in the resolution 453/03/CONS. In carrying out these activities, the Authority pursues the principles of transparency, participation and debate established by the law of August 7th, 1990, no. 241.

Furthermore, the resolution of disputes between electronic communication operators is regulated by the resolution 352/08/CONS, while the inquiry proceedings aimed at uncovering violations and applying penalties by the Authority are regulated by the resolution 136/06/CONS, amended by the resolution 173/07/CONS. With the approval of the resolutions 130/08/CONS and 131/08/CONS, the penalty procedures may end with a ruling of dismissal, when the Authority confirms the correct and effective implementation of commitments presented by the operators for which a violation has been alleged on matters of network supply and electronic communication services.

Telecom Italia responds in accordance with the times and methods established by AGCOM for the various proceedings (for example, public consultations, defensive testimony, the supply of data and information of various nature, etc.) and always ensures the completeness and reliability of the contribution.

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

## THE COMPETITION AND ANTITRUST MARKET GUARANTOR AUTHORITY (AGCM)

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

As preventative action, the company's depart-

ments, in addition to responding to the Authority's requests, conveyed regularly in carrying out the tasks assigned by the law 287/90 and the Consumer Code, periodically organise meetings for the exchange of information. The objective is to facilitate, under the perspective of transparency, the understanding of the development of the market and the effects on the area of responsibility of the Authority.

Among the objects of preventative information are the development of the Group's provision, the company's position on strategic issues such as the development of the access network and Net Neutrality, the development of the criteria adopted for the pricing in the markets in which the Company is in a dominant position, and the technical and economic characteristics of certain offers disputed by competitors.

In the event dispute proceedings are begun, the Group presents its case in the appropriate forums, in some cases presenting to the Authority undertakings which reduce the alleged anti-competitive aspects at the centre of the proceedings. The Authority, having assessed these undertakings, may make them compulsory and end the proceedings without imposing any financial penalty. The last two proceedings launched in 2008 were ended with the acceptance of the undertakings.

Within the Company, moreover, there are a series of preventative controls on processes with a potentially significant impact in Antitrust terms such as, for example, the provision of marketing plans, the development of contractual matters, the conditions of the provision of Tlc services, the development of the company's information systems. The controls are aimed at ensuring that the operational management of the processes take into consideration this potential impact. To spread awareness and disseminate a correct approach to the issue, in the first months of 2010, a management training programme will be launched on the application of the regulations on competition.

## COMMITMENTS REGARDING THE ACCESS NETWORK

In December, 2008, AGCOM approved the voluntary undertakings presented by Telecom Italia with resolution 718/08/CONS, subdivided into 14 main

groups, plus three additional groups of a methodological nature (variation, expiry, modulation).

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

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

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

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

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

In particular, Open Access provides access services to the Retail Marketing Department of Telecom Italia and the alternative operators through the National Wholesale Services Department (for further information, see § Services to the OLO). The activities of Open Access and NWS for the production of access services are separate, and independently managed, from the other commercial departments of Telecom Italia Group.

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

Specifically, AGCOM has established:

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

Telecom Italia has established:

- the Supervisory Body, a committee with guaranteed independence established in 2008, which verifies the proper execution of the commitments, ensuring equality of access for the other operators to the fixed network infrastructure through the Open Access department and the attainment of the objectives of quality of the service;
- the Commitments Coordination Committee, set up by the departmental managers of Telecom Italia, reporting directly to the Chief Executive Office, which monthly supervises



the whole process, monitors the progress and defines the position of Telecom Italia in the various work groups;

- Telecom Italia's Equivalence department, dedicated to guaranteeing the implementation of the commitments on competition, which meets regularly in technical work groups with competitors, providing the results achieved and examining the issues of interest raised with AGCOM and other institutions;
- the department of Operations Governance – Equality, Efficiency and Quality of Open Access which ensures the supervision of the plans arising from the regulatory issues in line with the commitments, including the reporting and monitoring of the data regarding the equality of treatment of Tlc operators.

A year from their establishment, the state of progress of the commitments is extremely positive, both in terms of fulfilment and in terms of innovative solutions in the internal company processes.

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

Telecom Italia has substantially achieved not only the identification of innovative solutions shared among the operators but has launched a new model of relations based on continuous discussion and cooperation.

# Conducting a dialogue with the institutions in order to improve the life of citizens and safeguard the interests of the Group.

## INSTITUTIONS

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STAKEHOLDERS

institutions

### STRATEGY

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

### STAKEHOLDERS

The key stakeholders of the Telecom Italia Group are:

- the central national institutions: Parliament, Government, Ministries, central and local public administration;
- the local institutions: Regions, Provinces, Municipalities;
- the Italian Communications Authority (AGCOM) and the Guarantor Authority for Competition and the Market (AGCM) (see § Competitors);
- the European and international institutions: the European Commission and the Regulatory Committee under its supervision, the Council, the European parliament and the ERG (European Regulators Group);
- the United Nations Organisation (UN): Global Compact, Programmes (United Nations En-

vironment Programme – UNEP), specialised agencies (International Telecommunication Union – ITU) and Convention Secretariats (United Nations Framework Convention on Climate Change – UNFCCC).

### RELATIONS WITH STAKEHOLDERS

Telecom Italia constantly keeps abreast of legislative activity by monitoring the flow of policy-making (summaries of parliamentary proceedings and the activities of the Council of Ministers) with the aim of:

- understanding the expectations of the national, central institutions and the evolving trends in parliamentary and governmental regulatory initiatives;
- identifying potential impact on the strategy and business activities of the Group;
- adopting strategies to protect the company's position.

The reporting activities are principally conducted with the parliamentary members of the Commissions of the Chamber and Senate concerned with issues that could impact on the company such as, for example, those of an economic-financial nature

or concerning privacy, telecommunications, Internet and television. Participation in parliamentary hearings (called by the parliamentary commissions) are also important to examine specific issues, which represent opportunities to discuss matters of interest such as, for example, the recent fact-finding inquiry into the digitalisation of the public administration carried out by the Chamber. In this case, the electronic communications operators, Telecom Italia among them, were called to report on the state of implementation of the instruments to enable e-government, such as broadband.

As a consequence, the dialogue with the institutions is followed in certain cases by dispositions and presentations of proposals for amendments to individual measures.

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

At the local level, Telecom Italia maintains a constant dialogue with the institutions on subjects of a general nature regarding the electronic communications sector and on issues of local interest with significance for the company's business, from the perspective of problem solving and promoting the Group's image. The monitoring and constant interaction with the decision-making centres of local institutions occurs by means of hearings, participation in workshops, the work of regional Commissions and ministerial and specialist work groups. Furthermore, Telecom Italia regularly organises communication initiatives on specific issues of local interest.

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

Relations with European and international institu-

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

In most cases, the response to the expectations of the institutional stakeholders and the identification of the actions to be undertaken on individual regulations in the interests of the Group cannot be planned in advance. Therefore the reaction times, determined by the process of legislative approval, must be fairly rapid. This means that the internal dialogue in the company on these institutional issues, aimed at informing the competent internal departments on the regulations of interest and receiving feedback on important aspects, must be continuous.

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

- the request for the partial postponement of the obligations for scheduling and investment in support of European works established by the Regulation approved by AGCOM under 66/09/CONS. The decision to take advantage of the possibility for postponement, established by the said Regulation, for the stations of the TI Media Group, and in particular for La7, MTV, QOOB and for the satellite channels of MTV, was dictated by the needs of balance and scheduling;
- public consultation (launched under the resolution 526/09/CONS of September 30th, 2009) concerning the identification of the emerging

platforms for the marketing of broadcasting rights for sports, which was concluded on October 30th, in which TI Media, in concert with the other companies of the Group, gave notice of the necessity of incorporating among the emerging platforms IPTV, DVB and the mobile platforms such as GSM, GPRS and UMTS.

Regarding the regulatory activity carried through by the Ministry for Economic Development – Communications Department – 2009 featured the switch-off of analogue television, replaced by digital terrestrial broadcasting in Valle d’Aosta, western Piemonte, Trentino Alto Adige, Lazio and Campania in accordance with the ministerial calendar of September 10th,

2008, and April 10th, 2009. For each region, the Communications Department has established a specific task force, in which TI Media also participates.

Regarding relations with the UN, the activities carried out as part of the Global Compact were of particular importance, taking the form of participation in the work group on human rights and the Network Italia. Telecom Italia and Telecom Italia Media, the two companies of the Group which adhered to the Global Compact, compile the “Communication on Progress” annually, the document in which the progress achieved in the promotion and actual application of the 10 principles on which the Global Compact is founded is reported.

# How the Information and Communication Technology (ICT) sector can contribute to building a better future.

## THE ENVIRONMENT

### STRATEGY

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

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

### STAKEHOLDERS

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

- the Community in general, with particular reference to the territorial areas in which Telecom Italia operates;

- the local institutions ([see § Institutions](#));
- associations active on the issue and the initiatives in which Telecom Italia participates: EU Corporate Leaders Group, Global e-Sustainability Initiative (GeSI), European Telecommunications Network Operators’ Association (ETNO), European Telecommunications Standards Institute (ETSI), CSR Europe, European Academy for Business in Society (EABIS), Carbon Disclosure Project (CDP);
- the environmental associations active on the issue: WWF, Legambiente, Greenpeace, etc.

Telecom Italia pays close attention to the needs expressed by stakeholders concerned with the protection of the environment, keeping abreast of their expectations by maintaining multiple active channels of communication and dialogue such as AVoiComunicare, the Festival of Science, the Future Centre of Venice and the Group’s Intranet site. In addition, it promotes, and in some cases coordinates, projects at the national and international levels on the issue.

### ENVIRONMENTAL PERFORMANCE

The information on the environmental performance

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STAKEHOLDERS

the environment

has been drawn from management data. In accordance with the principle of materiality, only those subsidiary companies have been included in the consolidated accounts that have revenue greater than 300,000 euros and more than 40 employees, excluding discontinued operations/non-current assets held for sale.

The environmental performance data given below cover energy, atmospheric emissions, water, paper, waste and electromagnetic and noise emissions.

### Energy

The energy consumption of Telecom Italia S.p.A. and the Group is shown below, calculated according to the accounting procedures established by the Global Reporting Initiative – GRI G3 Guidelines. Direct con-

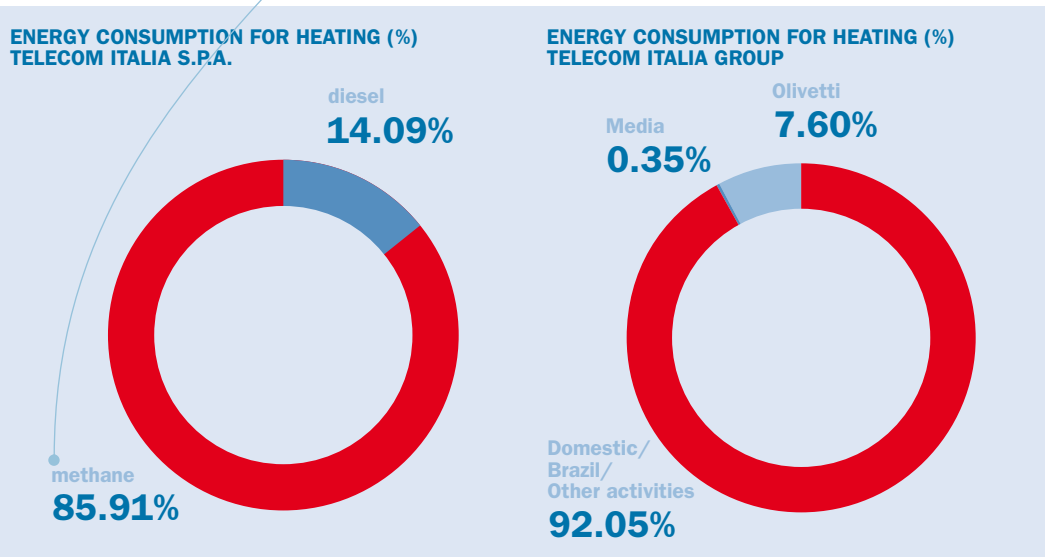
sumption for heating and transport (Scope 1) and indirect consumption through the acquisition and consumption of electricity (Scope 2) are given.

In the following tables, under the heading Domestic/Brazil/Other activities, the domestic operations of fixed and mobile telecommunications are included, as well as the respective support activities, the Netherlands broadband services and the activities of the TIM Brasil Group.

The data in the table regarding Telecom Italia S.p.A. shows an overall reduction of consumption for heating systems and, in particular, the consumption of diesel. The change in the composition of the energy mix of diesel and methane fuel is due to the modernisation of the plants, which has favoured

HEATING SYSTEMS – TELECOM ITALIA S.P.A.		Telecom Italia S.p.A. 2009	2009 vs 2008	CHANGES % 2009 vs 2007
Energy consumed in diesel fuel	MJ	112,979,718	(20.80%)	(24.45%)
Energy consumed in methane fuel	MJ	689,048,720	0.67%	(4.48%)
<b>Total energy for heating</b>	<b>MJ</b>	<b>802,028,438</b>	<b>(3.03%)</b>	<b>(7.86%)</b>

HEATING SYSTEMS – TELECOM ITALIA GROUP		Telecom Italia Group 2009	TI GROUP BREAKDOWN BY BU (%)		
			Domestic/ Brazil/Other activities	Media	Olivetti
<b>Total energy for heating</b>	<b>MJ</b>	<b>919,813,181</b>	<b>92.05%</b>	<b>0.35%</b>	<b>7.60%</b>



solutions of reduced environmental impact. A specific environmental objective has been defined and

reached in this area (see § Introduction/2009 Objectives and Results).

## VEHICLES

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

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

## NUMBER OF VEHICLES AND DISTANCE TRAVELLED

		Telecom Italia S.p.A. 2009	2009 vs 2008	CHANGES % 2009 vs 2007
Total number of company vehicles	no.	21,068	(1.77%)	(2.27%)
Number of low-emission vehicles <sup>(*)</sup>	no.	20,787	(1.47%)	(1.98%)
<b>Total distance travelled</b>	<b>km</b>	<b>308,682,237</b>	<b>(1.68%)</b>	<b>(1.05%)</b>

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

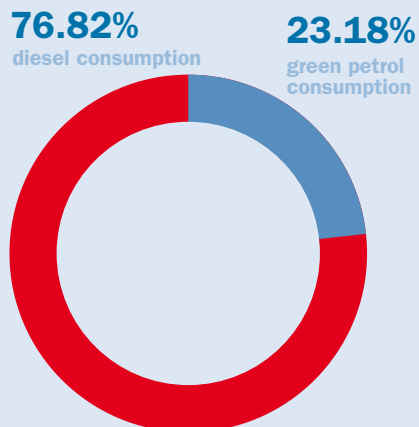
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EXTERNAL  
STAKEHOLDERS

the environment

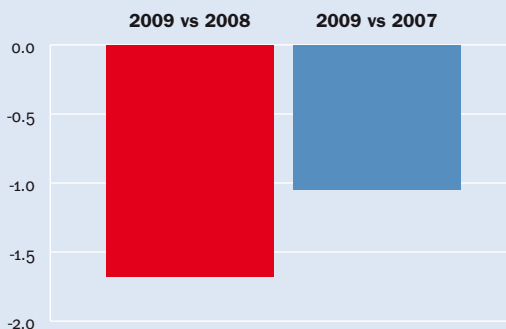
In Telecom Italia S.p.A., the reduction of energy consumption for vehicles is due, as well as to the reduction of the overall distance travelled by the vehicles, to the gradual change in the composition of the fleet in favour of vehicles meeting high environmental

standards (Euro4 or higher) with diesel engines that are more efficient compared to petrol engines. This change has also led to an increase in the consumption of diesel and a fall in that of petrol.

## FOSSIL FUELS FOR VEHICLES (%) TELECOM ITALIA S.P.A.



## TOTAL DISTANCE TRAVELLED TELECOM ITALIA S.P.A.



## NUMBER OF VEHICLES AND DISTANCE TRAVELLED(\*)

		TI GROUP BREAKDOWN BY BU %			
		Telecom Italia Group 2009	Domestic/ Brazil/Other activities	Media	Olivetti
Total number of vehicles	no.	22,703	98.82%	0.43%	0.75%
Total energy consumed	MJ	1,263,639,200	98.29%	0.69%	1.01%
<b>Total distance travelled</b>	<b>km</b>	<b>340,392,214</b>	<b>97.67%</b>	<b>0.96%</b>	<b>1.37%</b>

(\*) The data shown refer to the number of all vehicles (including ships, for which the number of kilometres travelled is not shown) of the Group (industrial, commercial, used by senior and middle management and the sales force), both owned and hired. Only

where usage is significant and continuous, the vehicles, consumption and travel distances of vehicles owned or in use by the sales force of Tim Participações have been included.

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

## PURCHASED OR PRODUCED ENERGY

		Telecom Italia S.p.A. 2009	2009 vs 2008	CHANGES % 2009 vs 2007
Electrical energy from mixed sources(*)	kWh	2,093,375,618	0.00%	(1.34%)
Electrical energy from renewable sources	kWh	42,955,444	15.41%	34.24%
<b>Total electrical energy</b>	<b>kWh</b>	<b>2,136,331,062</b>	<b>0.27%</b>	<b>(0.81%)</b>

(\*) Electrical energy acquired from mixed sources is equal to around 2,067 GWh. Self-produced electrical energy from mixed sources is equal to around 26 GWh and is supplied by a co-generation plant which has allowed a saving in purchased energy of more than

5GWh with an associated consumption equal to 6.925 million m<sup>3</sup> of methane gas. The production of electrical energy from continuous generators (not shown in the table) is estimated to be around 4 GWh.

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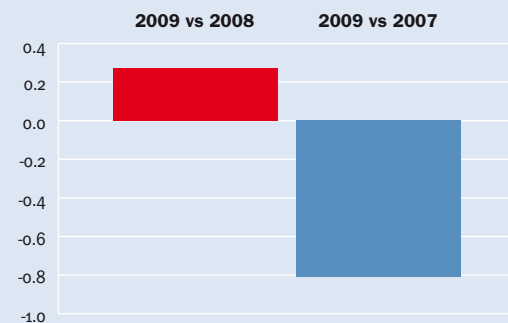
EXTERNAL  
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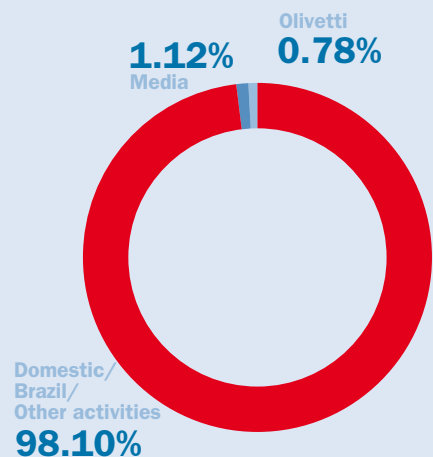
## PURCHASED OR PRODUCED ENERGY

		TI GROUP BREAKDOWN BY BU %			
		Telecom Italia Group 2009	Domestic/ Brazil/Other activities	Media	Olivetti
<b>Total electrical energy</b>	<b>kWh</b>	<b>2,517,799,605</b>	<b>98.10%</b>	<b>1.12%</b>	<b>0.78%</b>

## PURCHASED OR PRODUCED ENERGY TELECOM ITALIA S.P.A.



## PURCHASED OR PRODUCED ENERGY (%) TELECOM ITALIA GROUP





The increase in the consumption of energy is connected to the greater volumes of telephony/data traffic on the transmission networks. This increase has been mainly met through recourse to the acquisition of renewable sources. In future, Telecom Italia S.p.A. will achieve a significant increase in internal production from these sources (see § Introduction/2010 Objectives).

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

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

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

- three cogeneration (trigeneration) plants are

being installed in as many Data Centres. The energy needs will be met through a system that can produce electricity, heating and cooling, though not independently and therefore alongside the usual power distribution bodies, with an energy saving of around 30%;

- twelve small cogeneration plants (less than 500 kW) have been created;
- for 13 RBS, a supplementary mixed supply of wind and photovoltaic power (wind turbines from 3 to 6 kW and solar panels of 5 kWp) has been created;
- an innovative system of natural gas (propane) air conditioning has been tested;
- 100 back-up plants of hydrogen fuel energy cells have been created in place of the traditional systems with lead batteries. The introduction of this type of plant avoids the procurement and later disposal of traditional batteries containing 300 tons of lead. The assessment of the life cycle reveals an environmental benefit with about 125 tons of CO<sub>2</sub> no longer being emitted. In 2010, the replacements will involve another 80 plants (see Target 2010).

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

#### **Extraction Full Free Cooling (EFFC)**

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

### Kaleidos

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

### Codes of Conduct (CoC)

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

### Co-siting

With respect to the Code for Electronic Communications to encourage a more efficient use of the network infrastructure and optimise the coverage of the mobile network in urban and rural areas, the agreements with Vodafone for sharing access sites are continuing. In 2009, Telecom Italia and 3 Italia signed a three year co-siting agreement which covers both existing sites and those that will be built in the future (at least 2,000 sites). Each operator retains ownership of their passive infrastructure (poles and pylons, electricity and air conditioning plants and civil infrastructure) and hosts the other, with a saving in energy consumption estimated to be in the order of 30%.

### TiLab initiatives to contain environmental impact

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

### Atmospheric emissions

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

As with the classification of energy consumed, the guidelines of Global Reporting Initiative – GRI G3 have been followed, which refer to the definitions of the GHG Protocol<sup>(1)</sup> distinguishing between direct emissions (Scope1: use of fossil fuels for heating, transport<sup>(2)</sup> and electricity generation) and indirect emissions (Scope2: procurement of electricity for industrial and civil use<sup>(3)</sup>) and other indirect emissions (Scope3).

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- (1) The GHG Protocol (Greenhouse Gas Protocol Initiative), established 1998 at the heart of the World Resources Institute and the World Business Council for Sustainable Development, supports business on the issue of greenhouse gas emissions, through methodologies of calculation and studies aimed at promoting innovation and assuming responsibility on climate change
- (2) Emissions of CO<sub>2</sub> connected to the use of fossil fuels for powering motor vehicles and heating systems have been calculated following the directions of the UNEP (United Nations Environment Programme Guidelines for Calculating Greenhouse Gas Emissions for Businesses and Non-Commercial Organisations – [www.unep-tie.org](http://www.unep-tie.org)) and in the case of vehicles of Telecom Italia S.p.A. making reference to the specific type of motor vehicle (for the years, 2007 and 2008, a single coefficient was used, which took account of the different types of vehicles. For this reason data referring to these years have been recalculated for comparison purposes).
- (3) To calculate the emissions from the acquisition of electrical energy, the GHG Protocol method has been used. This takes into consideration the energy mix of individual countries. The national GHG coefficient, expressed in grammes of CO<sub>2</sub>/kWh, are as follows: Italy 405; the Netherlands 394. For Brazil, the coefficient worked out by the local Ministry of Science and Technology has been used, which is equal to 25 grammes of CO<sub>2</sub>/kWh, which is held to be more accurate. For comparison purposes, data referring to 2007 and 2008 have been recalculated on the basis of these coefficients.

