



SUSTAINABILITY AND GOVERNANCE

OUTLINE OF TELECOM ITALIA GROUP'S CORPORATE GOVERNANCE

Some aspects of the Group's Corporate Governance which are particularly relevant (material) to the reporting of sustainability in accordance with the GRI-G4-guidelines are briefly illustrated below. For a more detailed and comprehensive description see the 2014 *Report on Corporate Governance and Share Ownership* ("RGS" hereafter), the *Report on Remuneration* ("RR" hereafter), the By-laws and the Group Governance Procedures, available at www.telecomitalia.com.

[G4-34], [G4-35], [G4-40] The Telecom Italia Group's Board of Directors is appointed by the Shareholders' Meeting based on slates submitted by eligible voters who own a total of at least 0.5% of the ordinary share capital (or any other amount that may be required by the regulations issued by Consob). **[G4-38], [G4-40]** The only stakeholders represented in the Board of Directors are the shareholders. Directors' powers are granted (and revoked) by the Board of Directors, which determines the purpose, limits and methods by which they are exercised.

[G4-40] The Group's By-laws require the least represented gender to account for at least one third of the total number of directors, rounded up to the next unit in the event of a fraction. The independence of a minimum number of directors is required by the law (Consolidated Law on Finance) based on the overall composition of the Board; the same law and the Corporate Governance Code of Borsa Italiana also define the criteria for the independence of directors.

[G4-40] In delivering its guidance to shareholders, before the Shareholders' Meeting called to renew the Board of Directors on April 16, 2014, the outgoing Board of Directors expressed, among other things, some desiderata regarding the new Board, including:

- the skills which were deemed to be necessary were a knowledge of the telecommunications and/or information technology sectors (including regulations) or similar areas of business, strategy, finance, communication and organisation, risk management and internal control. In terms of professional background, people of managerial extraction were to be preferred (primarily: CEOs or CFOs of significantly large companies), but the contribution of academic experts in finance and taxation, risks, law or the technical sector in which the Group operates were also judged useful;
- international openness was desirable, with the inclusion in the slate of non-Italian candidates, or individuals who had gained professional experience overseas;
- knowing that specialised skills can be contributed by internal structures or, if necessary, by external consultants, and that the complexity of the matters to be dealt with suggests that candidates with prior experience gained on the boards of listed companies would be appropriate.

(see Resolution Proposals - Shareholders' Meeting of April 16, 2014, available at www.telecomitalia.it).



[G4-38] The Board of Directors in office as of April 16, 2014 consists of 13 members, including 9 independents. 5 of the Board members are women and the female gender is the only social subgroup represented. Table 2 “Structure of the board of directors and committees and other positions held” in of RGS shows, for each director, their term of office, the committees to which they belong, the number and nature of other positions they hold, the slate to which they belong (Majority or Minority), whether they are independent, executive or non-executive. The CVs of each director are available at www.telecomitalia.com. Skills in the field of economics range from university teaching to university and post-university studies and experience at the top of large companies. Four directors also declare that they have worked on CSR-related projects. [G4-47] 14 meetings of the Board of Directors were held in 2014.

[G4-43] The Directors take part in specific meetings with the management or external consultants, aimed at providing adequate knowledge of the industry in which the Company operates, business dynamics and their evolution. Business lunches, workshops on new technologies and educational-informative meetings are held prior to strategic meetings. Updates regarding the relevant legislative framework are provided in specific briefing notes. Training sessions on sustainability are also planned for 2015.

[G4-34], [G4-40] Currently the committees set up within the Board of Directors are the *Control and Risk Committee* and the *Nomination and Remuneration Committee*. The nomination and selection processes of committees, as well as the requirements for independence and skills are described in the *Nomination and Remuneration Committee Regulations* and *Control and Risk Committee Regulations*.

[G4-44a] Self-assessment of the size, composition and operation of the Board and its Committees was launched in December 2014 with the support of the independent external consultants *BoardroomReview*. [G4-44b] The assessment methods and results are illustrated in RGS. In 2014 the self-assessment did not cover sustainability topics.

[G4-35], [G4-36], [G4-39], [G4-42] The Shareholders’ Meeting of April 16, 2014 appointed Giuseppe Recchi as Chairman and the subsequent meeting of the Board of Directors of April 18 appointed Marco Patuano as CEO.

The powers assigned to the Chairman (detailed in RGS) include:

- determining the guidelines for the development of the Group, in agreement with the CEO, with powers to identify and analyse extraordinary operations;
- supervising the strategic, industrial and financial plans, the implementation of these plans and their development and monitoring the implementation of board resolutions;
- supervising the definition of organisational structures and the power to organise and determine the size of the workforce and resources required to exercise his functions, making direct use of the Human Resources department, which reports to the CEO;

- supervising the economic and financial performance of the companies and the Group;
- supervising the process of examination and definition of the structure of the internal control system;
- representing the company and the group in external relations with all authorities, Italian and international institutions and investors (on the understanding that People Value department reports to the CEO);
- organisational responsibility for the following departments that report directly to him:
 - Legal and Corporate Affairs (save for the CEO's power to make use of the Legal Affairs Department for the operational management support required);
 - Press Office and Opinion Makers Relations (save for the CEO's power to make use of the Press Office for the operational management support required in coordination with the Chairman);
 - Public & Regulatory Affairs (coordinating, as regards relations with AGCOM and AGCM and the corresponding overseas authorities, with the CEO, to which the Department reports in respect of relations with these authorities only);
- organisational responsibility for the Corporate Social Responsibility department ([G4-48] including responsibility for drawing up the sustainability report) and governance of the Fondazione Telecom Italia.