## ATMOSPHERIC EMISSIONS – TELECOM ITALIA S.P.A.

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

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

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

(\*\*\*) Starting from 2008 the scope of measurement of CO<sub>2</sub> emissions has included new issues. For this reason, data referring to 2007 is not comparable to the others.

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## ATMOSPHERIC EMISSIONS – TELECOM ITALIA GROUP

		Telecom Italia Group 2009	TI GROUP BREAKDOWN BY BU (%)		
			Domestic/ Brazil/Other activities	Media	Olivetti
Total emissions of CO <sub>2</sub> under Scope1 GRI	kg	187,513,764	96.58%	0.46%	2.96%
Total emissions of CO <sub>2</sub> under Scope2 GRI	kg	870,513,631	98.41%	1.31%	0.28%
Total of other emissions of CO <sub>2</sub> under Scope3 GRI <sup>(*)</sup>	kg	86,586,321	100.00%	-	-
<b>Total emissions of CO<sub>2</sub></b>	<b>kg</b>	<b>1,144,613,716</b>	<b>98.23%</b>	<b>1.07%</b>	<b>0.70%</b>

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

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

- lower consumption by vehicles;
- lower consumption for heating;
- reduction of the CO<sub>2</sub> equivalents emissions, with respect to the dispersal of HCFC and HFC used in air conditioning plants, through the adoption of more meticulous methods for preventing leaks and the replacement of these gases with solutions with low environmental impact (see § 2009 Objectives and Results, and 2010 Objectives);
- an increase in CO<sub>2</sub> emissions that can be ascribed to the cogeneration resulting from the company's decision to invest more in this technology, which is characterized by promising financial and environmental benefits. The increase is compensated, however, by the reduced acquisition of electricity from the network, which overall has led on balance to fewer emissions;
- stable emissions from diesel electricity generators in situations where the electricity distribution network is unavailable;
- reduction of the emissions from the acqui-

sition of electricity from mixed sources due to the increased production of energy from cogeneration plants and the acquisition and in-house production of energy from renewable sources;

- reduction of the impact from home-work commuting, dependent on the number of employees;
- reduction of the emissions for air travel by employees due to the reduction of the number of trips following the greater use of video conferences (see § Climate Change).

HCFC gases, in addition to being classified as greenhouses gases with high global warming potential<sup>(4)</sup>, destroy the ozone layer. From 2010, the use of new HCFCs in maintenance will be forbidden, while their use in plants is allowed until 2014.

Telecom Italia has conducted experiments:

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

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

**Water**

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

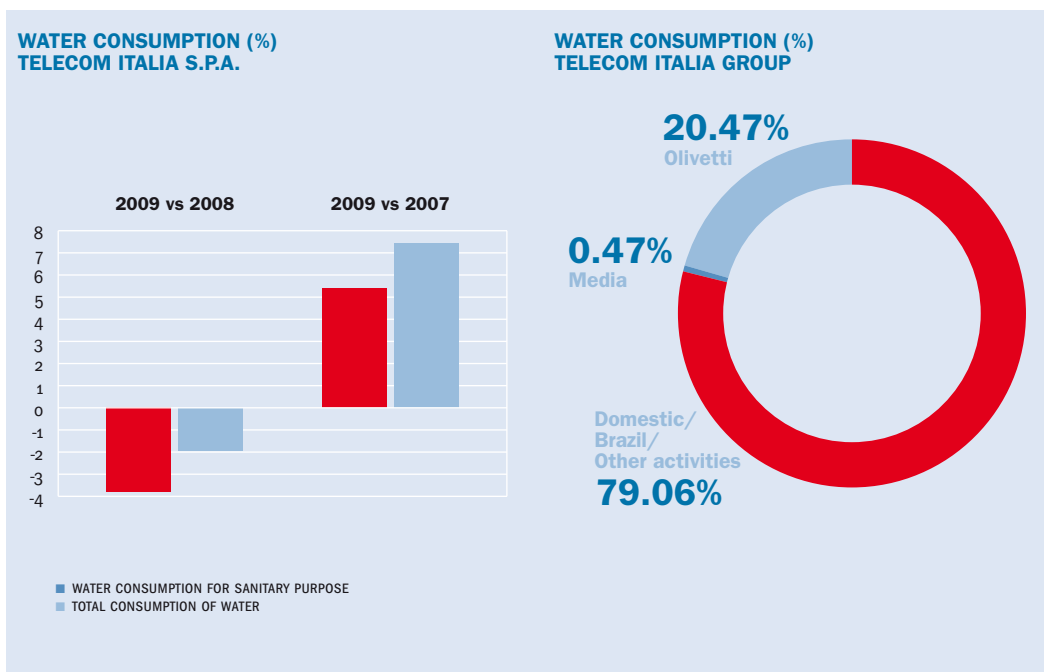
**WATER CONSUMPTION – TELECOM ITALIA S.P.A.**

		<b>Telecom Italia S.p.A. 2009</b>	<b>2009 vs 2008</b>	<b>2009 vs 2007</b>
Water consumption for non-sanitary use	m <sup>3</sup>	<b>85,225</b>	–	–
Water consumption for sanitary use	m <sup>3</sup>	<b>4,370,350</b>	(3.80%)	5.38%
<b>Total water consumption</b>	<b>m<sup>3</sup></b>	<b>4,455,575</b>	<b>(1.92%)</b>	<b>7.43%</b>

**CHANGES %**

**WATER CONSUMPTION – TELECOM ITALIA GROUP**

		<b>Telecom Italia Group 2009</b>	<b>TI GROUP BREAKDOWN BY BU</b>		
			<b>Domestic/ Brazil/Other activities</b>	<b>Media</b>	<b>Olivetti</b>
Water consumption for non-sanitary use	m <sup>3</sup>	<b>1,310,503</b>	7.07%	0.00%	92.93%
Water consumption for sanitary use	m <sup>3</sup>	<b>4,727,734</b>	99.02%	0.60%	0.38%
<b>Total water consumption</b>	<b>m<sup>3</sup></b>	<b>6,038,237</b>	<b>79.06%</b>	<b>0.47%</b>	<b>20.47%</b>



## Paper

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

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

As regards the use of paper, the activities aimed at the overall reduction of consumption have continued. For this reason, Telecom Italia encourages the use of invoicing and statements in electronic form. In 2009, more than 11 million invoices referring to fixed telephony overall have been sent on line. That corresponds to a saving of over 200 tons of paper, as well as limiting the impact of CO<sub>2</sub> connected to the delivery material of the envelopes.

The process of printing in the offices is also connected to the use of paper. In order to optimise this, the project Printing on Demand has been launched in 675 offices. Around 35,000 identified printers

have been replaced with little more than 4,000 high performance machines. All have a rapid system of stand by to reduce energy consumption and 12% have the Energy Star certificate, while 40% are able to print on both sides of the page. This project, in addition to reducing the consumption of energy and paper, allows more precise monitoring of the condition of the printer, the consumption of toner and the management of maintenance, improving the overall quality of the service.

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

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

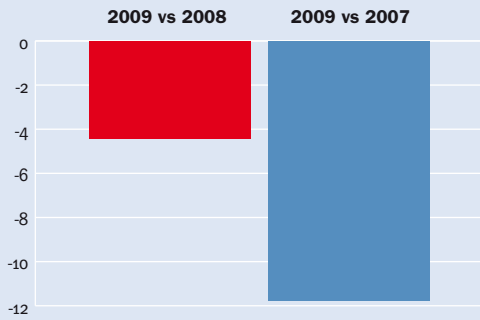
### PAPER FOR OFFICE USE – TELECOM ITALIA S.P.A.

		Telecom Italia S.p.A. 2009	2009 vs 2008	CHANGES % 2009 vs 2007
Non-recycled paper purchased	kg	0	(100.00%)	(100.00%)
Recycled paper purchased	kg	0	(100.00%)	(100.00%)
FSC certified paper purchased	kg	637,888	-	-
<b>Total paper purchased for office use</b>	<b>kg</b>	<b>637,888</b>	<b>(4.43%)</b>	<b>(11.76%)</b>

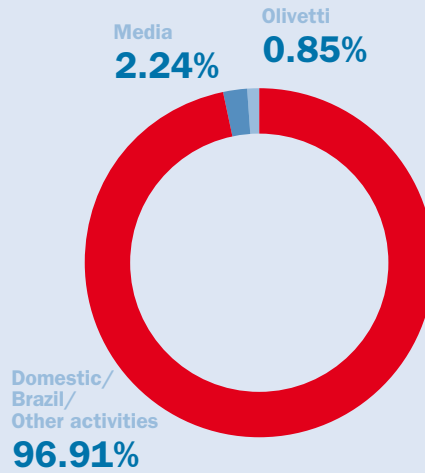
### PAPER FOR OFFICE USE – TELECOM ITALIA GROUP

		Telecom Italia Group 2009	TI GROUP BREAKDOWN BY BU (%)		
			Domestic/ Brazil/Other activities	Media	Olivetti
Non-recycled paper purchased	kg	2,231	74.41%	0.00%	25.59%
Recycled paper purchased	kg	90,768	100.00%	0.00%	0.00%
FSC certified paper purchased	kg	699,036	96.58%	2.53%	0.89%
<b>Total paper purchased for office use</b>	<b>kg</b>	<b>792,035</b>	<b>96.91%</b>	<b>2.24%</b>	<b>0.85%</b>

**TOTAL PAPER PURCHASED (%) TELECOM ITALIA S.P.A.**



**TOTAL PAPER PURCHASED (%) TELECOM ITALIA GROUP**



**Waste**

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

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

Regarding the application of the ADR regulation (Agreement concerning the international carriage of Dangerous goods by Road) covering the transport by road of dangerous goods, a training programme has been held aimed at those in charge of the Services of Prevention, Protection and Environment who collaborate with the ADR consultant in the control of the activities and support for the departments. Controls have been carried out during the withdrawal of

waste by the transporters and a new procedure has been drawn up which adopts the provisions of the ADR 2009 (the procedure will come into force following publication in the Official Gazette of the Decree of adoption of the regulation).

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

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

sense of the positive difference between the procurement avoided and the costs of the reclamation.

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

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

- formalised membership of the consortium that is specialised in managing the end of life cycle of the equipment (Consorzio Re-Media);

- defined the collection and selection processes for WEEE for each direct sales channel;
- inserted appropriate clauses on the issues of WEEE and RoHS<sup>(5)</sup> in the conditions of purchase contracts.

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

The data shown in the table refer to the quantity of waste consigned<sup>(6)</sup> and legally accounted for<sup>(7)</sup>.

#### WASTE CONSIGNED – TELECOM ITALIA S.P.A.<sup>(\*)</sup>

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

(\*) The data does not include telephone poles.

#### WASTE CONSIGNED – TELECOM ITALIA GROUP

		Telecom Italia Gruppo 2009	TI GROUP BREAKDOWN BY BU (%)		
			Domestic/ Brazil/Other activities	Media	Olivetti
<b>Total waste consigned</b>	<b>kg</b>	<b>21,327,467</b>	<b>92.57%</b>	<b>0.34%</b>	<b>7.09%</b>

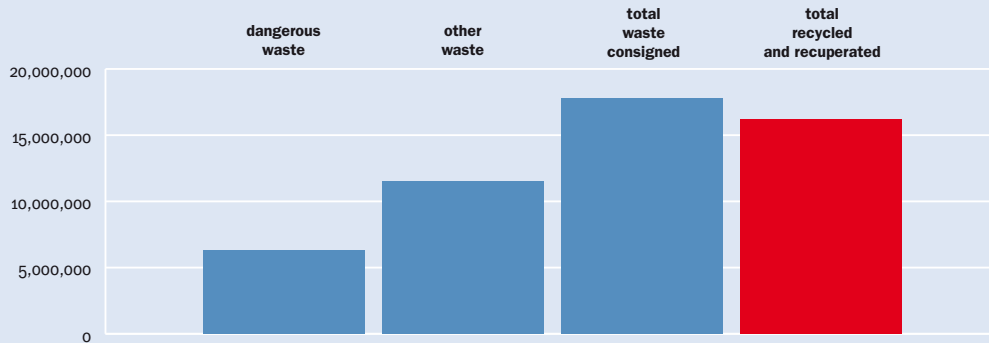
(5) European Directive 2002/95/EC on the restriction on the use of prescribed hazardous substances in electrical and electronic equipment (Restriction of Hazardous Substances Directive)

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

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



**WASTE CONSIGNED AND RECYCLING/RECUPERATION (KG)  
TELECOM ITALIA S.P.A.**



**Electromagnetic and noise emissions**

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

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

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

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

Based on the controls carried out on Italian soil, electromagnetic emissions generated by La7 and MTV alone are within the legal limits, with levels significantly lower in the case of digital television

transmissions, which allows a reduction of the electromagnetic emissions of around 75% compared to traditional analogue methods.

The Group also optimises emissions from mobile telephone Radio Base Stations (RBS). In 2009, the target was exceeded for installing second carriers, that is, additional antennas which allow the reduction of the power of the overall field of RBS emissions, during periods of maximum voice traffic. The use of two radio frequency carriers, also linked to the development of "High Speed" coverage, allows the total power of RBS emissions to be lower than 15% for the same amount of traffic. This reduction value has been verified in trials in the laboratory of TILab.

Similar concern is given to the emissions from mobile handsets operating on the frequency bands operated by Telecom Italia: GSM 900Mhz, DCS 1800MHz and UMTS. In 2009, in line with the established targets, all the models of technologically innovative mobile phones widely distributed in Italy and 25% of the Brazilian models have been subjected to the SAR qualification<sup>(8)</sup>.

The issue of electromagnetism and the possible effects on biological systems has been the subject in recent years of numerous studies and discussions involving the scientific community and public opin-

<sup>(8)</sup> SAR – Specific Absorption Rate: the value of electromagnetic power absorbed by a given mass of tissue. SAR is measured in Watt/kg.

ion. More details are available on the sustainability channel of the website [www.telecomitalia.it](http://www.telecomitalia.it).

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

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

## CLIMATE CHANGE

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

The Information and Communication Technology (ICT) sector can play a fundamental role, not only in containing its own CO<sub>2</sub> emissions, but above all by contributing to the reduction of the emissions of the other sectors, thanks to the provision of services which enable new ways of working, learning, travelling and, more generally, living. According to the Global e-Sustainability Initiative (GeSI Smart 2020), ICT will be responsible for around 3% of global emissions of CO<sub>2</sub> in 2020 but will contribute to the reduction in the CO<sub>2</sub> emissions of other industrial sectors of around 15%.

For this reason, Telecom Italia participates in various initiatives promoted by bodies such as CSR Europe, ITU, ETNO, ETSI, GeSI and Sodalitas. Telecom Italia is moreover among the coordinators of the EE IOCG (Energy Efficiency Inter-Operator Collaboration

Group), a work group made up of operators active in the sector at the global level (Tlc operators and suppliers of equipment), to accelerate the spread of low-energy consumption devices and to encourage the adoption of efficient technological options and standardisation.

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

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

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

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

### Reduction of emissions

The environmental impact of Telecom Italia in terms of CO<sub>2</sub> is determined, as shown in the preceding paragraphs, by direct emissions from the use of fossil fuels, indirect emissions through the procurement of electricity and other indirect emissions such as home-work commuting and air travel.

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

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

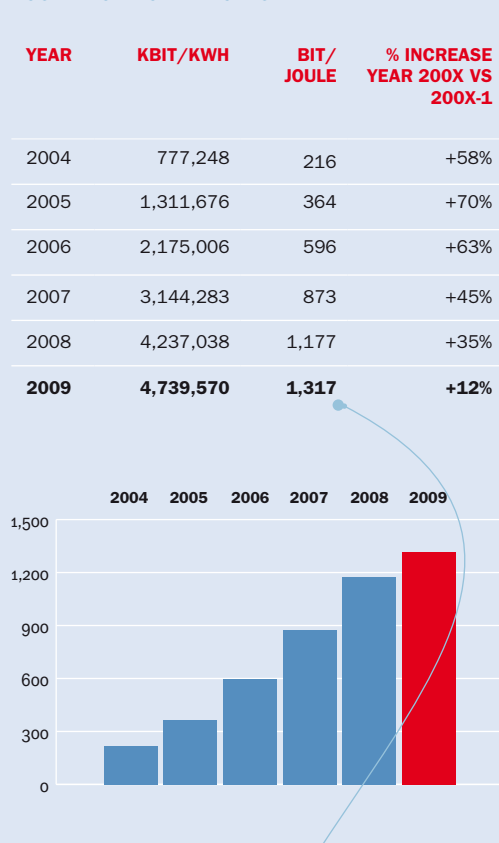
Regarding the initiatives launched to reduce energy consumption, and therefore indirect emissions, (see § Energy).

#### Eco-efficiency indicator

For years, Telecom Italia S.p.A. has measured its own energy efficiency by using an indicator that es-

tablishes a relationship between the service offered to the customer (simplified as the measurement of bits transmitted) and the company's impact on the environment (energy consumption). The factors taken into consideration are the amounts of data and voice traffic of the fixed/mobile networks and industrial energy consumption (for transmission and climate control in the centres), domestic (electricity for office use, air conditioning and heating in the offices) and consumption for vehicles. The following table shows the level of the eco-efficiency indicator in recent years.

#### ECO-EFFICIENCY INDICATOR



In 2009, the indicator values, although slightly improved, were lower than expected. The annual increase is progressively diminishing: energy efficiency measures and the rise in traffic already achieved have reduced the margin for further improvement. The commitment is being carried through with the definition of the target for 2010: 1,410 bit/Joule (+7% compared to 2009).

For the first time, Tim Brasil has measured its own

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

### Mobility management

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

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

A link with Telecom Italia's Carbon Meter (see § Information) allows the quantification of the reduction of CO<sub>2</sub> emissions and the benefits reaped from car pooling, increasing the level of environmental awareness.

### Telecom Italia as part of the solution

ICT can play a significant role in the fight against climate change through the promotion and diffusion of products and services which encourage behaviour that can reduce or eliminate the emissions of greenhouse gases generated by the transport of people and objects in the territory. In general, progress in

ICT favours the replacement of traditional physical products and services with digital products and processes (for more information, see § Customers).

For example<sup>(9)</sup>:

- video and audio conferencing services avoid the need for the transport of people;
- Tlc services facilitate and allow teleworking, reducing the consequences of the home-office commuting;
- on line invoicing and payments, in addition to saving paper and therefore the energy required to produce and transport it, eliminates the need for transport for making payments.
- telemedicine services reduce the need for doctor-patient meetings, limiting travel and, as a consequence, the emission of greenhouse gases;
- infomobility systems, using information obtained from mobile handsets, allows the optimisation of traffic flows, reducing travel times and the emission of greenhouse gases;
- the systems for the monitoring and analysis of consumption allow the optimisation of the energy efficiency of offices and dwellings.

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

In 2009, Telecom Italia established partnerships

<sup>(9)</sup> It has been estimated that 100 million audio conferences in the place of physical travel could save more than 2 million tons of CO<sub>2</sub> emissions, that 10 million teleworkers working only two days a week from home, would lead to a saving of nearly 11 million tons of CO<sub>2</sub> and that if 10 million users received their telephone bills on line instead of the traditional paper ones, there would be a saving of around 11,000 tons of CO<sub>2</sub>. The examples are indicative and are intended to give a concrete indication of the potential of Tlc services. They are based on projects, verified by independent third parties, tested on a small scale by members of ETNO as part of the initiative, "Saving the climate @ the speed of light" developed together with the WWF ([www.etno.be/sustainability](http://www.etno.be/sustainability)).

and launched services to respond to the need to reduce environmental impact.

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

Telecom Italia offers MyEnergy to its customers, an energy management service ([www.tigreen.it](http://www.tigreen.it)) based on ICT solutions that allow the optimisation of energy consumption through remote monitoring systems of the equipment, using evolved sensors and applications made available by the Data Centres of Telecom Italia. Specifically, the following are part of the offer:

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

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

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

Telecom Italia coordinates the E-Cube project which researches, develops and implements innovative ICT solutions which allow the efficient management of energy in the domestic and industrial fields. The project will develop smart plugs, smart appliances, optimal algorithms for the management of equipment and other components that may be used for the remote control and monitoring of consumption. Particular attention is being paid to the protection of the consumers' privacy which will use solutions put forward by E-Cube, and to the definition of policies to guarantee their diffusion. In addition to Telecom Italia, which is also coordinating a work group, the project, partly financed by the Tender 2015 – Energy Efficiency of the Ministry for Economic Development, sees the participation of Edison Energia, Electrolux, Energy Team, NERA Economic Consulting, Neohm, Ospedale San Raffaele, RPS-Riello, STMicroelectronics, Telit, the “La Sapienza” University of Rome and the University of Verona.

In 2009, around 2,000 video conferences were staged between the Telecom Italia offices of Rome and Milan, and around 5,700 multi-video conferences and 18,000 audio conference between several company offices. In addition to these, managed centrally, a great number of video and audio conference have taken place continuously among personnel trained in the autonomous use of independent workstations. The use of these systems avoids substantial emissions of carbon dioxide (and other pollutants) connected to the use of means of transport<sup>(10)</sup>.

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

## PRODUCT RESPONSIBILITY

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

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

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

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

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

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

Quality tests are conducted on products to confirm respect for the prerequisites of energy efficiency, environmental impact and safety. For the checks carried out on mobile handsets, see § Electromagnetic and noise emissions.

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

- the body is in PLA bio plastic (biodegradable polylactic acid derived from corn);

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

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

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

In addition, a review has been held of the end-life processes of the home access gateway<sup>(11)</sup> used for the delivery of residential and small business broadband services, from which the requirements have been drawn for Design For Environment (DFE) for future generations of product. Among the improvements identified, the following should be noted:

- the review of the structure of the product's plastic body, with the reduction of the number of parts and the optimisation of the aspects concerning dismantling;
- the use of recycled plastics, when possible, with regard to the physical and mechanical characteristics and their suitability for use by the customer;
- packaging in recycled material with the reduction of unnecessary plastic wrapping;
- reduced bulk and weight of the packaging to minimise impact during the transport phase;
- use of a unified feeder to maximise the pos-

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

sibility for reuse;

- review of the logistics of collecting products at the end of their life cycles and of the process of assessing the possibility of regeneration;
- the identification of technical strategies to increase the energy efficiency of the access gateways: the tests carried out, on the average methods of use at home by the customer and depending on their number, allow an estimated annual energy saving in the order of 100GWh.

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

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

Telecom Italia has, in addition, published a Policy of Green Procurement (see § Suppliers/Main sustainability initiatives).

## TRAINING AND INTERNAL COMMUNICATION

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

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

- Green Procurement
- Waste management
- Soil pollution
- Reduction of the consumption of paper and the replacement of virgin paper with recycled paper

An article was published in the corporate magazine "noi.magazine" covering the development of the Integrated Management System of Safety and the Environment in customer care. In addition, the publication of the "noi.flash" bulletin has continued, dedicated to issues of corporate responsibility.

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

A specific programmes has been created with AzzerCO<sub>2</sub> for numerous events, in particular those of an environmental nature, to reveal the impact and compensation of the respective emissions.

## INFORMATION

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

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

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

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

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

## ENVIRONMENTAL MANAGEMENT SYSTEMS

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

Over the years, the Group has promoted the creation of systems and instruments to ensure the effective management, prevention and continuous reduction of environmental impact in the area of working processes. So far, the Group’s SGA has attained the certification ISO 14001 and, at two call centres in Rome and Naples, the Integrated Safety and Environment System has attained the certification OHSAS 18001.

In 2009, with the issuing of a new ISO 14001 certificate valid for three years, the effective application was confirmed of the environmental management of the Technology and Operations division for plant engineering and industrial and civil technological infrastructures.

The environmental certificates attained or confirmed during the year are given in the Customers chapter.

## AUDIT

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

For information on further controls carried out with the suppliers, see § [Suppliers/Controls](#).



# The role of a major company in the countries in which it operates.

## THE COMMUNITY

### STRATEGY

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

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

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

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

### STAKEHOLDERS

The Community stakeholders are the following:

- civil society; all citizens and those with special

- needs (young people, the elderly, the disabled etc.), their representative associations and non-profit organisations in general;
- the institutions: local bodies (Municipalities, Provinces and Regions) and national and supranational central institutions;
- University and research institutions;
- the traditional media and the social media.

### MACRO AREAS OF INTERVENTION

On Telecom Italia's Internet site, the "Group's guidelines on voluntary contributions to the Community"<sup>(1)</sup> are published, aimed at regulating the multiple ways in which these investments may be carried out.

Two main areas for intervention have been identified:

1. voluntary activities consistent with the Group's core business (connected to the provision of ICT services)<sup>(2)</sup>;

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

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

2. activities aimed at the general development of the Community (principally, the activities of the Telecom Italia Foundation).

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

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

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

### HOW THE MACRO AREAS FOR INTERVENTION ARE IDENTIFIED

Telecom Italia Group has decided to give priority to those activities in which its own know-how and expertise can give added value to the Community.

Notwithstanding this, as a major company, Telecom Italia cannot shirk from supporting important social causes, even if remote from its own business. Indeed, it has always supported initiatives aimed at meeting the needs of society and, for this

reason, in December, 2008, the Telecom Italia Foundation was established.

### HOW THE PROJECTS TO BE IMPLEMENTED ARE IDENTIFIED

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

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

### HOW THE INDIVIDUAL PROJECTS ARE CARRIED OUT

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

1. In the planning phase, the objectives to be reached, the beneficiaries of the project, the timescales of the individual activities, the overall duration of the initiative, the methods of monitoring the project and the budget are identified.
2. The selection of the projects may take place:
  - through public tenders (as in the case with many projects pursued by the Telecom Italia Foundation);
  - by a decision of the company, which takes place downstream of the consultation described above, consistent with the guidelines for voluntary contributions to the Community.
3. The management of the properly selected projects takes place in partnership or within the framework of agreements. Sometimes cash disbursements are made, leaving the

management of the activity to the beneficiary organisation/association.

- The current monitoring system provides ex-post control, customised to the specifics of the individual projects. In tenders put out by the Telecom Italia Foundation, for the selection of projects, one of the prerequisites of entry is the existence of a control system, which in turn constitutes one of the assessment parameters of the projects presented. Indeed, the Committee for Internal Control and Corporate Governance, composed only of independent Board Members, conducts control actions on the sustainability activities in general, and on the projects carried out by the Telecom Italia Foundation, in terms of consistency with the ethical values of the Group.

the guidelines of the London Benchmarking Group (LBG), amounted to 36.5 million euros (36.3 million euros in 2008), which is the equivalent of 1.09% of the Pre-Tax Profits.

The calculation of the contributions was carried out using management data, in part based on estimates. In accordance with the principle of materiality, only those subsidiary companies have been included in the consolidated accounts with revenue greater than 300,000 euros and more than 40 employees, excluding discontinued operations/non-current assets held for sale.

More than 100 major international companies subscribe to the LBG, which was founded in 1994 and represents the gold standard at the global level in the classification of voluntary contributions by companies in favour of the Community.

In line with the LBG model, in order to measure and represent the Group's commitment to the Community, the contributions paid out have been subdivided into three categories (Charity, Investments in the Community, Initiatives for the Community), adopting the usual pyramid diagram:

#### HOW THE CONTRIBUTION TO THE COMMUNITY IS MEASURED

Contributions made by the Telecom Italia Group to the Community during 2009, calculated according to

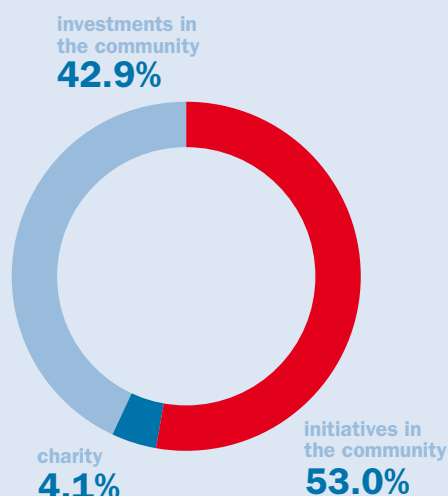
81  
EXTERNAL  
STAKEHOLDERS  
the community

LBG DIAGRAM (MILLION EUROS)



**36.5 million euros**

ALLOCATION BY % OF THE CONTRIBUTIONS TO THE COMMUNITY BY TELECOM ITALIA GROUP



The criteria used to assign the contributions to the various levels of the pyramid now follow.

#### CHARITY

##### Criteria

Intermittent support to a wide range of good causes in response to the needs and appeals of community organisations, increasingly through partnerships between the company, its employees, customers and suppliers.

##### Kind of contributions

Donations to national/international organisations not based on a specific medium/long term programme.  
Sponsorship of causes or events, not part of a marketing strategy.  
Company matching of employee giving and fund-raising,  
Costs of supporting and promoting employee involvement.  
Costs of facilitating giving by customers and suppliers.

#### INVESTMENTS IN THE COMMUNITY

##### Criteria

Long-term strategic involvement of the company to address a limited range of social causes.

##### Kind of contributions

Memberships and subscriptions.  
Grants and donations based on a specific medium/long term programme.

#### INITIATIVES IN THE COMMUNITY

##### Criteria

Activities in the Community usually by commercial departments to support directly the success of the company, including in partnership with humanitarian organisations.

##### Kind of contributions

Sponsorship of events, publications and activities promoting brand or corporate identity.  
Cause Related Marketing, promotional sales.  
Support to scientific and University research and to philanthropic organisations.  
Care for consumers with special needs.  
Civil Protection activities.

## RESPONSES TO THE STAKEHOLDERS

### Initiatives consistent with the core business

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

### The dissemination of ICT in schools

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

### Internet Saloon

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

### Telemouse

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

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

In parallel, Telecom Internet Corners have been set up in 50 Social Centres for the Elderly of the Municipality of Rome: welcoming, homely places when the elderly can put the expertise acquired into practice and, thanks to the experience of the central

granny-tutor figures, introduce their peers to new technologies.

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

### Future Centre

This is a study centre of excellence launched in continuity with the San Salvador Centre for Economic Studies in Venice, founded at the end of the eighties, which has brought together the study of technological evolution with economic issues, and how this influences the operation of the market. The activities of the Future Centres hinge on disseminating education on new telecommunications technologies and the study of the impact and changes that telecommunications are bringing to all aspects of our lives.

### Fund raising

Technology often assists in the collection of funds. Indeed, the ease, immediacy and simplicity of the tools made available by Tlc services have allowed more direct appeals to the generosity of people and made making donations easier. Fund raising has taken on particular importance above all in cases of unexpected, immediate and urgent need in the Community.

For years, Telecom Italia has supported important humanitarian causes, including through innovative ways of making donations. In addition to SMS and telephone solidarity, "Click solidarity" has been available since 2007, a new tool that allows donation via the web, with direct deductions on the Alice ADSL bill.

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

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

In 2009, 99 fund raising events were organised with a total collection of around 27 million euros<sup>(1)</sup>.

<sup>(1)</sup> The amount collected is not directly attributable to the initiatives mentioned due to the time lag between invoicing and payment.

### Safe navigation

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

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

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

### TIM Mobile Care

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

### TIM Mobile Speak

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

As "TIM Talks" was in the past, "TIM Mobile Speak" is also available free of charge, by obtaining

a new, compatible handset at TIM/Telecom Italia's major sales outlets.

### **The Solidarity Ponies**

This initiative was launched in 1997, in collaboration with the Social Policy Departments and several of the largest voluntary associations in six major Italian cities (Milan, Turin, Bologna, Rome, Naples and Palermo). Its objective is to supply free assistance in the home to people over 65. The elderly can call a telephone number to ask for help of various types (assistance, companionship, accompanying etc.). The Municipality operators, connected to an operational centre, pass on calls from the mobiles of volunteers who promptly take action. In addition to supplying the technical tools, Telecom Italia contributes to the initiative by financing the non-profit associations that take part in the project in order to create and run, through the work of volunteers, the social assistance network. In 2009, more than 37,000 interventions were carried out.

### **Smart Inclusion**

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

Inclusion project was a finalist in the 2009 edition of the Sodalitas Social Awards.

### **Telecom Italia Future Lab**

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

From January 13th to 17th, 2010, Telecom Italia Future Lab was also staged in Rome, again as part of the Festival of Science.

### **Social initiatives**

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

### **The Telecom Italia Foundation**

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

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

through innovative ways and means of enjoying and disseminating knowledge.

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

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

The Foundation's projects are monitored on the basis of the specific characteristics and objectives envisaged. The monitoring system is a requirement built into the Foundation's tenders and represents one of the prerequisites for admission of the projects, in addition to an assessment parameter.

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

- **Dyslexia Programme:** this has been organised with the Italian Dyslexia Association as a multifaceted programme of interventions, within the framework of an agreement signed on July 15th, 2009, for three scholastic years.
- **Earthquake in Abruzzo;** the Telecom Italia Foundation made a donation of 200,000 euros to the Civil Protection, and allocated 1 million euros for a project to restore the cultural heritage of the library of L'Aquila, which will be digitised and archived on computer, to be returned within a short term to the citizens.
- **Telecom Italia Foundation Tenders:** in June, 2009, the Telecom Italia Foundation published two tenders on its website ([\[netelecomitalia.it\]\(http://netelecomitalia.it\)\), expiring on September 16th, 2009:](http://www.fondazio-</a></li></ul></div><div data-bbox=)

- The "Work and Social Inclusion" tender, through which six projects to find stable and qualified work for disadvantaged people will be financed.
- Educational and new technologies tenders, through which two projects to disseminate digital technologies in schools, and to stimulate education through the creation and delivery of multimedia and interactive lessons, will be financed.
- **St Francis of Assisi Wood;** is an educational project carried out with the FAI as part of the operations to recover the St Francis of Assisi Wood, with the objective of making children, young people and adults aware of the need to respect and protect the environment and landscape.
- **Theatre on the ward:** in the paediatric wards of certain important Italian hospitals, young patients are entertained with the vision of the theatrical performances of the Teatro Antoniano, thanks to ADSL connections. It is an initiative run in partnership with Antoniano Onlus.

#### Other social initiatives of the Group

- **Dynamo Camp:** Telecom Italia is a founder member of Dynamo Camp, the first camp purpose built to host, at no charge, children suffering from serious and chronic diseases during treatment and in the post-hospitalisation period. Here, in December, Telecom Italia carried out the first initiative of corporate volunteering (for further information, [see § Human Resources/People Caring](#)).
- **Telecom Italia and the fight against ALS:** Amyotrophic Lateral Sclerosis (ALS) is a rare, serious progressive neurodegenerative disease. To contribute to the fight against ALS, Telecom Italia:
  - has donated 40 computers to the association, Viva La Vita Onlus, for the same number of ALS sufferers for whom ICT technologies are a vital factor, representing the only way they can continue to communicate with the world around them;
  - on September 7th, 2009, at the San Siro stadium in Milan, together with the Milan

Foundation, a football match was organised with part of the proceeds going to the Viva La Vita Onlus association, and part to the Stefano Borgonovo Foundation as a contribution to research.

- **Music in schools:** the project, launched in 2003 as a collaboration between the Group's mobile companies in Latin America and the Brazilian government, is designed to promote, through musical education, the social inclusion of young children and adolescents who live in at-risk situations in 13 Brazilian cities. During the music courses, notions of civic responsibility and peaceful co-existence are disseminated. In many cases, the musical knowledge acquired has smoothed the way for participants into the world of work.

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

- **Libera:** again in 2009, Telecom Italia has supported the activities of the Don Luigi Ciotti association, which is engaged with issues of legality and stands against organised crime and the mafia, through the recovery of lands that are confiscated and then assigned to young people's cooperatives for the production of agricultural produce (oil, wine, pasta and other produce). This produce was made up into 9,000 parcels that Telecom sent out as Christmas presents. Telecom has also contributed to creating educational courses on legality in schools and universities, collaborating with national and local business organisations (Confindustria) to fight the phenomena of the mafia. The project has been running since 2000.
- **Earthquake in Abruzzo:** in addition to what is reported under the activities of the Telecom Italia Foundation, the Group has greatly helped, and continues to help, people involved in the earthquake. Among the initiatives carried out so far:
  - the creation, through in-company fund-raising, of a fund of around 250,000 euros (including the contribution of 100,000 euros made available by Telecom Italia) which colleagues affected by the earthquake may use for personal needs;
  - the activation of the 48580 number for do-

nations by SMS from mobile phones and fixed-line calls;

- the donation to the University of L'Aquila of 2,000 USB sticks for connecting to the Internet on the move, with 100 hours a month for four months of free traffic to allow students to continue with their education;
- the delivery to welcome centres selected by the Civil Protection of 150 mobile phones, to be used at no charge as "public telephones";
- the creation of Internet points enabling free Internet navigation;
- free top-ups of 10 euros, sent via SMS to the 340,000 customers in the area of the earthquake of April 6th. A caring campaign was carried out until April 26th, which provided further credit where needed;
- the distribution of 2,200 telephone cards that could be used at mobile Public Telephone booths, located on the instructions of the Civil Protection;
- the activation of TIMinCASA Abruzzo, a service that allows the transfer of fixed-line home numbers to mobile phones, thereby receiving calls to the fixed line number free of charge;
- the donation of 1,000 personal computers to the University of L'Aquila;
- the donation to students of the Casa dello Studente of 26 personal computers, under the guidance of the Presidency of the Republic;
- the distribution of 2,000 TIM mobile phones with 5 euros of traffic at population reception points; tents, hospitals, hotels etc. A further 1,000 handsets (complete with SIM card and 5 euros of traffic) and 10,500 top-ups of 20 euros have been distributed, in coordination with the Ministry of Economic Development and other mobile phone operators;
- construction of modern fibre-optic infrastructure, making telecommunications services and broadband connections available for all the new homes under the C.A.S.E. (Sustainable and Eco-compatible Anti-sismic Complexes) project, with



- the free activation of telephone lines and ADSL connections in the event of removals and new equipment;
- the completion, by the end of 2009, of the ultra-broadband network platform (NGN) for connections up to 100 Megabits a second;
- free transfers and take-overs of usage;
- staggered payment of bills for mobile subscription customers, fixed network customers and commercial partners operating on site;
- the suspension of actions against customers in arrears in Abruzzo, both for fixed network services and for mobile network services;
- the sending of two Telecom Italia mobile homes to the tent cities for on-site assistance for the population.

## TRADITIONAL MEDIA

### Involvement through the press office

The involvement of the media takes place mainly through the press office, through the sending of press releases, the organisation of interviews of the management, interaction with journalists and press staff, the organisation of press conferences and the presentation of products and services. Where provided by the current regulations, the financial markets and their supervisory bodies of those markets are also involved in the communication activities.

In carrying out its activities, the press office follows the Group's specific procedure for the management and communication of information and privileged data, which governs the internal management and external communication of documents and information regarding the Company and defines the operational methods for communicating price sensitive information to the market (the procedure is available on the website, [www.telecomitalia.it](http://www.telecomitalia.it), in the Corporate/Governance/System of Governance/Codes, principles and procedures section).

Communication with the media takes place both on a spontaneous and proactive basis, and in response to the specific requests of journalists. For the press office of the Telecom Italia Group, all the media (press agencies, daily newspapers, periodicals, radio, TV and web) are potential stakeholders.

In addition to telephonic contact, mailing lists are created ad hoc for the different information channels at times of public meetings or presentations of products/services, based on a close analysis of the entire panorama of Italian and international journalism.

The results of the activities of the press office are periodically monitored by a research company. In particular, the visibility of articles mentioning Telecom Italia and its products and services are analysed on a monthly basis, making comparisons against a standard consisting of a medium length article published on an entire page of a title of average diffusion, without pictures and by-line. By giving each article examined a positive or negative value, according to whether it expresses facts and opinions for or against the Company, an Index of the Quality of Visibility (IQV) is arrived at. On the basis of this analysis, Telecom Italia has twice the global visibility of its competitors. Comparing the qualitative data with that for the year 2008, within an overall framework of reference that is deteriorating slightly, Telecom Italia is the only operator which, in 2009, recorded a significant improvement in its IQV (+20%).

### Involvement through the Group's website

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

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

- researchers and scholars interested in finding out more about the Group and its innovations;
- institutional and retail investors, analysts and bondholders, both Italian and international;
- the ethical funds;
- people looking for work;
- journalists.

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

Particular attention is paid to web ranking and classifications which allow comparison with what has been created by competitors. On the basis of these indications, the site is continuously updated, enriched and modified with new content and functionality of ever greater interest to the users.

In 2009, Telecom Italia achieved the following placings:

- second in Italy for the communication of sustainability through the institutional website in the “CSR Online Awards,” in the classification of on line communication of Corporate Social Responsibility, managed by the financial communication company Lundquist, in collaboration with the economic-financial daily, Il Sole 24 Ore;
- third in Europe in the Hallvarsson&Halvarsson (H&H) “Webranking Europe 500”, which gives awards for the best corporate sites of the major listed companies on the basis of the quality, transparency, richness and effectiveness of the on line institutional and financial communication;
- fifth in Italy in the same national H&H classification for communication through institutional websites.

#### **Involvement through the Group's broadcast stations**

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

blogs dedicated to specific programmes.

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

Among the most appreciated programmes are the information services (particularly TG La7).

The editor is responsible for the broadcast content and is therefore the guarantor of respect for the regulations, including independence, press freedom and journalistic expression. Furthermore, the membership of the journalists of a specific, professional body determines their rights and responsibilities.

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

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

In addition, the following campaigns have been conducted:

- **The planet we will become:** the campaign, on

the occasion of the World Environment Day organised by the United Nations, involved the television platforms La7 and Alice Home TV from the end of May to the beginning of June. On the La7.it website, the initiative “Your promise to safeguard the future climate” and an ad hoc publicity campaign were conducted, running to the end of the year.

- **Road Safety Messages:** this is an initiative in collaboration with the Ministry of Education, aimed at the television audience of the Superbike championship and the world of two wheels, with the aim of increasing awareness of proper, responsible driving. The campaign involved all the TI Media Group platforms from April to November 2009, with dedicated television programmes and the publication on the La7.it site of informative articles, clips and competitions aimed at bloggers, which saw the participation of 2,500 people.

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

## SOCIAL MEDIA AND DIGITAL COMMUNICATION

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

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

Telecom Italia has identified the need to launch a true dialogue with its stakeholders, bringing together its traditional and innovative communication channels: the Italian social community, the emerging

subjects of the new Internet (young talent, entrepreneurs, early web adopters, research centres, incubators and financiers, universities, institutions, hi-tech companies), opinion leaders (bloggers and journalists) and private and public subjects who represent the engine of innovation in our country and who can stand for and safeguard the criteria of sustainability, based on the expected development, as well as the traditional stakeholders (customers, suppliers and institutions).

### Objectives and strategies of stakeholder involvement

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

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

### Projects

The projects launched and developed in 2009 are shown below.

- **Working Capital:** backing the ideas put forward to support Italian innovations and entrepreneurial initiatives in the web 2.0 environment, supplying expertise, technologies and services in support of their realisation and helping the growth of a new generation of Italian entrepreneurs. The initiative takes place on the Internet, but also involves a series of meetings (barcamps) with aspiring young entrepreneurs and authoritative guests, which are rolled out across the entire national territory.
- **Venice Session:** conversation platform which involves the stakeholders of innovation on a national and worldwide scale, in order to understand the changeable and complex realities of the present, historic scenario and build the

future narrative. Entrepreneurs and writers, philosophers and scientists, artists and journalists explore the future by interrogating each other on the country's needs; recounting experiences, visions and projects becomes a method of research, capable of bringing together different cultures in a shared journey. Following the conference, held at Telecom Italia's Future Centre in Venice and transmitted by direct streaming and live blogging on the Internet, written reports and video were published on the website and the project blog, and also disseminated on the leading, most visited social networks.

- **Jpeggy:** this is the project that promotes Italian photographic talent and, with the support of Amaci (Association of Italian Contemporary Art Museums) and a group of exceptional curators, it uses the Internet as a tool for bringing together and displaying works of art. Access to the Internet as a platform for distribution and publication has allowed talent to emerge that would not otherwise have been seen. Jpeggy recreates on the Internet the process of visual artistic selection and production, and allows the "long queue" of Italian photographic talent to emerge and become involved in the artistic conversation.
- **Ustation:** this is the 2.0 medium for the universities' web radio and TV, insofar as it acts as a catalyst of the content generated by them. La7 has a television format (already on air) which, in its turn, incorporates the content of Ustation. In this way, the Italian student population has at its disposal an innovative instrument of information which completely revolutionises the generation of formats by introducing a new, reverse pathway: from the Internet to TV.
- **Digital capital:** this is a project for the diffusion of digital culture focused on the city of Rome, with meetings and events that have seen the participation of national and international reporters who summarise the changes underway, bringing together the different environments and cultures that operate in the capital and which already, each through their own projects, demonstrate today the ecosystem of tomorrow.
- **Roma Europa Web Factory:** a web community dedicated to multimedia artists, a creative workshop aimed at drawing in and promoting the

talent of all the internauts who are expressing their creativity on the web.

- **AvoiComunicare ([www.avoicomunicare.it](http://www.avoicomunicare.it)):** this is a project created by Telecom Italia to encourage an open discussion on issues of great importance: environment, sustainable development, biodiversity, possible equilibriums between different worlds and cultures, integration, building peace through familiarity and reciprocal listening.  
The blog, launched in September, 2008, began by dealing with the issues of integration between different cultures and ethnic confrontation, with the support of outstanding testimonials (such as Mikail Gorbachev, Joaquín Navarro-Valls, Tara Gandhi, Tahar Ben Jelloun and Bob Geldof). Since the early months of 2009, AvoiComunicare has been focusing on the issue closest to the heart of the community: the environment and sustainability in the fullest sense, decisive factors in safeguarding the future of the planet. The issue was chosen by the users themselves in an on line survey. In November, the World Conference of Science for Peace was featured on the pages of avoicomunicare with a variety of activities, including direct on line streaming and video interviews. In December, the return to focusing on the environment arose spontaneously thanks to the UN summit in Copenhagen, and a blogger was sent to Copenhagen to cover the agenda and carry out ad hoc video interviews. AvoiComunicare interviewed experts and witnesses – including Jeremy Rifkin, Giovanni Soldini, Stephen Schneider, Carlo Petrini, Antonino Zichichi, Bjørn Lomborg, Colin Campbell and Mario Tozzi – on topics such as pollution, the climate and renewable energy, but also talked to ordinary people involved in safeguarding the environment and in research into new solutions; it also hosted many bloggers who deal with environmental issues on their sites.  
In November, AvoiComunicare was awarded the "Areté" prize for responsible communication in the Internet category, promoted by Pentapolis, an association for the diffusion of Corporate Social Responsibility.

## Results

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

Active networks and communities involved in the Social Media have been created with more than 10,000 direct connections and over 200 interactions every day. Direct streaming media have attracted 2,000 hits, with a peak of 3,600 for the Venice Sessions IV event. More than 18,000 pictures from over 1,500 photographers have been posted on the Jpeggy platform.

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

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

## RESEARCH AND DEVELOPMENT

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

TILab is the Technology and Operations Department's structure for overseeing the Group's technological innovation, scouting out new technologies and carrying out the engineering operations for the services and network platforms, through a network of strategic partnerships with the main producers of telecommunications equipment and systems, and with research centres of excellence at the most highly qualified national and international academic institutions. In 2009, three new collaborative projects were begun with the same number of

universities (in addition to the 30 already underway since the beginning of 2009), covering research into new technologies, encryption algorithms, service concepts and new paradigms of communication.

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

- The main activities carried out by TILab are:
  - the creation of services in the iPhone environment, in particular, access to information and multimedia content in the area of value added services (VAS). As part of this, version 2.0 of the Virgilio portal was successfully launched, enriched with maps and local content;
  - the start of experimentation with innovative fibre cabling solutions inside buildings (Fibre to the Home – FTTH). Its outstanding characteristic is that it can be used without having any impact on the existing infrastructure;
  - the start of engineering and deployment operations on 200 exchanges of the Kaleidos system for energy efficiency (see § [The Environment/Environmental performance](#)). Installations have been created to test the results of energy efficiency measures at business customers;
  - an innovative air condition system was devised and tested in TILab's test plants for the central environments called Extraction and Full Free Cooling (EFFC). This solution is able to refresh the environment with an energy saving greater than 80% compared to traditional systems, without the use of synthetic fluids banned by the Kyoto protocol. Given the positive results of the tests, the technique has been extended to around 400 operational centres;
  - the launch, in partnership with the Miroglio Group, of the first initiative at national level of SIM-based fidelity card, employing Near Field Communication (NFC) proximity technology, which enables the use of the phone owner's SIM as a Fidelity Card (see § [Customers/Innovative Services](#));
  - the development, in collaboration with Nokia

Siemens Networks, of the first “intelligent” antennas, capable of improving the performance of High Speed Packet Access (HSPA) technology. This equipment makes it possible to optimise the mobile radio base stations, improving the quality of the service offered to customers and, at the same time, guaranteeing lower energy consumption and a reduction of electromagnetic fields;

- experiments in the field of LTE (Long Term Evolution) technology, natural evolution in accordance with the 3GPP standard of the HSPA technology currently in use. The test, the first in Italy and one of the first in the world with pre-commercial network equipment, was originally carried out in the laboratory (at the TILab test plant in Turin) and subsequently in an area in the centre of Turin;
- the release into operation of the converging contact centre platform for business customers (IPCC);
- the completion of the adjustments of the mobile network to enable the retracing of attempted calls (Frattini decree);
- the release into operation of the advertising platform on the WAP and MMS services.

In addition, in 2009, TILab made a decisive contribution to the success of two Group initiatives of great social importance:

- the activation, at four paediatric hospitals in Italy, of Smart Inclusion, a remote teaching solution aimed at child patients ([see § Responses to the stakeholders](#));
- the activation in Rio de Janeiro of the first pilot project of Telemedicine, bringing remote health

care to the city's most disadvantaged people ([see § Customers/Digital Divide](#)).

The research and development activities carried out by the Operational and Business Units of Telecom Italia, carried out internally or outsourced, have been directed towards the creation of:

- software products dedicated to the management of new commercial offers and new services for customers (Business Support Systems), to the proper functioning of network support systems (Operational Support Systems), and to Security;
- testing and specific checks for tenders and new network architecture;
- new hardware infrastructure in support of the applications.

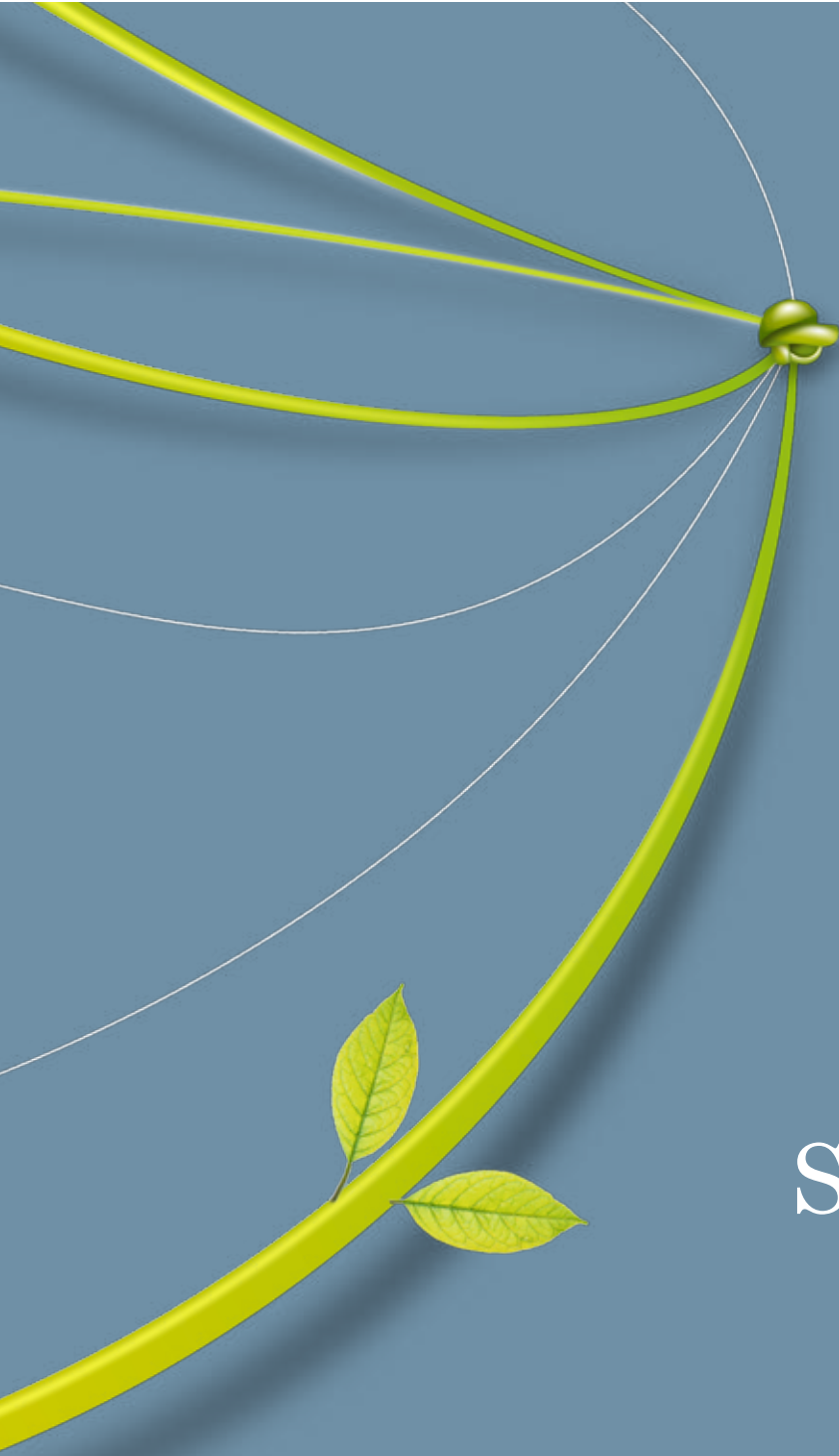
The main activities have been:

- the development of a new platform, “CRM Business”, for the commercial management of the SOHO, SME, Enterprise and Top customers;
- the development of a new platform, “single, convergent billing” for the administration of the invoicing of fixed/mobile services for the consumer customer;
- the evolution of the digital platforms in support of the business departments for the implementation of new services for the Consumer, Business & Top customers;
- the evolution of the hardware infrastructure in accordance with the principles of virtualisation (Next Generation Data Centre) and the provision of the technologies in order to develop the commercial offers in the ICT market (for example, [Ospit@Virtuale](#)).









# Internal Stakeholders

# People create the success of the business.

## HUMAN RESOURCES

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### INTERNAL STAKEHOLDERS

human resources

#### STRATEGY

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

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

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

#### STAKEHOLDERS

The relevant stakeholders are the employees and trades unions.

#### HEADCOUNT AND CHANGES

##### Telecom Italia Group

The headcount of personnel at December 31st,

2009, was divided as follows:

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

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

The changes can be itemized as follows:

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

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

(UNITS)	RECRUITED	DEPARTED	NET CHANGE
Domestic	630	3,082	(2,452)
Brazil	2,024	3,109	(1,085)
Olivetti, Media and Other activities	255	403	(148)
Turn over	2,909	6,594	(3,685)

### Telecom Italia S.p.A.

(UNITS)	DEC. 31 2009	DEC. 31 2008	NET CHANGE
Personnel on payroll	54,236	56,650	(2,414)
Leased personnel	-	635	(635)
<b>Total</b>	<b>54,236</b>	<b>57,285</b>	<b>(3,049)</b>

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

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

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

(UNITS)	RECRUITED	DEPARTED	NET CHANGE
Turnover Telecom Italia S.p.A.	384	2,859	(2,475)

### Tim Brasil Group

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

(UNITS)	DEC. 31 2009	DEC. 31 2008	CHANGES
Total Tim Brasil Group	<b>9,783</b>	10,285	(502)

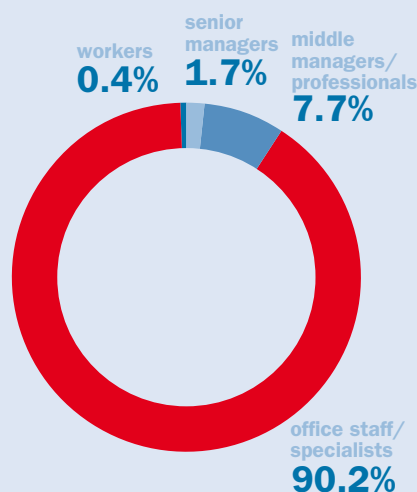
Compared to December 31st, 2008, an overall reduction of 502 units was recorded, due to:

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

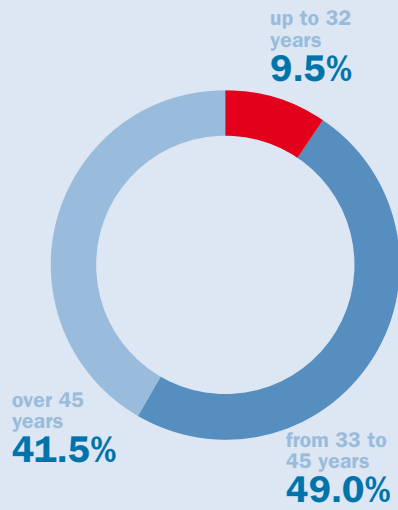
(UNITS)	RECRUITED	DEPARTED	NET CHANGE
Turnover Tim Brasil Group	2,024	3,109	(1,085)

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

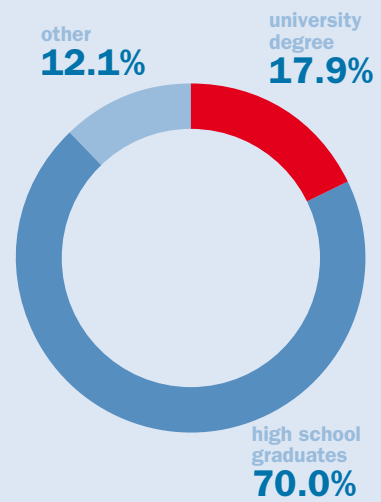
### TELECOM ITALIA GROUP – ITALY: EMPLOYEE BREAKDOWN BY PROFESSIONAL CATEGORY



**TELECOM ITALIA GROUP – ITALY:  
EMPLOYEE BREAKDOWN  
BY AGE GROUP**



**TELECOM ITALIA GROUP – ITALY:  
EMPLOYEE BREAKDOWN  
BY LEVEL OF EDUCATION**



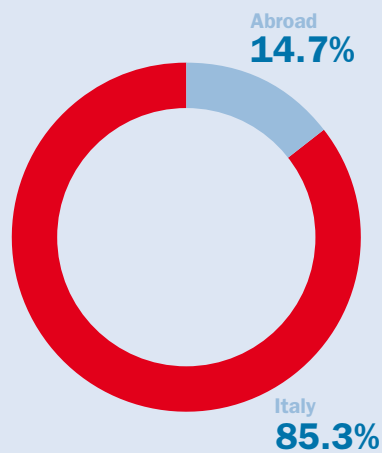
INTERNAL  
STAKEHOLDERS

human resources

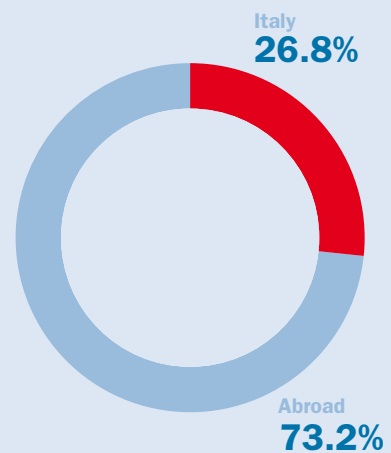
The distribution of personnel by geographic area, and the recruitment carried out by the Group, excluding

leased personnel and personnel concerned in "Non-current assets held for sale," are shown below:

**TELECOM ITALIA GROUP:  
EMPLOYEE BREAKDOWN  
BY GEOGRAPHIC AREA**

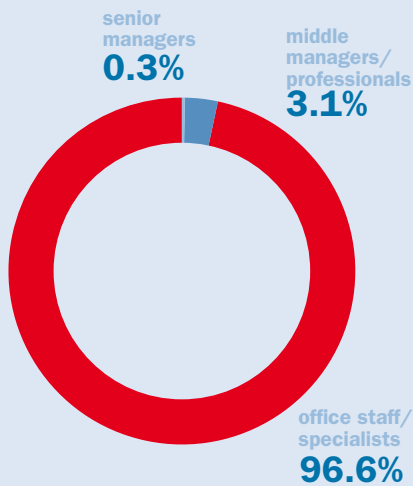


**TELECOM ITALIA GROUP:  
RECRUITMENT BREAKDOWN  
BY GEOGRAPHIC AREA**

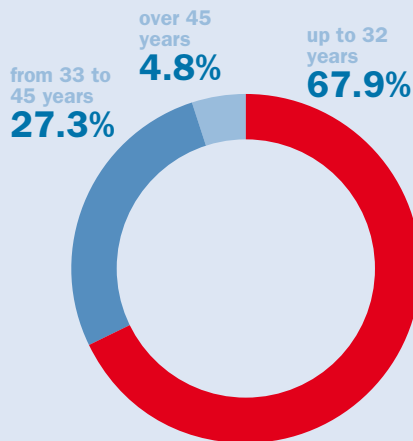


The number of personnel operating in Tim Brasil Group is equal to 14% of the Group total and can be broken down as follows:

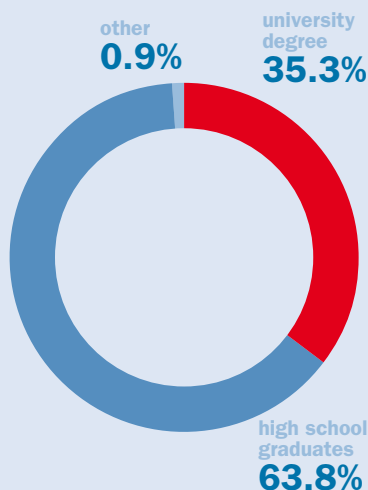
**TIM BRASIL GROUP: EMPLOYEE BREAKDOWN BY PROFESSIONAL CATEGORY**



**TIM BRASIL GROUP: EMPLOYEE BREAKDOWN BY AGE GROUP**



**TIM BRASIL GROUP: EMPLOYEE BREAKDOWN BY LEVEL OF EDUCATION**



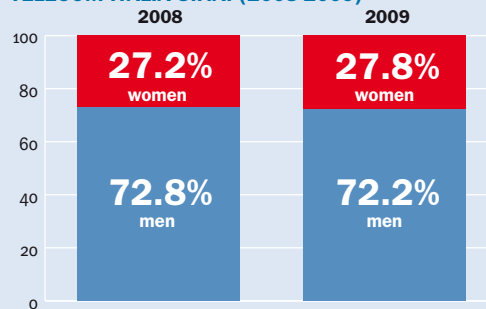
**GENDER BALANCE**

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

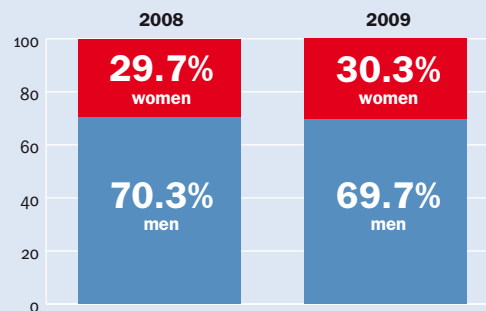
In 2009, the percentage of women holding senior management positions in Tim Brasil was approximately 19% and, in middle management, the proportion of the total was 27%.

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

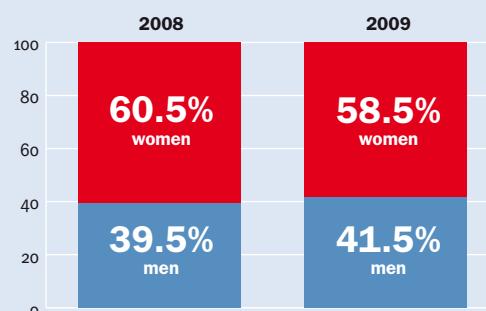
**DISTRIBUTION OF MEN AND WOMEN TELECOM ITALIA S.P.A. (2008-2009)**



**DISTRIBUTION OF MEN AND WOMEN TELECOM ITALIA GROUP (IN ITALY) (2008-2009)**



**DISTRIBUTION OF MEN AND WOMEN TIM BRASIL GROUP (2008-2009)**



## PEOPLE CARING

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

### ACTIONS IN SUPPORT OF EMPLOYEES – ITALY

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

The issues identified are as follows:

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

#### The work-life balance of employees

- Reconciling work and family life is not an easy task: however, the company can make an effective contribution. Telecom Italia was awarded the “Family-Work 2009 Prize”, devised and promoted by the Lombardy Region in collaboration with ALTIS (Alta Scuola Impresa e Società, Catholic University) for creating the best integrated system for reconciling the family-work balance in support of its employees and their families. The initiative, now in its second edition, rewards businesses and public administrations whose planning and implementation of projects reconciling family and work life are outstanding.
- Pink Parking: for pregnant employees, throughout the working period until the beginning of maternity leave, a car parking space is reserved in all the offices with company parking lots.
- Nurseries: in addition to the nine company nurseries at the offices in Rome (3), Turin, Milan, Ancona, Naples, Catanzaro and Palermo,

two agreements have been reached with the same number of outside nurseries (Rome and Naples).

- Loans for mums and dads: 259 loans have been granted to new parents of children up to three years old.
- Christmas day: visits to parents' offices for children up to 10 years, around the Christmas period, and tea parties in 120 offices, with the distribution of little gifts.
- Parents' Days Off: booklets of time vouchers for 150 hours' off annually, to be repaid through overtime, for employees up to level 5 of the collective agreement with children up to 8 years of age.
- Time off to attend pre-natal classes: time off, up to a maximum of 12 hours a month, to be recuperated, for working mothers- and fathers-to-be.
- Intervention to ease the reentry in the company of employees following maternity leave: the development of management policies such as, for example, the option to work part time for a year, renewable, for mothers of children up to 8 years of age.
- Time saving: Agency Services: within 31 company premises (Turin, Milan, Venice, Padua, Bologna, Florence, Rome, Naples, Bari and Palermo), another three counters have been opened for dealing with various practicalities (administration, post etc.).
- Wellbeing Areas; in the company offices in Milan, Padua, Rome and Palermo, there are areas where it is possible to follow courses in physical wellbeing.
- Laundry/shoe repairs: this service is operational in 4 premises (Milan and Rome).
- Newspaper kiosks: open in two offices in Rome.
- Special deals: on line offers of products and services arising out of Telecom Italia's partnership agreements, mostly within Italy (cars and motorbikes, entertainment and shows, electronic goods, sports goods, offers from financial institutions, health and wellbeing, trips and holidays, miscellaneous).
- Company loans: 555 loans have been granted, of which 67 were for buying/building homes and 86 to finance renovation works on homes.

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

- Traditional summer camp: a 15-day stay for children aged between 6 and 12 years old. 4,559 participants.
- Themed summer camp: a 14-day stay for children between 11 and 17 years old, dedicated to the study of English or Spanish, and sporting activities (football, tennis, sailing, horse-riding, volley ball, basket ball, canoeing etc.). 1,651 participants.
- Study visit to England: a 14-day stay at colleges in three locations. 228 participants between 14 and 17 years old.
- Foreign study bursaries: 80 four-week visits abroad, dedicated to the study of the English language, for young people between 15-17 years old (41 in Ireland, 31 in Finland and 8 in Spain); 20 study trips for an academic year for young people between 15-17 years old (Europe, United States and Canada).
- Reimbursement of fees for the first year of University for children of employees of Group companies who achieved a score of 90/100 in their school-leaving diploma.

### **Support for voluntary service initiatives**

- In December, 2009, a number of employees of the Group chose to spend a week at the Dynamo Camp, of which Telecom Italia is a founder member, thanks to repayable time off from the company. It is the first camp that was purpose-built to host, at no charge, children suffering from serious and chronic diseases during treatment and in the post-hospitalisation period. At the camp, children give great support to each other and build up their self confidence, which sustains them during the course of the treatment and on their return home. The volunteers had the task of welcoming the guests (children, young people or families), accompanying and supporting them in their every need and necessity, ensuring the camp was an entertaining and stimulating environment, but also a safe and physically protected one.
- The “noi.perloro” Community, launched on the Intranet in 2007, brings together solidarity initiatives carried out by employees of the Group, offering a place where these initiatives

can be given visibility in order to increase the possibility of networking. Currently, 109 associations and non-profit organisations participate in the Community. In 2009, five charity initiatives were organised in the cities of Rome and Naples, while “Solidarity Banquets” were arranged during the Christmas festivities (from Monday, December 14th, to Friday, December 18th) in Telecom offices in Turin, Milan, Rome, Naples and Palermo, involving 17 associations.

### **Diversity Management activities and projects**

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

### **ALATEL and the Gold Pins**

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

### **ASSILT**

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

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

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

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

#### **ASSIDA**

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

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

#### **CRALT**

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

- tourism (group and individual trips) with an average saving of 15%, compared to market prices;
- sports (participation at national and regional meetings of the main sports);
- cultural and recreational events (guided tours, painting courses, theatre and cinema evenings);

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

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

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

## **ACTIONS IN SUPPORT OF EMPLOYEES – BRAZIL**

### **The work-life balance of employees**

In 2009, Tim Brasil supported various initiatives, including:

- “TIM opens the doors”: allows children to get to know their parents' working environment during Brazil's Children's Day; recreational activities were staged for the occasion, open to all employees' children aged between 3 and 12 years.
- “Happy Day”: on their birthdays, employees have the right to a day off and to receive a birthday card signed by all their work colleagues.
- Gymnastics and ergonomics: in the company offices in Rio de Janeiro, Belo Horizonte, São Paulo, Curitiba, Recife, Santo André, Brasília, Salvador, Florianópolis, Porto Alegre and Belém, gymnastic sessions are held in the workplace, in order to encourage correct posture and the proper use of work tools. In the regional offices in Rio de Janeiro, Belo Horizonte, São Paulo and Curitiba, it is possible to follow courses in physical well-being and relaxation, such as Shiatsu and Yoga, either in a gym or a dedicated area.
- Special Deals: national and/or regional agreements for the purchase/use of goods and services under advantageous conditions, for car and motorbike insurance, cultural and entertainment services, restaurants, health and well-being and the practice of sport. In 2009, agreements were entered into with Universities for language courses and other types of instruction.

### **Private health assistance in Brazil**

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

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



### Supplementary social security in Brazil

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

## DEVELOPMENT

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

### Assessment of performance

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

Interventions have been provided aimed at:

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

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

out in the first months of 2010.

The new developments are designed to:

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

The Performance Assessment in Tim Brasil involved 96.5% of the collaborators<sup>(1)</sup>. This year, competence in “focus on the customer” was included as an obligatory assessment for all collaborators. The feedback was also regarded as an obligatory stage in concluding the assessment process. The individual development plan, which follows the assessment process, has, for the first time, been made available on line.

### Assessment of Potential and Succession Schemes

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

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

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

### “The professions of the future” project

In 2009, a project was carried out, using the methodology of the Delphi provision, to identify the “Professions of the Future” in the technological and commercial sectors, through the involvement of a panel of 40 internal professionals, to assess the

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

implications that the development of the ICT market may have on the professional system.

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

#### **Development project for the Marketing department**

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

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

### **RECRUITMENT**

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

The year 2009 was packed with new projects aimed at creating training courses for the young. In particular, among the new initiatives undertaken, the "School-Business Network" project stands out. Planned together with the Elis Centre and aimed at students in the fourth and fifth classes of the Higher Technical Institutions, the project provides an educational course on Tlc subjects, co-designed with the lecturers of the technical institutions and colleges directly involved in the subject, the so-called "masters of the profession." In the second semester of 2009, the first edition was successfully completed, involving 323 students, 11 institutions and 9 colleges of the territorial Open Access structures. In parallel, the second edition was launched, redoubling the training challenge with the broadening of the

network to another 11 technical institutions, making a total of 22 schools across the entire country (7 in the north and 15 in the centre-south), more than 600 students and 22 "Masters of the profession."

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

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

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

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

- "Nosso Aprendiz": promotes the training of young people aged between 16 and 24 for work in the call centres or in customer reception in company outlets. A course of administrative training has been launched for juveniles to prepare them to enter the world of work. The programme, begun in 2008, enrolled 158 participants in 2009.
- "Talentos sem fronteiras": launched in 2009,

with the objective of researching the market of new graduates, in order to create a pipeline of talent to be trained and developed to build the company management of the future.

- “Estágio Sem Fronteiras”: on-the-job training offers young university students an opportunity for development and preparation for the jobs market, thanks to the training and real professional experience aimed at increasing the professionalism of the young trainees. In addition, all the trainees were invited to take part in the “Concurso sem Fronteiras” programme, whose objective is to propose a project that could contribute to the improvement of Tim Brasil. In 2009, furthermore, a new programme was set up aimed at the selection of talented trainees with the objective of increasing their chances of being hired by the company and their possible entry to the project “Talentos sem fronteiras.”

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

## TRAINING

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

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

### Cross-Group projects

The 2009 training plan had three priorities:

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

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

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

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

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

In order to make the company processes ever more efficient, in line with the actions laid down by the Industrial Plan, a training plan has been carried out to

ORGANISATIONAL FIELDS	TOTAL BY TRAINING TYPE						
	Type of Training	hours totals (no.)	hours per head (no.)	Costs totals (euros)	Costs per head (euros)	Participation <sup>(*)</sup> (no.)	Participants (no.)
<b>Specialist training</b>	<b>1,650,721</b>	<b>27.7</b>	<b>12,242,604</b>	<b>206</b>	<b>270,720</b>	<b>42,909</b>	<b>72.1</b>
Senior Managers	4,162	4.1	229,962	225	404	262	25.7
Middle Managers	30,753	7.1	1,800,681	413	3,229	1,800	41.3
Office Staff/Workers	1,615,805	29.8	10,211,961	189	267,087	40,847	75.4
<b>Management training</b>	<b>94,430</b>	<b>1.6</b>	<b>6,893,905</b>	<b>116</b>	<b>6,593</b>	<b>4,930</b>	<b>8.3</b>
Senior Managers	10,741	10.5	1,725,185	1,691	850	405	39.7
Middle Managers	17,390	4.0	1,694,627	389	1,295	857	19.7
Office Staff/Workers	66,299	1.2	3,474,094	64	4,448	3,668	6.8
<b>Institutional training</b>	<b>13,832</b>	<b>0.2</b>	<b>116,606</b>	<b>2</b>	<b>4,633</b>	<b>4,370</b>	<b>7.3</b>
Senior Managers	723	0.7	2,178	2	152	132	12.9
Middle Managers	3,501	0.8	99,690	23	589	513	11.8
Office Staff/Workers	9,608	0.2	14,738	0	3,892	3,725	6.9
<b>Training for newly-hired employees</b>	<b>49,176</b>	<b>0.8</b>	<b>97,210</b>	<b>2</b>	<b>1,650</b>	<b>682</b>	<b>1.1</b>
Senior Managers	0	0.0	0	0	0	0	0.0
Middle Managers	144	0.0	0	0	7	7	0.2
Office Staff/Workers	49,032	0.9	97,210	2	1,643	675	1.2
<b>Language training</b>	<b>18,132</b>	<b>0.3</b>	<b>539,138</b>	<b>9</b>	<b>703</b>	<b>650</b>	<b>1.1</b>
Senior Managers	3,858	3.8	170,991	168	104	90	8.8
Middle Managers	4,336	1.0	112,531	26	193	156	3.6
Office Staff/Workers	9,938	0.2	255,616	5	406	404	0.7
<b>TOTAL</b>	<b>1,826,290</b>	<b>30.7</b>	<b>19,889,464</b>	<b>334</b>	<b>284,299</b>	<b>47,669</b>	<b>80.1</b>
Senior Managers	19,484	19.1	2,128,316	2,087	1,510	603	59.1
Middle Managers	56,124	12.9	3,707,529	851	5,313	2,425	55.7
Office Staff/Workers	1,750,682	32.3	14,053,618	259	277,476	44,641	82.4

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

increase the awareness and implementation of the Lean Six Sigma (LSS) and Knowledge Management methodologies, which involved management and some of the professionals in the Human Resources area. In addition, courses in LSS certification have been set up, aimed both at Human Resources and the operational departments.

### **Training to ensure business and technological effectiveness**

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

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

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

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

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

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

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

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

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

### **LISTENING ACTIVITIES AND PROJECTS**

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

In Telecom Italia and Tim 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.

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

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

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

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

July, 20 “lighthouses” were involved in two focus groups on the company identity and, in the same month, two experiments were conducted. To encourage listening, the experiments provided a dedicated blog, with the application of a questionnaire, and three evaluation focus groups.

One focus group was conducted with a number of employees to test the new questionnaire in order to find out about the atmosphere within the company, which will be sent to the whole Group in January, 2010. The questionnaire, which has been redrawn in its language and structure, is intended to stimulate reflection and participation by employees. New questions were introduced in order to find out about and value the internal interactions of the company, the value of the relations and the exchange of knowledge within the professional communities.

#### **Reports to the manager responsible for the internal control in Telecom Italia**

In line with the principles contained in the Code of Ethics, the “Whistleblowing procedure” has been issued for all the companies of the Group, published on the Intranet. This procedure, administered by the manager responsible for the internal control in Telecom Italia, ensures the reception, analysis and handling of reports on matters concerning the internal control system, company information, fraud and other matters (violations of the Code of Ethics, mobbing practices, theft, security etc.). The reports, forwarded in whatever way (paper, electronic, fax etc.), may be made by employees (including the Top Management), collaborators, consultants, providers of work, as well as third parties with business relations with the Group. Each report is subject to analysis; the outcomes of the proceedings are conveyed to the top management of the company, to the statutory control bodies and to the company departments concerned, with the complete guarantee of privacy for the person who made the report.

As regards the regulations of reports to the Supervisory Body and the Board of Auditors, [see § Shareholders /Corporate Governance](#).

#### **INTERNAL COMMUNICATION**

In 2009, internal communication continued the process of greater encouragement and listening to

employees in order to bring the company and the personnel closer together.

The internal communication events of 2009 were conducted with the intention of involving the greatest possible number of employees and making them the driving force behind the choices connected to the business and the growth of customer satisfaction. A limited number of people took place live, while the majority watched the video streaming from their workstations and took part in the discussion with managers via blogs and the virtual networks. The on line method also allows the impact of the Group on the environment to be minimised in terms of greenhouse gas emissions. In any event, the emissions of CO<sub>2</sub> generated were compensated for all the events.

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

### Scenarios

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

### Information and company media

- Intranet: around 480 news items were published and the homepage was renewed, with the reorganisation of the contents to facilitate its use and encourage navigation to the channels on specific issues. Special information leaflets on the earthquake in Abruzzo were produced with the participation of colleagues in the areas affected, on behalf of whom a fundraising campaign was conducted on the web;
- noi.flash: four issues of the newsletter dedicated to sustainability were published, on the analysis of the atmosphere 'Group Photo 2008', the training project 'Expressing Quality' and on the training on the Organisational

Model 231;

- internal communication newsletter: this is sent regularly via email to all employees and summarises the most important news published on the company Intranet;
- noi.tv: 88 editions of the bi-weekly news programme, "Videonews" were produced, with 60 monographic type services and 186 videos, plus selections of articles from the press;
- DVD Network Nuggets and Innovation Nuggets: retakes of the specials shown on noi.tv for information purposes. They are produced to spread awareness of the technical and innovative aspects of Telecom Italia to staff personnel;
- the Visual Q project: commercial artwork at the territorial, central and management offices in order to develop communication on the issues of Customer Satisfaction and Customer Promise, and to emotionally involve the personnel and diffuse the culture of quality. The dissemination of the messages is initially aimed at Open Access colleagues, putting the accent on operational and behavioural aspects in line with the training project, "Expressing Quality";
- 2010 diary: implemented with the contribution of Telecom Italia's historic archive and with photographs produced by a number of photographer colleagues, it traces a photographic journey through the story of the Telecom Italia company from the twenties to the present day.

### Integration activities and projects

- The Intranet community has recorded an increase in participation by employees of 5% in each section in which it operates. The average monthly participation of the employees in the community and blogs stands at 150,000 hits, with an average of 6,000 hits a day. The Community is intended to allow colleagues to share their experiences, needs and opinions on various issues. In the various sections into which the community is broken down – company events, buying and selling, photography, blogs, music, films, exhibitions and plays, travel stories, PC help, books, cooking recipes, noi.perlo – it is possible to find ideas, advice, solutions, taking part and making contributions

for the benefit of colleagues. The noi.perloro section contains an interactive area dedicated to voluntary work and solidarity projects (for further information, see § “People Caring”).

- Various issue-based blogs have been set up for sharing the suggestions and ideas of employees on social issues (dyslexia), experimentation (“TIM Net,” “The Lighthouse”), Quality (“Expressing Quality”), research (“New generation Tic network”, “Research and Trends”), interest in photography (“Emotional Zoom”). Regarding the latter, 13 colleagues were involved in the project on the new company magazine and the diary, becoming for all intents and purposes suppliers of images for all the reportage.
- Convention involving certain company departments (Business Market, Purchasing, Administration, Finance and Control, Corporate and Legal Affairs, External Relations, National Wholesale Services), with the aim of promoting team work and sharing results and objectives. In certain cases, the multimedia convention model has been successfully used with the participation, via web streaming, of many colleagues following the event from their own workstation, with the opportunity to intervene in the discussion and ask questions.

In Tim Brasil, internal communication has mostly been carried out through the company Intranet, “TIM Mobile” (notice board), email and certain specific initiatives.

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

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

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

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

- “Mentes sem fronteiras”: repositioning of the

TIM brand on the Brazilian market, also disseminated to employees through all the internal vehicles of communication;

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

## HEALTH AND SAFETY

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

### **Up-dating the company's Risk Evaluation Document.**

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

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

To ensure the swift adaptation of the document to incorporate any technological and organisational changes, the document is in electronic format and available on the Intranet. This permits all informa-



tion, documents, procedures and measures linked to the issue of health and safety of workers to be connected to the Risk Evaluation Document.

### **Safety rules and procedures**

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

### **“Wellbeing in the call centres” project**

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

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

- the reconciliation of the work-life balance impacts on psychological and physical disorders. In this way, the operator can be supported in reaching and maintaining a better work-life balance, both through an adequate and more functional organisation of the working hours and shifts, and through organisational initiatives aimed at meeting the needs of the family;
- technological and digital supports, including instruments to handle the emotional relationship with the customer, are resources that can facilitate and sustain work;
- the quality of the physical environment of work, in line with the ergonomic measures, favours

psychological and physical wellbeing;

- the appreciation of the personnel, through the recognition of expertise and work experience, equality of treatment, and the transparency of the organisational decisions, represent important points of attention to promote greater wellbeing at work.

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

### **Training and awareness of the workers**

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

### **Safety in contract works**

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

### **Accidents at Telecom Italia**

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

	2009	2008	2007
Number of accidents	<b>1,079</b>	932	969
Severity index <sup>(*)</sup>	<b>0.42</b>	0.45	0.24
Frequency rate <sup>(*)</sup>	<b>11.28</b>	9.77	10.28
Average duration in hours	<b>127.73</b>	127.31	136.01
Rate of unproductiveness <sup>(*)</sup>	<b>1.44</b>	1.24	1.40
Accidents per 100 workers	<b>1.97</b>	1.63	1.62

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

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

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

In particular, we draw your attention to:

- the annual program of training and instruction for the routine and general maintenance of the Tlc plants which require attention at a high altitude (telegraph poles, ladders and pylons). These programs have made possible a reduction of work related accidents in this area equal to 1.6%;
- The Project "Drive Safely", in its third year of activity, has allowed the attainment of a notable reduction in the accident index related to road accidents whilst in service. In fact, only in the last year, the reduction has been equal to 7.26%, whilst in the last three years it has been reduced by some 40%.

The training program has included, via a video course, the entire workforce of Telecom Italia and through a pluriannual program, the technical personnel who use a company vehicle intensively in everyday activities (in 2009 this was 613 technicians).

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

For 2010, specific targets for reduction have been provided ([see Introduction/2010 Objectives](#))

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

- updating the company document of Risk Evaluation and drawing up specific documents on issues of the environment, health and safety in work places;
- the carrying out, in the field of the supervision of health and medicine at work, of 7,300 medical examinations;
- the carrying out of controls and monitoring on buildings, plants, equipment and processes, including 119 micro-climatic and noise measures in the call centres and company shops;
- the carrying out of 8 evacuation rehearsals to check the efficiency of the Emergency Management Plans.

## INDUSTRIAL RELATIONS

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

- the adjustment of minimum salaries on the basis of the IPCA;
- the updating of all the institutions regarding the labour market, incorporating the latest legislative amendments;
- the institution of a form of supplementary health assistance for all workers of the sector;
- the increase in leave days for student-workers;
- the establishment of a bilateral agency for sector training which will arrange the provision of a catalogue of courses on the subjects of the environment and safety at work, a responsibility under the law 231/2001, regulations on matters of privacy, basic computing and basic language training, work relations, CCNL and social security.

In addition, the Contract has introduced a new and more multifaceted system of relations between companies and unions, according to European Commu-

nity guidelines. Indeed, the Observatory on Remote Control and the National Forum, the leading centres of analysis, verification and discussion between the parties on the issues of financially dynamic, technological development in the sector, the evolution of legislative activities, relations with consumer associations, social corporate responsibility, the labour market, equal opportunities and safety at work. The new system of industrial relations will further encourage the dialogue between Telecom Italia and Trade Union Organisations.

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

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

definition of the position on matters of training and information for workers and the RLS.

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

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

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

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

On January 22nd, an understanding was reached with

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

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

As regards the industrial relations activities conducted by TI Media:

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

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

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

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

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

Finally, wages will be increased by 4.17% from January, 2010.

## REMUNERATION POLICY

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

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

The management of the fixed components is inspired by criteria of ever greater selectivity in the pool of resources concerned, consistent with the instructions contained in the Industrial Plan, 2009-2011. The variable component in remuneration has been established as a distinctive element, with ever closer

correlation between the remunerative package and the performance and revenue of the company.

The MBO (Management By Objectives) 2009 system, the sole instrument of formal, short term incentives, aimed at the management and particularly valuable employees, has confirmed, in continuity with 2008, the importance of the company and departmental macro-economic objectives.

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

STAKEHOLDER OF REFERENCE	TARGETS SUBJECT TO INCENTIVES
Customers	Customer Satisfaction Quality of the service delivered Perceived quality of the service
Human Resources	Health and safety of employees Programmes of training and professional growth Welfare activities (People Caring) and the wellbeing of employee
The Environment	Consumption of materials, energy and water
Shareholders and Institutions	Quality and speed of company information delivery
The Community	Organisation of cultural exhibitions Quality of initiatives/projects for the Community

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

cars producing less CO2 emissions).

Tim Brasil guarantees that the remuneration of its employees is in line with the internal levels of seniority in the company and market standards. The salary policy includes fixed and variable remuneration connected to the company results.

In addition to the MBO programme and the incentive programme for the sales force, Tim Brasil has adopted the "Participação nos Lucros e Resultados" (PLR), under which a part of the company's profits is redistributed among employees, as required under a federal law. These programmes have proved to be useful instruments in improving the quality of the service and productivity.

### Stock options

The instrument of stock options has been used within the Telecom Group in order to retain and offer long term incentives to members of management.

### Telecom Italia

In the course of 2009, the deadline passed for exercising options relative to:

- the second lot of the 2002 stock option Plan;
- the second lot of the 2002 stock option Top Plan;
- the second lot of the 2003-2005 stock option Plan (ex TIM).

In addition, the exercising of options of existing Plans was suspended at the Shareholders' Meeting from March 23rd, 2009 to April 17th, 2009, in accordance with the relevant Regulations.

The essential elements of the stock option plans of Telecom Italia are summarised in the Note "Stock option Plans and Performance Share Granting Plan" included in the Telecom Italia Group's Annual Report.

# Correct information to all.

## SHAREHOLDERS

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INTERNAL  
STAKEHOLDERS

shareholders

### STRATEGY

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

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

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

The advantages inherent in belonging to a Group of businesses are clear in the application of the regulatory framework and in the autonomy of each Company with regard to the revenue from its activity and the creation of value for its shareholders. Special attention is also reserved to the management of the relations with the bondholders: for more than a year, the Investor Relations department has reinforced its organisational structure through the creation of a dedicated watchdog.

### STAKEHOLDERS AND THEIR EXPECTATIONS

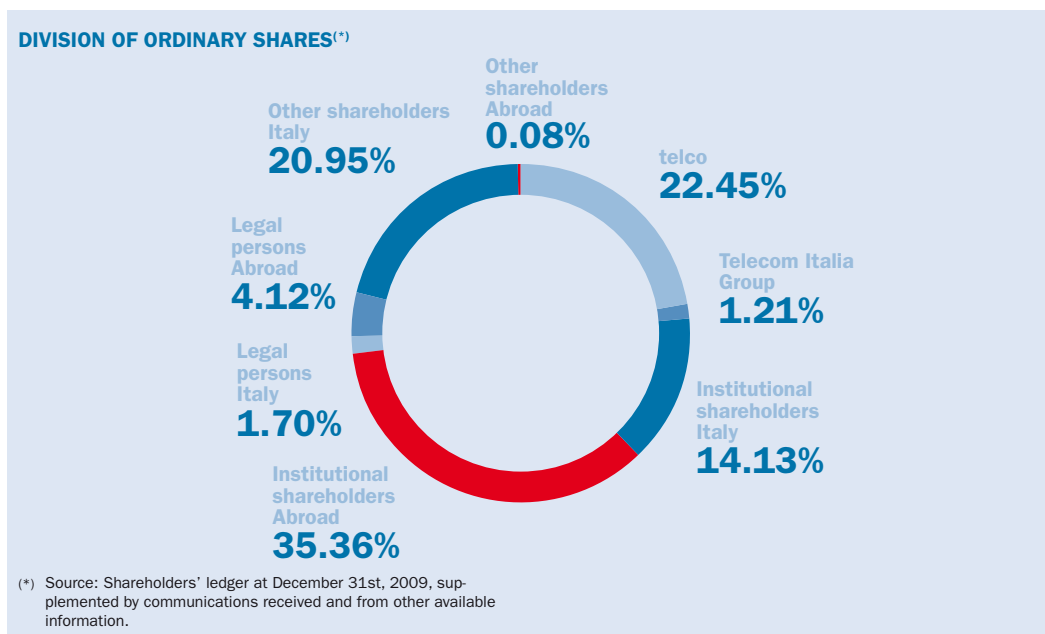
The Investor Relations (IR) department manages the day to day relations with the key stakeholders: important shareholders, institutional and retail investors, bondholders, socially responsible investors and financial analysts.

Their shared expectations concern:

- reinforcement of the positioning in the markets in which the Group operates;
- confirmation of the objectives reported to the market through the Strategic Plan;
- certainty in receiving a quick, effective response from the company to requests for information.

The expectations of the stakeholders are given special consideration:

STAKEHOLDER	NEED
Important shareholders	Good financial and operational performance by the company
Institutional and retail investors	Total positive shareholder return (performance on the stock market of the shares and dividends distributed) Involvement in the life of the Group (for example, participation in events) Brand reputation
Socially responsible investors	Total positive shareholder return Attention to the social and environmental impact of the company business
Bondholders	Stability of the yield from the investment Certainty of payment Maintenance/improvement in the debt ratings
Financial analysts	Direct contact with the management on important issues to better perceive present and future dynamics



## FINANCIAL COMMUNICATION

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

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

The financial communication also takes into consideration the needs of investors linked to Socially Responsible Investing (SRI), which favours companies that pay

attention to ethical, social and environmental factors as well as financial aspects. The communication to this particular category of investor, administered in concert with the Group Sustainability department, is developed through individual contacts and participation at dedicated events. In 2009, a road show was organised in Frankfurt during which several issues were touched on, such as the extent of the planned investments in the development of the NGN (Next Generation Network) and the NGN2, and the environmental performance information concerning energy consumption, dematerialisation and other sustainability indicators.

Regarding relations with individual shareholders (retail) – today there are nearly 600,000 holders of ordinary shares – Telecom Italia's strategy is aimed at increasing channels of communication to respond in a rapid and effective way to queries about the per-

formance of the shares and, more generally, of the Group. The indications and ideas that emerged from the dialogue with the retail investors were collected and communicated to top management.

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

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

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

As regards on line financial communication, Telecom Italia's website ([www.telecomitalia.it](http://www.telecomitalia.it)) is constantly updated with regular innovations. The Investor Relations section of the site has achieved a good placing again this year (3rd in Europe, 5th in Italy) in the classification drawn up by Hallvarsson & Halvarsson, the Swedish company that is the leader in on line financial communication.

## RISK MANAGEMENT

To ensure a global approach to risk management and at the same time greater flexibility, in 2009 Telecom Italia Group launched a review of the Risk Management System previously used (the CRSA – Control & Risk Self Assessment), adopting a new

integrated process of risk management inspired by the Enterprise Risk Management Framework (ERM)<sup>(1)</sup>. This is an instrument of governance of company risk, through which the identification, assessment and management of risks is achieved.

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

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

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

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

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

In detail, the ERM provides four main phases:

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

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



1. The analysis phase is based in its turn on two sub-phases:

- a. a preliminary analysis which envisages:
  - the mapping of the company processes and the identification of the associated sub-processes;
  - the matching of the company departments to the sub-processes<sup>(2)</sup>;
  - the disclosure by the Industrial Plan of the strategic objectives;
  - the disclosure of the short-term incentives (MBO) of the objectives of cross-company governance.
- b. the identification of the risks, which follows a top-down logic: the first reports of the Chief Executive Office and the Chairman are interrogated, as well as certain secondary reports (the so-called Risk Owners) which identify the risks within the range of a specific model of the telecommunications sector. The sources of risk identified may be both external and internal (the latter are divided into strategic, operational and financial). The risks identified are connected to the statutory company processes and objectives.

2. The evaluation phase envisages:

- a. the evaluation of the risks, based on a methodology which takes into consideration quantitative and qualitative criteria. In particular, the following are identified:
  - the impact: from a minimum 1 (negligible) to a maximum 5 (catastrophic), which measures the consequences of the event on the objective/process. The evaluation carried out by the risk owner, although representing a qualitative datum, is the fruit of the association of the judgement with scales of quantified values in economic-financial terms (EBITDA, net Capex, Customer Satisfaction Index, Market Share etc.);
  - the probability: from a minimum 1 (improbable) to a maximum 5 (very probable), which measure the degree of uncertainty of the event. On the basis of the evaluation carried out, the most important risks are identified for the

proper management of the company processes and to reach the respective objectives.

- b. The identification of the risk owners: the risks identified are assigned to the owner department of the sub-process that is subject to the analysis. This department is responsible both for the evaluation of the existing measures of mitigation, and the definition of the action plan regarding the risks for which, in the gap analysis phase, adequate mitigation is not encountered.
  - c. Approval of the action plan: the Risk Management committee, supported by the Risk Management department, supervises the protection indicated by the owner department and approves the action plan proposed. The implementation of the measures of prevention or reduction of the risk is subject to the appropriate evaluation and a detailed cost/benefits analysis.
3. The processing and verification phase envisages the establishment of interdepartmental work groups to monitor the action plans approved by the Risk Management committee. The monitoring activity on the state of progress and/or completion of the action plan, together with the Key Risk Indicators (KRI), supplies a flow of data to the Committee which aids the definition of the subsequent cycle of Risk Management.
4. The reporting phase provides a flow of information on the structure of the risk profile and its development according to a flexible schedule, defined on the basis of the needs of the stakeholders.

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

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

In particular, in the 2009 cycle, attention was

<sup>(2)</sup> The charting of the processes/departments is updated every three months by the Human Resources and Organisation department and conveyed to the Risk Management department.

focused on a group of significant risks (the so-called Top Risks) regarding which the phases of the definition of the Master Plan, treatment and verification, will be pursued.

## CORPORATE GOVERNANCE

An excerpt is given below from the “Report on Corporate Governance and Ownership Structure of Telecom Italia S.p.A.” (also referred to as the “Report”), published in a separate document of the same name, which should be consulted for the full text. This, and all the other documents mentioned below – the principles, codes, procedures, guide lines, charts and tables – can be found at the Company’s website: [www.telecomitalia.com](http://www.telecomitalia.com), “corporate” section, under the heading, “governance” (see in particular the item “Annual Report on corporate governance” under the heading “governance system”, where all the annual reports on corporate governance – starting from the fiscal year 2003 – are given), and “investors”.

### Profile

The Company’s corporate governance system consists of a series of principles, rules and procedures that are updated from time to time and adapted to regulatory changes and international best practices.

As stated in previous Reports, this system focuses on the guiding role of the Board of Directors in setting the strategic direction, on the transparency of the management decisions, both internally and regarding the market, on the efficiency and effectiveness of the internal control system, on the strict regulation of potential conflicts of interest and on clear rules of conduct in dealing with related parties.

### Information on the organisation of assets

#### Structure of the share capital

Subscribed and paid up share capital is given in Table 1, attached to the full text of the Report.

Savings shares are regulated by Art. 6 of the Bylaws.

The company’s ordinary and savings shares are listed on the Italian Stock Exchange (Borsa Italiana), and on the New York Stock Exchange in the form of American Depositary Shares, each corresponding to

ten ordinary or savings shares, respectively, represented by American Depositary Receipts issued by JPMorgan Chase Bank.

Details of the existing Telecom Italia stock option plans and the capital increases serving these plans can be found in note 42 of the Company’s separate financial statements as of 31 December 2009, and in the publicly available information documents, in accordance with Art. 84-b of the Consob Issuer Regulations.

### Restrictions on the transfer of securities

No statutory limitations exist on the free disposal of securities, except that laid down in Art. 22 of the Bylaws regarding the special powers of the Minister of Economy and Finance, under Law 474/1994, which include the power to oppose the acquisition of shareholdings greater than 3% of the capital with the right to vote.

### Major shareholdings

Based on the information available, the following are the major holdings of ordinary capital in Telecom Italia:

SUBJECT	TYPE OF OWNERSHIP	% OF ORDINARY CAPITAL	% OF VOTING CAPITAL
Telco S.p.A.	Direct	22.447%	22.447%
Findim Group S.A.	Direct	4.999%	4.999%
Sintonia S.A.	Direct	2.056%	2.056%

(\*) On January 5th, 2010, the quota held by Sintonia S.A. fell to below 2%.

Notice is also given that the following companies have informed CONSOB that they hold Telecom Italia S.p.A. ordinary shares in their role as investment management firms:

- Brandes Investment Partners LP: gave notice it held 4.024% of the total ordinary shares of Telecom Italia S.p.A., on July 23rd, 2008;
- Alliance Bernstein LP: gave notice it held 2.069% of the total ordinary shares of Telecom Italia S.p.A., on November 14th, 2008;
- Blackrock Inc. gave notice it held 2.823% of the total ordinary shares of Telecom Italia S.p.A., on December 1st, 2009.

### Securities conferring special rights

No securities have been issued conferring special

rights of control.

As currently established, the special powers of the Minister of Economy and Finance under Law 474/1994, referred to in Art. 22 of the Bylaws, are as follows:

- To object to the acquisition of holdings equal to or greater than 3% of the share capital represented by shares with the right to vote in ordinary shareholders' meetings. Should the Minister believe that the transaction is prejudicial to the vital interests of the state, the objection must be made, giving reasonable justification, within ten days of the date of notification by the Company at the time the buyer applies for entry in the shareholders' register. The vendor may appeal against the ruling to the Lazio Regional Administrative Court within sixty days;
- To veto on the grounds of substantial prejudice to state interests, the adoption of resolutions to dissolve the Company, transfer the business, merge or divide the Company, transfer the registered office outside Italy, change the company purpose and eliminate or modify the special powers themselves. Dissenting shareholders may appeal against the veto to the Lazio Regional Administrative Court within sixty days.

Under the Prime Ministerial Decree (DPCM) of June 10th, 2004, the special powers can only be exercised on the grounds of significant and compelling reasons of public order, safety, security, health and defence, in certain cases of danger, involving, among other things, continuity in the provision of a public service or the safety and security of facilities and networks in essential public services.

#### **Shareholdings of employees: mechanism for exercising voting rights**

No employee shareholding programmes are in existence.

#### **Restrictions on voting rights**

There are no restrictions on voting rights for shares constituting the ordinary share capital of Telecom Italia. However, pending expiry of the term for exercising the power to object to the acquisition of shareholdings greater than 3% of the ordinary capi-

tal, under Art. 22 of the Bylaws, the voting rights of the shares of major shareholders is suspended. Equally, if the power to object is exercised, voting rights may not be exercised.

Voting rights are not assigned to savings shares during ordinary shareholders' general meeting, as laid down by Italian regulations.

#### **Shareholder agreements**

The principal shareholder of Telecom Italia is Telco S.p.A. (Telco), whose shares, in turn, are currently held by: Intesa Sanpaolo S.p.A., Mediobanca S.p.A., companies belonging to the Generali Group and Telefónica S.A.

According to information in the public domain, on April 28th, 2007, the shareholders of Telco (which then incorporated Sintonia S.A.) entered into a shareholder agreement that identified, among other things, the criteria for drawing up the list of candidates as directors of Telecom Italia:

- Telefónica would be entitled to designate two candidates for as long as it held at least 30% of Telco's share capital;
- Other Telco shareholders would be entitled to designate the other candidates on the list, three on the basis of unanimity, and the others on a proportional basis, for as long as they held an absolute majority of the share capital.

The shareholder agreement laid down that the Telecom Italia Group and the Telefónica Group were to be operated autonomously and independently. In particular, the Directors appointed by Telefónica to Telco and Telecom Italia receive instructions from Telefónica not to participate or vote in board meetings involving discussions and resolutions on the policies, management and operations of companies, directly or indirectly controlled by Telecom Italia, that provide services in countries where Telefónica's right to vote is subject to legal or regulatory restrictions or limitations.

On November 19th, 2007, the agreement was modified in accordance with the measure adopted by the Brazilian telecommunications authority (Anatel), issued on October 23rd, 2007 and published on November 5th, 2007 (the 'Anatel Decision'), which laid down that:

- Telefónica and its directors/officers shall not participate, vote or exercise vetoes in Telecom Italia's shareholders' meetings, board of directors' meetings, committees and bodies with similar powers to Telco, or those of any other company controlled by Telecom Italia when deliberating upon subjects relating to the performance of telecommunications activities within the Brazilian market. Furthermore, Telefónica shall not designate directors or officers (i) of companies controlled by Telecom Italia established in Brazil that provide telecommunications services within the Brazilian market, or (ii) of companies established in Brazil that control such suppliers of telecommunications services;
- Telefónica shall ensure that subsidiaries providing telecommunications services within the Brazilian market do not enter into specific types of relationships with Telecom Italia subsidiaries providing telecommunications services within the Brazilian market on terms and conditions other than those laid down by Brazilian regulations applicable to telecommunications services;
- Telefónica, even where it may exercise the right to acquire Telco shares, shall not exercise direct or indirect control over any subsidiary of Telecom Italia in Brazil;
- Parties to the agreement shall instruct those members of the Board of Directors of Telco that each appoint, as well as to the members of the Board of Directors of Telecom Italia designated by Telco, (i) to prepare separate agendas for the meetings of the boards of directors of Telco, Telecom Italia and Telecom Italia International N.V., or of any other company established outside of Brazil and controlled by Telecom Italia with investments in the Brazilian telecommunications sector in which the participation of directors designated by Telefónica is allowed but not their participation in meetings, and (ii) to provide to Anatel within 30 days copies of the agendas and of the minutes of the meetings referred to in the preceding point.

The restrictions and limitations referred to above shall also be applied to any Telco spin-off.

In line with this, the Directors, Messrs Alierta and Linares, have undertaken not to participate in discussions or voting in the Board (nor in the Executive Committee) when considering proposals or subjects involving the activities of Telecom Italia, or subsidiaries, within the Brazilian and Argentine telecommunications markets, nor – in general – in any case that could be prejudicial to Telecom Italia Group.

On October 28th, 2009, Sintonia S.A. requested a non-proportional spin-off of Telco, under the shareholder agreement.

On that date, the parties to the agreement, except Sintonia S.A., entered into a renewed, modified agreement (which remains in force until April 28th, 2010) agreeing the renewal for a further three years, and so effective from April 28th, 2010, until April 27th, 2013, with the right to terminate between April 1st and 28th, 2011, with the possibility to extend – under certain circumstances – until May 5th, 2011. It was further agreed to discuss with Sintonia S.A. procedures that would enable it to withdraw from the capital of Telco as an alternative to the spin-off.

Given the above, on December 22nd, 2009, Sintonia S.A. acquired from Telco Telecom Italia's 275,115,716 ordinary shares (2.06% of the company's ordinary share capital) and Telco acquired Sintonia S.A.'s entire holding in the Telco's share capital, ending its participation.

As of December 31st, 2009, the signatories to the agreement and the stakes held by each in the capital of Telco were as follows: Telefonica S.A. (46.18%), Assicurazioni Generali S.p.A. (12.98%), Intesa Sanpaolo S.p.A. (11.62%), Mediobanca S.p.A. (11.62%), Alleanza Toro S.p.A. (6.76%), Ina Assitalia (6.21%), Generali Lebensversicherung A.G. (2.36%) and Generali Vie S.A. (2.27%).

When the agreement was renewed (October 28th, 2009), Telco and Telefónica also agreed to extend until April 27th, 2013, the latter's purchase option in the event of dissent over the Telco board of directors' decision to transfer the Telecom Italia shares in the company portfolio. In this case, Telefónica could alternatively acquire Telco's Telecom Italia shares at the same price and under the same conditions offered by any interested third party, or else

request the spin-off of Telco.

On January 11th, 2010, Telefónica S.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A., Alleanza Toro S.p.A., Ina Assitalia S.p.A., Generali Lebensversicherung A.G. and Generali Vie S.A. signed a supplementary agreement to the shareholder agreement:

- confirming their financial support to Telco;
- agreeing the methods by which such financial support would be provided when necessary in accordance with the financing agreement – backed by collateral of Telecom Italia ordinary shares – signed on that date between Telco and a pool of financial institutions;
- regulating the method of exercising the right to acquire the Telecom Italia ordinary shares available to the financial institutions if the collateral were to be called in.

#### Change of control clauses

The duty to give notice of change of control is laid down by a series of agreements to which Telecom Italia is party.

This duty, which is enshrined in national legislation governing certificates of permission, is primarily incorporated in the general authorisation certificates permitting Telecom Italia to act as provider of the electronic communications network and offer electronic communications services, as well as in the certificates of general authorisation/concession allowing its subsidiary, TI Media, to act as network operator and supplier of content. A similar duty is enshrined in local legislation and incorporated in the concession/license certificates for telecommunications services granted to the foreign subsidiaries of the group.

Telecom Italia is also party to agreements under which a change of control would lead to the modification or even dissolution of the relationship. Some of these agreements, unrelated to financial relationships, are subject to confidentiality restrictions where disclosure of the existence of the clause would be seriously prejudicial to the company's interests, and the company therefore avails itself of the facility of non-disclosure under Art. 123-b, paragraph 1, letter h), second part, of the Consolidated Finance Act. In other cases, the agreement is not deemed to be significant.

This leaves the following cases, all of which re-

late to financial relationships:

- Multi currency revolving credit facility (8,000,000,000 euros). This agreement was stipulated between Telecom Italia and a bank syndicate on August 1st, 2005 and subsequently amended. In the event of a change of control, Telecom Italia must inform the agent within 5 business days, and the agent, on behalf of the financing banks, must negotiate in good faith on the continuance of the relationship. None of the parties is obliged to continue such negotiations beyond 30 days, at which point, in the absence of any agreement, the facility shall cease to be effective and Telecom Italia will be obliged to return such sums as may have been disbursed to it (currently equivalent to 1,500,000,000 euros). Usually, a change of control will not arise in cases where control, within the meaning of Art. 2359 of the Italian Civil Code, is acquired (i) by shareholders who, on the date the agreement was signed, directly or indirectly held more than 13% of the voting rights in shareholders' meetings or (ii) by investors (Telefonica, Assicurazioni Generali, Sintonia, Intesa Sanpaolo and Mediobanca), which stipulated a shareholder agreement on April 28th, 2007 concerning the Telecom Italia shares, or else (iii) by a combination of subjects belonging to both categories;
- Revolving credit facility (1,250,000,000 euros). This agreement was stipulated by Telecom Italia and a bank syndicate on February 12th, 2010 and lays down a similar regime to that contained in the facility of August 1st, 2005, but was updated to incorporate the October 28th, 2009 amendment to the shareholder agreement of April 28th, 2007. No change of control therefore arises in cases where the control, within the meaning of Art. 2359 of the Italian Civil Code, is directly or indirectly acquired (through subsidiaries) by the investors Telefónica S.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A. and Mediobanca S.p.A., the provisions above remaining otherwise unchanged;
- Bonded loans. The regulations on loans issued as part of the Olivetti or Telecom Italia EMTN Programme, and loans denominated in

US dollars, usually lay down that, in the event of mergers or transfers of all or the greater part of the assets of the issuer or guarantor company, the incorporating or transferee company must assume all of the obligations of the incorporated or transferring company. Failure to fulfil the obligations, if not remedied, gives rise to a default event;

- Contracts with the European Investment Bank (EIB). In the contracts stipulated by Telecom Italia and the EIB, for a total maximum amount of around €2.5 billion, there exists a duty to inform the Bank promptly of any modifications regarding the Bylaws or any distribution of capital among shareholders that could amount to a change of control. Any failure to provide this information would lead to termination of the contract, which also occurs should shareholder holding less than 2% of the share capital at the date the contract is signed obtain more than 50% of the voting rights in ordinary shareholders' meetings or, in any event, of the share capital, where this, in the reasonable judgment of the Bank, could be prejudicial to the Bank or compromise the execution of the financing project.

#### **Authorisation to increase the share capital and to procure treasury shares**

The Shareholders' Meeting of 8 April 2009 resolved to empower the Directors to increase the share capital, against payment in one or more instalments, by issuing a maximum of 1,600,000,000 ordinary shares, to be offered, in their entirety or in part:

- under option to the partners and to the holders of convertible bonds, or else
- by subscription to the employees of Telecom Italia or its subsidiaries,

as well as the power to issue convertible bonds, on one or more occasions, for a maximum amount of 1,000,000,000 euros.

Following authorisation by the Shareholders' Meeting of April 14th, 2008 for the procurement of treasury shares on the regulated markets by October 14th, 2009, for a maximum of 11,400,000 ordinary shares, to service the stock option plan reserved for Senior Management, in the period between March 17th and 31st, 2009, 11,400,000 treasury shares were purchased on the market at

a weighted average price of between a minimum of €0.8942 and a maximum of €0.9686. Consob was informed of this transaction on April 6th, 2009.

As of now, no authorisations exist for the procurement of treasury shares.

#### **Management and coordination**

Telecom Italia is not subject to management and coordination within the meaning of Articles 2497, et seq., of the Italian Civil Code.

#### **Compliance**

Telecom Italia adheres to the Self-Regulatory Code of Borsa Italiana and, since 2000, it brought its corporate governance system in line with the national and international best practice, in accordance with the recommendations of the Self-Regulatory Code of the Borsa Italiana, and the regulatory measures introduced from time to time, keeping shareholders and the market constantly informed by means of the management report appended to the annual financial statements.

As a foreign issuer registered with the US Securities and Exchange Commission and listed on the New York Stock Exchange, Telecom Italia is also subject to US legislation. In this respect, as specified in the Self-Regulatory Code, the Board of Statutory Auditors performs the duties of an audit committee.

The strategic subsidiaries of Telecom Italia include the companies of the Tim Brasil group, whose holding company is Tim Participações S.A. (indirectly controlled by Telecom Italia), a locally listed Brazilian company, registered with the US Securities and Exchange Commission and listed on the New York Stock Exchange.

The corporate governance structure at Telecom Italia is not subject to the legal provisions applicable to Tim Participações S.A. Furthermore, in compliance with the aforementioned measure adopted by Anatel on October 23rd, 2007, and the subsequent measure adopted on July 7th, 2009 (which the Brazilian Authority ruled was in full compliance with the obligatory requirements), since 2007, Telecom Italia has operated a specific procedure formalising the existing separation between Gruppo Telecom Italia and Gruppo Telefónica activities in the Brazilian telecommunications market.

A similar internal procedure was adopted at the end of 2008 to formalise the separation between Gruppo Telecom Italia and Gruppo Telefónica activities in the Argentine telecommunications market.

## Board of Directors

### Appointment and replacement

The company's Bylaws (Art. 9) lay down that the Board of Directors shall consist of no less than seven, and no more than nineteen, members, and that they be appointed on the basis of lists submitted by shareholders possessing a total of at least 0.5% of the ordinary capital, lodged at the company's registered office at least fifteen days before the date set for the first convocation of the Shareholders' Meeting.

Four fifths of the Directors to be elected shall be drawn from the list obtaining the highest number of votes, according to the order in which they are listed, rounded down to the lower number in the case of uneven numbers. The remaining directors shall be drawn from the other lists. To this end, the votes obtained by them shall then be divided by progressive whole numbers from one up to the number of Directors to be elected, and the share assigned to the respective candidates in the order in which they are listed. Shares of votes allocated in this way shall be arranged in descending order in a single list. The candidates with the highest shares are elected. For Directors who, for any reason, have not been appointed in accordance with the above procedure, the Shareholders' Meeting shall decide by the legally required majority.

The provisions of Art. 9.7 of Telecom Italia's Bylaws lay down that the list of candidates to be appointed to the Board of Directors must be accompanied by each candidate's statement of acceptance of the candidacy, and by a declaration of the absence of any reason of ineligibility or incompatibility, in addition to meeting the requirements laid down and any other information required by the applicable rules and regulations and the Bylaws. Each candidate shall present, together with his declaration, a curriculum vitae, demonstrating his personal and professional details and the administrative and managerial offices he has held at other companies and credentials of independence, in observance of the legal criteria and those established by the Company.

According to the provisions of the company's Self-Regulatory Code, carrying out the duties of a director of Telecom Italia is considered incompatible with being a director or auditor of more than five companies, other than those managed and coordinated by Telecom Italia, controlled by or affiliated to it, that are

- listed in the FTSE/MIB index and/or
- operating predominantly in the public financial sector and/or
- carry out banking or insurance activities.

Where executive positions in companies as described above are held, the limit is reduced to three. The Board of Directors has the power to decide to the contrary, however (with public notification in the annual report on corporate governance) even if this departs from the stated criteria.

Should a Director hold office in several companies in the same group, only one position will be taken into account for the purpose of calculating the number of positions held.

### Composition

The Shareholders' Meeting of April 14th, 2008 appointed the current Board of Directors, opting for 15 as the number of members, with a mandate of 3 years (and therefore until the meeting convened to approve the financial statement on December 31st, 2010), authorising candidates to carry out the activities in line with their the respective curricula vitae, thereby releasing them from the restraints on competition under Art. 2390 of the Civil Code.

In accordance with the applicable regulations, three lists (Telco List, Funds List and Findim Group List) were submitted, in line with the procedures and time limits laid down by the Bylaws ([see par. 4.1 of this Report](#)). For information concerning candidates included in the Lists, the shareholders who submitted the Lists and the quotas obtained by each List, please refer to the complete text of the Report.

Twelve board members were drawn from the Telco list, obtaining the majority of the votes cast, according to the order in which they were listed:

Cesar Alierta Izuel, Tarak Ben Ammar, Franco Bernabè, Elio Cosimo Catania, Jean Paul Fitoussi, Gabriele Galateri di Genola, Bernardino Libonati, Julio Linares Lopez, Gaetano Miccichè, Aldo Minucci, Gianni Mion and Renato Pagliaro.

As required by the Bylaws, three board members were drawn from the other two lists, specifically, Luigi Zingales (taken from the Funds list), Paolo Baratta and Roland Berger (taken from the Findim Group list).

Following the resignation of Gianni Mion, the Board of Directors' meeting on February 27th, 2009 co-opted Stefano Cao as company director, valid until the Shareholders' Meeting to approve the 2008 financial statement. Since, in this case, the mechanism of the voting list (laid down only for the complete renewal of the Board under the company's Bylaws) did not apply, the Shareholders' Meeting appointed Stefano Cao as director for the remaining part of the mandate of the Board of Directors in office.

On December 22nd, 2009, Stefano Cao duly handed in his resignation as director. The Shareholders' Meeting, convoked for April 28th/29th next, will make a decision following his resignation.

The curricula vitae detailing the personal background and professional qualifications of the members of the Board of Directors are available at the Company's website.

Tables 2 and 3, attached to the full text of the Report, list information relating to the composition of the Board of Directors as at April 12th, 2010, and members who resigned during 2009.

#### **The role of the Board of Directors**

Under Telecom Italia's Self-Regulatory Code, the Board plays an active role in providing strategic guidance for the company and exercising management control. The Code empowers the Board as a whole to direct the company strategically with the responsibility to intervene directly in major decisions on the activities of the Company and the Group. Specifically, among other matters, the Board assumes the following responsibilities:

- to examine and approve strategic, industrial and financial plans, as well as the budget;
- to examine and approve strategic operations;
- to assess the adequacy of the organisational, administrative and accounting structure with particular reference to the internal control system;
- to draw up and adopt the company's corporate governance regulations and define the group's corporate governance guidelines;

- to define the limits, methods and schedules of the reporting by the executive committee on the activity carried out;
- to appoint the chairmen and managing directors of strategically important subsidiaries;
- to supervise the general progress of the management, periodically comparing the results achieved with the projections.

The following come within the scope of strategic operations subject to the prior approval of the board:

- agreements with the group's competitors that substantially impinge on the freedom of corporate strategic choices due to their objectives, obligations, conditions and limitations; actions and operations that include entry into (or exit from) geographical and/or product markets;
- industrial investments and disinvestments with a value of more than 250 million euros;
- the acquisition and disposal of companies or branches of companies that are of strategic importance to the overall business activities, or whose value exceeds 250 million euros;
- the acquisition or disposal of shares in subsidiaries and associates with a value of more than 250 million euros and, in any case, (even if the value is lower) in companies carrying out activities that are part of the Group's core business, and the stipulation of agreements over the exercise of the rights attached to these holdings;
- taking on financing, including disbursing financing and the issuing of guarantees in the interest of non-subsidiary companies for amounts greater than 500 million euros;
- any of the above operations when carried out by the Group's unlisted subsidiary companies, except the subsidiaries of listed subsidiary companies of controlled listed companies;
- listing and delisting in regulated markets within and outside Europe of financial instruments issued by the company or by group companies;
- instructions for the completion of operations of the nature described above that are issued to listed subsidiary companies (and their subsidiaries) in carrying out the management and coordination activities of the parent company.

The assessment of management performance is



based on the continuous flow of information to non-executive Directors and Statutory Auditors, coordinated by the Chairman of the Board of Directors. This occurs periodically during various meetings and, specifically, during the examination of the financial statements, when the results achieved are closely compared with the objectives stated in the budget forecasts.

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

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

With regard to the annual board assessment, the practice of self-assessment introduced in Telecom Italia in 2005, was renewed for the fifth successive year.

As part of the annual self-assessment procedure, in 2009 the Board of Directors decided to obtain the assistance of a company (Spencer Stuart) that specialises in preparing and executing such self-assessments. In addition, specific analyses were also conducted in order to identify ways in which the operation of the Board could be improved.

This was achieved through (i) structured, individual interviews with Directors, based on the three self-assessment criteria identified by the Self-Regulatory Code (size, composition, operation); (ii) analysis of the minutes of the meetings of the Board of Directors and Committees to consider the matters discussed, the duration and the structure of the meetings; (iii) a comparison with best practice of the Boards of Directors of similar companies.

Each board member was presented with statements and given the opportunity either to state their level of agreement or not to respond. Any comments made by interviewees on each of the issues dis-

cussed were also noted down. The questions closely reflected the observations made during the self-assessment last year and were designed to thoroughly examine specific areas, including: (i) the process of making board decisions, (ii) the information underlying the most important resolutions made by the Board in 2009, (iii) the activity of the Committees and (iv) the mechanisms used to inform and update the Board of Directors.

At its meetings on February 25th and March 25th, 2010, the Board examined the results of the self-assessment.

A generally positive picture emerged. The quality of the members of the Board, the combination of expertise they bring to their tasks, the constructive climate of discussion that characterises its work and the effectiveness of the contribution made by the internal committees were all acknowledged. The interest and willingness of Board members to investigate business issues thoroughly, and to increase the knowledge-base within the company deserve to be highlighted. Among the areas of improvement recommended was the speedier dissemination of information prior to meetings, in order to allow the items on the agenda to be examined in detail. The Board was once again urged to increase the number of independent Directors.

In 2009, seven meetings of the Board of Directors were held. The Directors were sent the appropriate documentation, within a timescale in line with the particular circumstances, to enable them to participate in meetings in an informed way. When specialised topics were discussed during meetings, the respective managers were invited to participate by the Chairman, with the agreement of the other directors. When appropriate, external consultants also took part in order to provide the necessary technical and professional support.

The average duration of the meetings was around four hours. The attendance percentage was 93.33 (97.14% for independent Directors).

Nine meetings are planned in 2010, three of which have already been held.

#### **Delegated bodies**

The power to delegate (and revoke) powers of attorney to Directors is reserved to the Board, which defines the purpose, limits and methods by which

such powers are exercised, and receives a continuous flow of information regarding the operations carried out, on the general progress of management and on the most significant economic, financial and asset operations.

On April 15th, 2008, the Board of Directors appointed Gabriele Galateri di Genola as Chairman and Franco Bernabè as Managing Director.

In addition to the legal representation of Company, the Chairman has been assigned the following responsibilities:

- supervision of the drawing-up of strategic, industrial and financial plans, their implementation and development;
- supervision of the definition of the organisational structures;
- supervision of the economic and financial progress;
- supervision of the process of examining and establishing the guidelines for the internal control system.

In addition to the legal representation of the Company and all the powers, exercised by individual signature, required to carry out the various forms of corporate activity, with no exclusions, the Managing Director has been given responsibility for the overall management of the company and of the group, and in particular:

- responsibility for defining, proposing to the Board of Directors and subsequently implementing and developing, the strategic, industrial and financial plans;
- responsibility for defining organisational structures;
- all organisational responsibility for ensuring the proper management and development of the business by coordinating organisational structures in any way that is not the responsibility of the Chairman.

On April 15th, 2008, an Executive Committee was also set up, consisting of executive directors (who ensure coordination with the group's management) and non-executive directors. The Chairman of the Committee is the Chairman of the Board of Directors. For the current composition, refer to table 4, which is attached to the full text of the Report.

The Committee's task is to monitor the management performance of the Company and the Group, to approve organisational macrostructures, on the proposals of the executive Directors, to give opinions to the Board of Directors on the budget and the strategic, industrial and financial plans of the Company and Group, and to perform any tasks that may be assigned by the Board of Directors, within the scope of matters that can be delegated.

The Committee periodically reports on the operations carried out to the Board in the most appropriate manner during the first available meeting.

In 2009, the Committee held four meetings, with an average duration of around three hours.

The attendance percentage was 96% (100% for independent Directors). Five meetings, of which two have already been held, have been planned for 2010.

#### **Other executive Directors**

There are no executive Directors on the Board of Directors other than the Chairman and Managing Director.

#### **Independent Directors**

Telecom Italia has embraced the criteria for assessing the "independence" of its Directors established by the the Borsa Italiana's Self-Regulatory Code. According to information provided by the Directors, Paolo Baratta, Roland Berger, Elio Cosimo Catania, Jean Paul Fitoussi and Luigi Zingales are confirmed as independent directors.

At its meeting on February 25th, 2010, the Board of Directors verified that the aforementioned directors meet the requirements of independence under Art. 147-c, paragraph 4, of Legislative Decree No. 58/1998, and also confirmed that the determined that the requirements for the composition of the administrative body as a whole (the presence of at least two independent Directors in accordance with the criteria laid down by law for Statutory Auditors) had been met.

The Board of Statutory Auditors, as required by the Company's Self-Regulatory Code, monitored the activities undertaken in order to verify fulfilment of the requirements and the correct application of the independence criteria.

### **Lead Independent Director**

The Lead Independent Director is currently the Director, Paolo Baratta, who is Chairman of the Internal Control and Corporate Governance Committee, as well as a member of the Supervisory Board in accordance with Legislative Decree 231/2001.

The Lead Independent Director is the point of reference and coordination for the proposals and contributions of the independent directors. He has the facility to use the company structure to carry out his duties and may convene special meetings for Independent Directors only (Independent Directors' Executive Sessions) in order to discuss the functions of the Board of Directors or issues of the management of the Company. Four meetings were held in 2009.

In accordance with the Self-Regulatory Code, the Chairman of the Board of Directors collaborates with the Lead Independent Director in the proper operation of the administrative body (including selecting the matters to be discussed during meetings of the Board).

### **Treatment of company information**

Telecom Italian has appropriate procedures for classifying and dealing with confidential information.

Furthermore, a procedure has been adopted for the internal management and outside communication of documents and information regarding the Company, with particular reference to confidential information. This procedure governs the handling of confidential information regarding Telecom Italia, its non-listed subsidiaries and the Group's listed financial instruments and applies to all members of the management bodies, as well as to employees and external associates, who have access to matters that may become privileged information. It instructs all subsidiary companies to provide, without delay, any information required to comply with public disclosure obligations.

Finally, this procedure also governs the register of those with access to confidential information (articles 152-b et seq. of the Issuers Regulations).

### **Internal committees of the Board**

In addition to the aforementioned Executive Committee, the Board also has an Appointments and Remuneration committee and an Internal Control and Corporate Governance Committee, whose functions are

governed by the Company's Self-Regulatory Code.

### **Appointments and remuneration committee**

The Appointments and Remuneration Committee consists of non-executive Directors, the majority of whom are independent Directors, including at least one Director chosen from a minority list. Please refer to Table 4 (attached to the complete text of the Report) for its current composition.

The Committee has advisory and consultative functions (i) on the remuneration of Directors holding specific offices, to bring them into line with the objective of creating value for shareholders over time; (ii) on the periodic assessment of the criteria used to determine the remuneration of the Company's senior management and, on the instruction of the Managing Directors, any stock option or share assignment plans; (iii) on monitoring the implementation of decisions taken and company policies on remuneration for senior management and (iv) on proposals regarding candidates for the Board, in the event of the replacement of an independent director during their term of office.

In 2009, the Committee's activities concerned the remuneration system for executive directors of the Company (the Chairman and the Managing Director) and the senior management, to bring the Company in line with best market practice. The Committee supervised initiatives of assessment and segmentation of senior management, drawing up replacement tables for strategic managerial positions, and carrying out a detailed study of remuneration in the form of financial instruments for both management and employees.

At the request of the Board of Directors, the Committee also selected a candidate for the position of external member of the Company's Supervisory Board, in accordance with Legislative Decree No. 231/2001.

As required by the Company's Self-Regulatory Code, in order to carry out its duties the Committee availed itself of the Company's internal facilities and of external consultants of its own choosing.

In 2009, it held eleven meetings and minuted them as required. The contributions of managers responsible for areas under discussion were sought. The average duration of the meetings was approximately two hours and the meetings were attended by all the Committee members.

Three meetings have already been held in 2010.

### **Remuneration of Directors, Chief Executive Officers and Key Managers with strategic responsibilities**

The remuneration received by Directors, Chief Executive Officers and Key Managers in 2009 appears in Note 45 (Other information) to Telecom Italia S.p.A.'s financial statements.

At the meeting held on April 15th, 2008, the Board of Directors distributed overall annual remuneration of 2.2 million euros, as approved by shareholders during the Shareholders' Meeting of April 14th, 2008 for the three-year period 2008-2010, as follows:

- remuneration of 110,000 euros for each Director in office;
- additional remuneration of 35,000 euros for each member of the Executive Committee;
- additional remuneration of 45,000 euros for each member of the Internal Control and Corporate Governance Committee;
- additional remuneration of 20,000 euros for each member of the Appointments and Remuneration Committee;
- additional remuneration of 20,000 euros for the Director appointed to the Supervisory Board pursuant to Legislative Decree No. 231/2001.

The non-executive Directors receive remuneration resulting from the distribution of the overall sum established by the Shareholders' Meeting on April 14th, 2008, as stated above. Their remuneration is not therefore linked to the Company's financial performance. Non-executive directors are not permitted to participate in any share ownership schemes.

The Board of Directors, on a proposal from the Appointments and Remuneration Committee, and with the approval of the Board of Statutory Auditors, established fixed remuneration for executive Directors of 1,300,000 euros for the Chairman and 1,400,000 euros for the Managing Director, in addition to the aforementioned remuneration, as well as: (i) for the Chairman, the use of a Company flat; (ii) for the Managing Director, payments into a welfare plan of an amount equal to 10% of his fixed salary;

(iii) for both, personal health coverage and insurance against work-related and non work-related accidents, life insurance and permanent disability insurance due to illness; (iv) for both, a sum equal to the amount required in order to pay taxes on this type of taxable benefits.

An incentive plan is also provided for the Managing Director for the financial year 2009 of between 50% and 200% of his fixed salary, dependent on the attainment of specific, certifiable indicators, linked to objectives in four target areas set as priorities for the 2009-2011 business plan.

- Value Creation, expressed by the Net Income (weighting: 20%),
- Cash Improvement, assessed in terms of the ratio between Net Debt and EBITDA (weighting: 15%),
- Quality, in terms of the Customer Satisfaction Index (weighting: 15%),
- Focus on the operational component, either as the ratio between cash costs and revenues (weighting: 15%), or in terms of the revenue from specifically identified innovative services (weighting: 15%).

The objectives for the above parameters are set by the 2009 budget target with decreases to a minimum threshold value, and a maximum payout for the attainment of predetermined increases. Movements are assessed according to the relevant indicators and intermediate performance results are measured in a linear manner. In addition to the quantitative parameters (with a total weighting of 80%) there are qualitative valuation criteria (weighting: 20%) at the discretion of the Board of Directors.

Furthermore, the Chairman and Managing Director (see the table in Note 45 "Other Information" to the Telecom Italia S.p.A.'s financial statements), are assigned stock options in accordance with the plan approved at the meeting of April 14th, 2008, of 3,000,000 for the Chairman and 8,400,000 for the Managing Director, according to the conditions set out in more detail in the public disclosure document, published in accordance with Art. 84-b of the Issuers Regulations.

Provision has also been made for the Chairman and Managing Director to be paid the sums due to them until expiry of their term of office, supplemented by a compensation amounting to one year's

remuneration, should they leave office before the expiry of the mandate granted by the Shareholders' Meeting of April 14th, 2008 (i) due to objective causes (such as a Company merger or the dismissal of the entire Board in accordance with Art. 9.12 of the Bylaws, (ii) at the Company's initiative (unless there is just cause) or (iii) at the initiative of the parties concerned, if there is just cause (e.g.: changed circumstances, especially with regard to assigned functions, or a significant change to the relevant shareholding). For the Managing Director, this includes a variable component, calculated as the average of payments already received.

At the meeting held on February 25th, 2010, the Board of Directors took note of the new Executives with strategic responsibilities (otherwise known as executive officers or key managers) resulting from the latest reorganisation, in late 2009. They currently hold the positions of pro tempore Chief Financial Office, Domestic Market Operations Manager, Technology & Operations Manager, Diretor Presidente of Tim Brasil, Human Resources and Organization Manager, Corporate Legal Affairs Manager, and Purchasing Manager. In addition, they include the Chairman of the Board of Directors and the Managing Director.

Total remuneration paid in 2009 to pro tempore executive officers recognised as having strategic duties is shown, overall, in Note 45 (Other Information) to Telecom Italia S.p.A.'s financial statements.

Remuneration to executive officers with strategic duties consists of a short-term variable component linked to the Company's financial performance and/or attainment of specific objectives, in the form of what is known as the MBO. A free allocation (known as "Performance Share Granting") is also given to this group, and senior managers, consisting of a predetermined maximum number of ordinary shares, which depends on the effective period of participation in the 2008-2011 Incentive Plan and the extent of the attainment of the predetermined share-performance objectives, expressed as absolute and relative Total Shareholder Return. The plan's information document is available on the Company's website.

### **Internal control and corporate governance committee**

The Internal Control and Corporate Governance Committee, which has been part of the Company's

governance structure since 2000, has the following advisory and consultative functions:

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

The Committee also:

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

The Committee examined the quarterly reports prepared by the internal control manager on auditing activities, on the implementation of plans to improve the internal control system and the implementation of follow-up activities, on the work done to monitor and verify the compliance of company procedures

and operations with specific legal provisions and internal procedures, and on the management of risks and IT compliance. Specifically, the Committee carefully supervised standards of compliance in marketing and with requirements regarding privacy and the treatment of data of traffic and related parties, carrying out a detailed investigation into the sale of the shareholding in Hansenet to the majority shareholder of Telco, Telefónica. Finally, the Committee monitored the status of the stake held by Telecom Italia in Sofora (the holding company of Telecom Argentina).

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

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

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

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

In 2009, the Committee held twelve meetings, regularly minuted, with by expert input from Company management and subjects outside the Board. The average duration of the meetings was approximately two hours and fifty minutes and the attendance rate was 85.42%. In some cases, because of the matters to be discussed, the Board of Statutory Auditors also held joint meetings with the Internal Control and Corporate Governance Committee. The Board of Statutory Auditors was also represented at all the Committee's meetings in the person of its Chairman (or at least one Statutory Auditor appointed by him).

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

### Internal control system

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

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

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

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

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

- a. for the market risk: complete coverage of the exchange rate risk and minimal exposure to interest rates through the appropriate diversification of portfolios, which also includes the use of financial derivative instruments.
- b. for the credit risk: liquidity is prudently man-

aged and is mainly divided between “money market management” (investment of temporary cash surpluses) and “bond portfolio management” (investment of a level of permanent liquidity). In both types of management, in order to reduce the risk of failure by a counterpart to fulfil obligations, counterparts and issuers with a high credit rating are selected under a careful diversification policy for the purposes of liquidity and the distribution of credit positions between various banking counterparts;

- c. for the liquidity risk: the objective is to achieve an adequate level of financial flexibility by maintaining an adequate treasury margin that enables coverage of re-financing requirements for at least the following twelve months.

#### **Executive Director in charge of the internal control system**

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

#### **Internal control manager**

In exercising its responsibility for the internal control system, the Board is supported by the Internal Control and Corporate Governance Committee and a responsible body (as mentioned in previous governance Reports, this is the associate company Telecom Italia Audit & Compliance Services) This latter is granted the level of independence and means in order to carry out its duties, which include direct and independent access to any information it requires. The responsible body must support the management and control structures in checking the adequacy and effective operation of the control system, and

to propose corrective measures should anomalies or malfunctions be encountered.

Telecom Italia Audit & Compliance Services:

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

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

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

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

This allowed an assessment to be made of the internal control system to establish its capacity –

in terms of adequacy, functionality and reasonable certainty – to contribute to the attainment of the objectives of the individual company structures (effectiveness), assessing the use of the resources for implementing them (efficiency) in the light of the (qualitative/quantitative) risk factors and the potential influence of these risks on the attainment of the objectives.

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

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

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

#### **The Organisational model under Legislative Decree 231/2001**

The internal control system is completed by what is known as the "Organisational Model 231", adopted in accordance with Legislative Decree 231/2001, which is designed to prevent the commission of any crimes for which the Company could be held respon-

sible. This Organisational Model consists of:

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

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

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

The Supervisory Body oversees the operation of and compliance with the 231 Organisational Model and consists of a member of the Board of Statutory Auditors (the Board's Chairman, Ferdinando Superti Furga), an independent Director who is a member of



the Internal Control and Corporate Governance Committee (Paolo Baratta) and the internal control manager, that is, the Chairman of Telecom Italia Audit & Compliance Services (Federico Maurizio d'Andrea). The Body, which was reappointed on April 15th, 2008, following the renewal of the Board of Directors and for the same period of office, reports to the Board, the Internal Control and Corporate Governance Committee, and the Board of Statutory Auditors on the controls and their outcome.

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

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

#### **Auditing company**

The audit of the separate financial statements of Telecom Italia S.p.A. and the consolidated financial statements of the Telecom Italia Group, the limited mid-year audit of the condensed consolidated financial statements of Telecom Italia S.p.A., and the audit of the annual report drawn up according to the US Securities Laws are carried out by Reconta Ernst & Young S.p.A., initially appointed by the Shareholders' Meeting of June 12th, 2001. The appointment was renewed by the Shareholders' Meeting of May 6th, 2004 and extended by the Shareholders' Meeting of April 16th, 2007, in accordance with article 8, paragraph 7, of Legislative Decree No. 303 of December 29th, 2006, for a further three years, and, therefore, expiring with the 2009 financial statements. The Shareholders' Meeting convoked to approve the financial statement with then make provision for the auditing of accounts for the period 2010 – 2018, on the basis of the considered proposal of the Board of Statutory Auditors.

The auditing company was selected following a comparative analysis conducted under the super-

vision of the Board of Statutory Auditors with the support of company departments. The bids received from various auditors were examined with particular reference (i) to the expertise and the specific experience of auditing in the telecommunications sector; (ii) to the adequacy of the technical structure for the size and complexity of the Company and the Group to which it reports; (iii) to experience with adherents to the Italian SEC register; (iv) to independence and autonomy of judgement with regard to the Company and the Group; (v) to the correspondence of the fees charged with the schedule and professionalism required.

Telecom Italia has adopted suitable Guidelines for applications by audit companies: (i) for the commissioning of the audit of the financial statements of Telecom Italia S.p.A. (Telecom Italia, the Company or the Parent Company); (ii) for the commissioning of the audit of the financial statements/reporting packages of the subsidiaries of Telecom Italia; (iii) for the commissioning by the Company and its subsidiaries of further undertakings for the company commissioned to audit the financial statements of the Parent Company and the bodies belonging to its network, as defined in the applicable regulations.

Without prejudice to compliance with the applicable regulations, the commission to audit the separate financial statements, the consolidated financial statements, the annual report published in accordance with the reporting requirements with which Telecom Italia is required to comply because it is registered with the United States Securities and Exchange Commission, and the half-year financial report of Telecom Italia in line with these Guidelines is awarded by the Shareholders' Meeting on the basis of the considered proposal of the Board of Statutory Auditors.

The preliminary inquiries for the commission (or later amendments) to audit the financial statements of Telecom Italia is co-ordinated by the executive responsible for drawing up the Company's accountancy documents, under the supervision of the Board of Statutory Auditors, who may be assisted by the internal control manager in verifying the independence of the candidate auditor, according to the applicable regulations.

The Commissioned Auditor is the principal auditor of the entire Telecom Italia Group. The commissioning of auditing or associated commissions

(audit services and audit-related services) of bodies other than the Commissioned Auditor, and/or bodies belonging to its network, must be checked beforehand with the executive responsible for drawing up the Parent Company's accountancy documents, who will initiate the necessary approval and reporting processes, ensuring compliance with the applicable regulations.

To ensure the independence of the Commissioned Auditor, the Guidelines lay down the principle by which additional commissions to the Commissioned Auditor and the bodies belonging to its network are limited to the services and activities strictly connected to auditing the financial statements. However, further commissions (allowed by the relevant legislation) to the Commissioned Auditor and to the bodies belonging to its network, remain subject to the prior favourable opinion of the Board of Statutory Auditors of the Parent Company. In urgent cases, the prior favourable opinion can be issued by the Chairman of the Board of Statutory Auditors (or another Statutory Auditor appointed by the latter), who will refer it for ratification to the plenum of the control body in the first subsequent meeting.

#### **Executive responsible for drawing up the company's accountancy documents**

The position of Executive responsible for drawing up the company's accountancy documents was held, until December 2nd, 2009, by Marco Patuano. At a meeting on that date, following the reorganisation of certain senior management positions, the Board of Directors appointed the new Administration, Finance and Control Department Manager, Andrea Mangoni, as the Executive responsible for drawing up the company's accountancy documents.

According to the Bylaws (article 13), the Board of Directors makes the appointment, subject to the opinion of the Board of Statutory Auditors and – under the terms of the Self-Regulatory Code (see the appropriate Code, article 14) – the Internal Control and Corporate Governance Committee, which define the powers and responsibilities at an internal level. These are governed by the appropriate Regulation, available at the Company's website. Given that he is responsible by law for establishing appropriate administrative and accounting procedures for drawing up the statutory and consolidated financial statements, as well as any other communication of

a financial nature, the Regulation grants him operational responsibility (for organisation and individual matters) for the internal financial reporting controls, with the proviso that he is supported by the executive Directors and the management of the Company.

The Executive reports to the Board of Directors, to the Internal Control and Corporate Governance Committee and – within the limits of its responsibilities – to the Board of Statutory Auditors.

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

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

The internal audit system for Financial Reporting is designed to ensure the trustworthiness<sup>(3)</sup>, accuracy<sup>(4)</sup>, reliability<sup>(5)</sup> and timeliness<sup>(6)</sup> of its financial disclosures. In this context, Telecom Italia has established, and continuously updates, a regulatory/documentary system of the Group's accounting standards, administrative accountancy procedures, guidelines, operating instructions, accountancy manuals and charts, in order to guarantee efficient coordination and exchange of information between the parent company and its subsidiaries, and the correct preparation of the separate financial statements and consolidated financial statements.

In particular, Telecom Italia has introduced:

- a document containing the Group's accountancy standards drawn up on the basis of IAS/IFRS (International Accounting Standards / International Financial Reporting Standards) to be adopted by all Group companies, with quarterly updates, to ensure uniformity throughout

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

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

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

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

the Group of items in the financial statements, and the respective accountancy standards which are essential to comply with the principle of “truthful and accurate representation” in the Gruppo Telecom Italia consolidated financial statement;

- a chart of accounts for the Group to ensure a uniform method of codifying and assigning the management accountancy items common to every company in the Group.
- procedures for the preparation of monthly balance sheets, the separate financial statements and the consolidated financial statements for the Group. Specifically, these procedures define the roles and responsibilities of the bodies/departments involved, the information systems used, the stages of the processes and their deadlines, in addition to a detailed working calendar;
- procedures that lay down the administrative and procedural rules which Group companies must follow in the administration of intercompany relations to ensure timely notice is given to companies of entries and their correct representation in the individual financial statements, and also to ensure they are properly merged when preparing the consolidated financial statement;
- an organic, detailed set of guidelines, procedures and operational instructions covering management procedures (revenue, costs, investments and other assets) which regulate in detail:
  - the responsibilities of the company departments involved in administrative processes;
  - accounting procedures, accounting principles and assessment of the entries in the financial statements in compliance with the Group's aforementioned accounting principles.
  - internal controls for the various stages of processes.

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

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

- risk<sup>(7)</sup> identification in financial reports: at this stage, Telecom Italia defines the identification criteria for the “relevant” entities and processes in terms of their potential impact on financial reporting (the information contained in the draft balance sheet and in the notes to the accounts), and risks ensuing from the failure to achieve audit objectives<sup>(8)</sup>. These are related to the possible risks of both unintentional errors<sup>(9)</sup> and fraud<sup>(10)</sup>, insofar as they may significantly affect financial reporting. Risks resulting from a failure to achieve audit objectives are defined in accordance with the COSO framework and apply to both the Company/Group<sup>(11)</sup> (“entity level”) and to the “process level<sup>(12)</sup>”;
- selection of controls matched to identified risks: at this stage Telecom Italia uses an application hosted on the company's intranet<sup>(13)</sup> to identify and document audits carried out in-house which can mitigate the financial reporting risks at the entity level<sup>(14)</sup>, the process level<sup>(15)</sup> and the IT General Controls<sup>(16)</sup>;

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

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

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

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

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

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

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

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

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

(16) These are the controls included in the IT services delivered (such as telecommunications, networks, technological infrastructure

- evaluation of controls matched to identified risks: periodically during the year, according to a calendar defined in accordance with the certification requirements of Italian regulations (Law 262/05) and American legislation (Section 404 of the United States Sarbanes Oxley Act) law, previously identified controls are assessed in terms of “design”<sup>(17)</sup> and “operativity”<sup>(18)</sup> using specific testing methods. The evaluation of the controls is the primary responsibility of the competent management, supplemented by an independent evaluation conducted by the management at Telecom Italia Audit & Compliance Services S.c.a.r.l.

The results of the evaluation process described above (specifically, any audit failures deemed to be significant/material in terms of the potential impact of the error/fraud on financial reporting) are periodically submitted to the Internal Audit and Corporate Governance Committee and to the Board of Statutory Auditors. The presence of any deficiency activates a process that defines, schedules and implements a specific plan to remedy the aforementioned deficiency.

#### Internal audit system – focus on Telecom Italia Sparkle

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

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and logical security), implemented by the company or by outside service providers. This set of controls is essentially independent of the specific systems/applications developed and/or implemented.

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

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

able on the Company's website.

#### Directors' interests and transactions with related parties

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

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

A distinction has therefore been made between transactions falling within the ordinary course of business, which may or may not require the activation of an authorisation process based on procedures for determining the conditions of the relationship with the related party, distinguishing between unidirectional fixed situations and competitive procedures (where the risk of conflict of interest is inherently ruled out) and situations that are comparable with market conditions (“at arm's length”). The matrix for checks and approval (in addition to the usual internal authorisation procedures) is based on the importance of the transaction, in terms of duration and economic value, and is sometimes entrusted to the management, sometimes to a Management Committee (Group Compliance Officer, Chief Financial Officer, General Counsel, supported by the first level manager, responsible for the specific transaction) and sometimes to the Internal Control and Corporate Governance Committee. It may progress from one level to the next and require follow-up general monitoring by the Internal Control and Corporate Governance Committee.

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

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

#### **Appointment of statutory auditors**

The Board of Statutory Auditors consists of five statutory auditors. The Shareholders' Meeting also appoints four substitute auditors.

The Board of Auditors is appointed in accordance with the relevant legal and regulatory requirements, on the basis of lists submitted (lodged at the registered office of the company at least fifteen days before the date set by the first convocation of the Shareholders' Meeting, unless there is a postponement in the cases laid down by the applicable regulations) by shareholders who individually or together with others hold shares representing at least 0.5% of the capital with voting rights.

The lists are divided into two sections: one for candidates to the office of regular statutory auditor and the other for candidates to the office of substitute auditor. Three regular statutory auditors and two substitute auditors are drawn from the list that obtained the majority of votes ("Majority List"), while the remaining regular statutory and substitute auditors are drawn from the other lists ("Minority Lists"), subject to compliance with the laws and regulations regarding restrictions on matches with the Majority List. To this end, the votes obtained by the Minority Lists are divided into one and two and the shares are assigned to candidates in both sections according to the order listed. The shares thereby allocated to the candidates on the various lists in descending rank for appointment to the office of regular auditor, and descending rank for appointment to the office of substitute auditor, and those with the two highest shares are elected. If more than one candidate obtains the same share, the candidate from the list that has not yet elected a statutory auditor is elected or, failing that, a new ballot is held at the Shareholders' Meeting and the candidate who obtains a simple majority of the votes is elected.

Should any of the statutory auditors chosen from the majority list or from one of the minority lists leave office, the substitute auditors drawn from

the majority list or the minority lists will take their place in order of age. Should any statutory auditor drawn from the Minority Lists leave office, the requirement of minority representation is met by drawing a substitute auditor from the Minority Lists.

#### **Statutory auditors**

The Shareholders' Meeting of April 8th, 2009 appointed the current Board of Statutory Auditors, whose mandate will end with the approval of the financial statements in 2011, and also appointed its chairman and set the level of his remuneration.

Three lists were submitted, in accordance with the procedures and time limits laid down by the applicable regulations (Telco List, Findim Group List and Funds List); for information concerning candidates included in the Lists, the shareholders who submitted the Lists and the preferences of each List, please refer to the full text of the Report.

Three Regular Statutory Auditors and three Alternate Statutory Auditors were drawn from the Telco list which obtained the majority of the votes cast, according to the order in which they were listed: Salvatore Spiniello – Statutory Auditor, Ferdinando Superti Furga – Statutory Auditor, Gianluca Ponzellini – Statutory Auditor, Ugo Rock – Substitute Auditor and Vittorio Mariani – Substitute Auditor.

Two Statutory Auditors and two Substitute Auditors were drawn from the other lists: Enrico Maria Bignami – Statutory Auditor (from the Savings Management Companies List), Lorenzo Pozza – Statutory Auditor (from the Findim Group List), Maurizio Lauri – Substitute Auditor (from the Savings Management Companies List) and Silvano Corbella – Substitute Auditor (from the Findim Group List).

The curricula vitae giving the personal background and professional qualifications of the Auditors are available for consultation at the Company's website.

In accordance with the law, the Shareholders' Meeting also appointed the Chairman of the Board of Statutory Auditors, who was selected from the two Statutory Auditors elected by the minority, that is, Enrico Maria Bignami (the majority can be found in the full text of the Report). The proposal of the Telco Shareholder to set the gross annual remuneration for each of the Statutory Auditors at 80,000 euros, the gross annual remuneration for the Chairman of the Board of Statutory Auditors at 120,000

euros, and the additional gross annual remuneration for any Statutory Auditor called to join the supervisory body at 15,000 euros was approved (the majority can be found in the full text of the Report). At a meeting on March 16th, 2010, the Board of Statutory Auditors confirmed the fulfilment of the independence requirements in accordance with Art. 148, paragraph 3, of the Legislative Decree 58/1998, noting that the requirements were fulfilled as stated at the time of the appointment, including the independence requirements of the Self-Regulatory Code of the Borsa Italiana.

In 2009, the Board of Statutory Auditors held 28 meetings (6 of which were held jointly with the Internal Control and Corporate Governance Committee). The average duration of the meetings was three hours. The percentage of attendance was 95%.

In 2010, 14 meetings have already been held.

Table 6 (attached to the full text of the Report) provides information on the composition of the Board of Statutory Auditors at April 12th, 2010, while table 7 (also attached to the full text of the Report) gives information on the members of the Board of Statutory Auditors who left office in 2009. For detailed information about the activities carried out by the Board of Statutory Auditors, please refer to the Board of Statutory Auditors' Report, prepared in accordance with Art. 153 of the Legislative Decree 58/1998.

#### **Relations with shareholders**

An Investor Relations Manager manager, Elisabetta Ripa, has been appointed from within the company to oversee relations with the national and international financial community and all the shareholders. Important information for shareholders, as well as existing and potential investors in general (includ-

ing bondholders), is provided in an ad hoc section at the Company's website.

#### **Shareholders' meetings**

In accordance with the Bylaws (Art. 19), shareholders are entitled to attend a Shareholders' Meeting if the notification required under Article 2370, second paragraph, of the Civil Code, reaches the Company at least two days prior to the date set for the individual meeting.

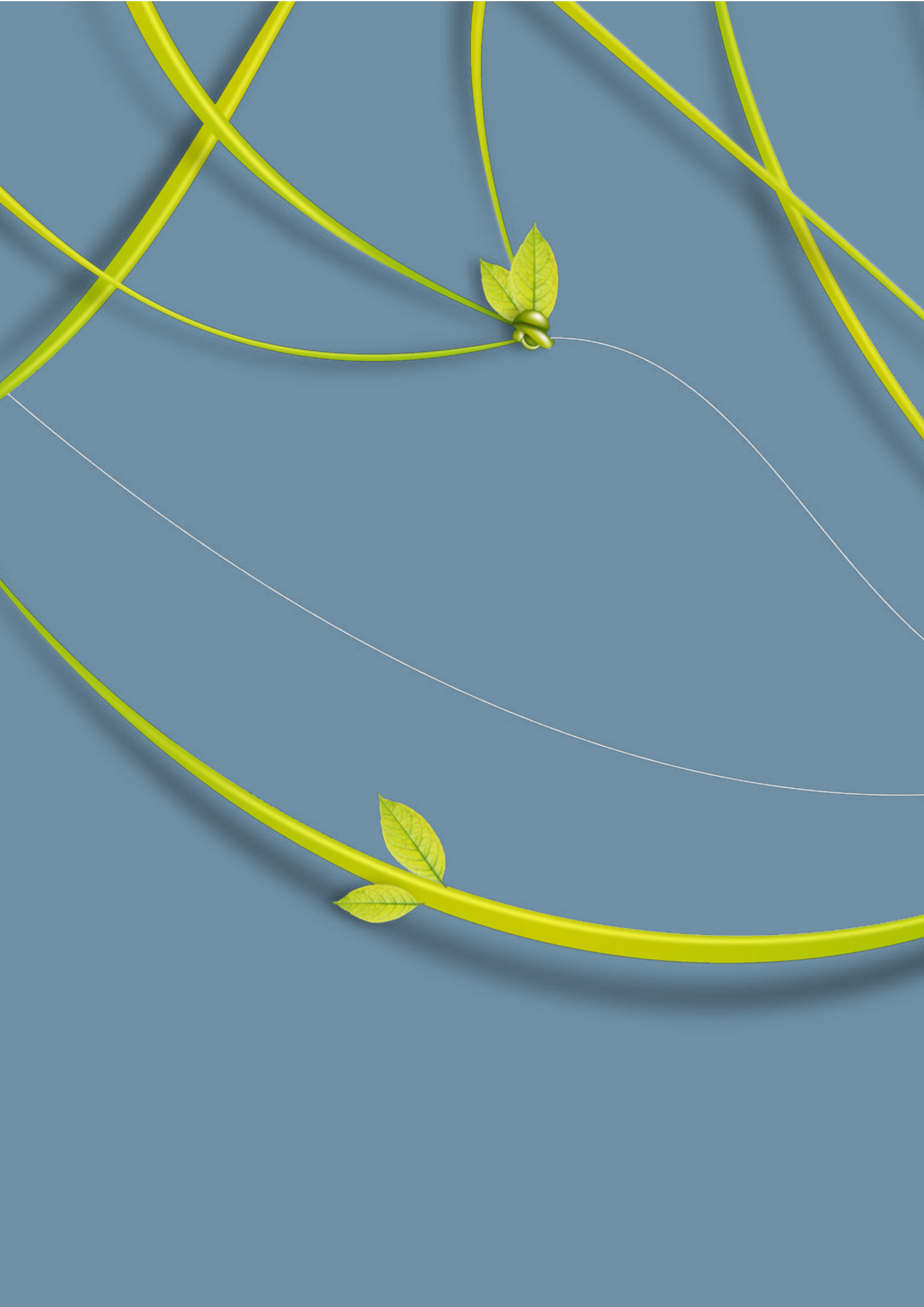
Telecom Italia does not impose a block on shares as a requirement for attending a shareholders' meeting: shareholders are requested to deposit their shares, that is, instruct the intermediary that keeps the relevant accounts to issue the notification. This does not prevent later withdrawal of the shares. However, if they are withdrawn, any earlier deposit ceases to be effective for the purpose of entitlement to attend the meeting. Any requests for advance notice to perform the relevant formalities or the unavailability of deposited shares due to the market practices of intermediaries is not in any way the responsibility of the Company.

Ordinary shareholders are entitled to exercise their right to vote by post, and to be represented, by issuing the appropriate proxy to an individual or legal entity.

In order to facilitate the collection of proxies from ordinary shareholders who are employees of the company or associated subsidiaries, and members of shareholders' associations that meet the requirements of current legislation, appropriate areas are made available for communication and for carrying out the collection of proxies.

In order to ensure the smooth running of Shareholders' Meetings, the Company, in 2000, adopted a specific set of Regulations for Shareholders' Meetings.









# Auditors' Report

## **Independent Limited Assurance Report on the 2009 Sustainability Report of Telecom Italia Group**

(Translation from the original Italian text)

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

### **Scope of Work**

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

### **Responsibilities**

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

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

## Work Performed

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

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

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

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

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

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

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

### **Limitations**

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

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

### **Conclusions**

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

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

### **Recommendations**

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

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

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

#### *Inclusiveness*

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

#### *Materiality*

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

#### *Responsiveness*

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

Milan, Italy  
April 20, 2010

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

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## SEND US YOUR SUGGESTIONS

We invite you to take part in a short questionnaire at  
[www.telecomitalia.it/sostenibilita/report2009/feedback](http://www.telecomitalia.it/sostenibilita/report2009/feedback)  
so that we can benefit from your opinion of the Sustainability Report, 2009.  
All suggestions will be invaluable in helping us to produce  
a more complete report that fully meets your expectations.

## GRAPHIC DESIGN

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