[G4-35], [G4-36], [G4-42] The powers assigned to the CEO (detailed in RGS) include:

- responsibility for administration (which include drawing up the financial statements), ordinary and extraordinary finance, taxation activities, management control and investor relations;
- responsibility for devising, proposing to the board of directors and then implementing and developing strategic, industrial and financial plans;
- responsibility for defining organisational structures, personnel policies and relations with trade unions;
- all organisational responsibilities for managing and developing the business in Italy and South America;
- organisational responsibility for the sections of the Public & Regulatory Affairs department responsible for relations with AGCOM and AGCM and the corresponding overseas authorities, coordinating with the Chairman;
- responsibility for brand and commercial communication policies;
- responsibility for market disclosure, with reference to the company;
- “employer” responsibility for the health and safety of workers in the workplace, with reference to the company;
- responsibility and powers regarding the handling and protection of personal data, with reference to the company.

[G4-35], [G4-36] The system by which the executive directors (Chairman and CEO) delegate powers to the departments that report to them is the subject of a specific company procedure that establishes the methods by which this system must be implemented (Granting and Revocation of



Powers). Powers are normally granted to those reporting directly to the executive directors and, in particular, for matters of an economic and financial nature, they are granted to those reporting to the CEO who deal with such matters, while for CSR the powers are delegated to those in charge of the CSR department reporting to the Chairman. Those reporting directly can in turn assign specific powers to specific departments; [G4-37] in particular, powers are granted in this way to consult stakeholders (customers, suppliers, public administration, employees, etc., described in the Stakeholder Engagement section of this chapter).

[G4-41] The company procedure for transactions with related parties¹, drawn up in accordance with Consob Regulation no. 17221 of March 12, 2010, is regularly updated (the latest revision is dated December 18, 2014) and is illustrated in RGS, see *Directors' Interests and Transactions with Related Parties*. The disclosure of any transactions with related parties during the relevant period is included in the *Transactions with related parties* chapter of the Annual Financial Report.

[G4-45], [G4-46], [G4-14] The internal control and risk management system consists of a set of rules, procedures and organisational structures intended to ensure the healthy and proper management of the company, in a way that is consistent with the established goals, through an appropriate key risk identification, measurement, management and monitoring process. Being responsible for the internal control and risk management system the Board of Directors defines the system guidelines, verifying their adequacy, effectiveness and proper operation, so as to ensure that the main risks facing the company (including operational, compliance, economic and financial risks) are correctly identified and managed over time.

The establishment and maintenance of the internal control system are entrusted to the Executive Directors, each in his/her own delegated area, and to the Executive responsible for preparing the Company's accounting documents in his/her area of responsibility, so as to ensure the overall adequacy of the system and its effectiveness, from a risk-based perspective, which is also considered when determining the agenda of Board meetings. Coordination between the parties involved in the internal control and risk management system is illustrated in RGS.

The internal control system is completed by the so-called "Organisational Model 231", i.e. an organisational and management model adopted pursuant to Legislative Decree 231/2001, aimed at preventing offences that may result in liability for the Company.

[G4-45], [G4-46], [G4-14] Telecom Italia Group has adopted an Enterprise Risk Management (hereinafter ERM) Model which allows all kinds of risks to be identified, assessed and managed uniformly within Group companies, highlighting potential synergies between the parties involved in

¹ The terms "related party" and "related parties" of Telecom Italia are understood to refer to the parties defined as such in the Consob Regulation. Regardless of whether they can be defined as related parties according to accounting principles, the Procedure also applies to participants to significant shareholders' agreements, pursuant to article 122 of the Consolidated Law on Finance, that govern candidacies for the position of Director of the Company, if it turns out that the majority of Directors appointed has been drawn from the slate presented by participants in shareholders' agreements.

assessing the Internal Control and Risk Management System. The ERM process is designed to identify potential events that may influence the business, in order to manage risk within acceptable limits and provide a reasonable guarantee that business objectives will be achieved.

The process is managed by the ERM Steering Committee, which is chaired and coordinated by the head of the Administration, Finance and Control Department. The Steering Committee meets every three months (or when specifically required) and is intended to ensure the governing of the Group risk management process, which is designed to guarantee the operational continuity of the company's business, monitoring the effectiveness of countermeasures adopted. For further information, see the chapter *Being Sustainable: Risks and opportunities, The Group's Enterprise Risk Management System* section.

[G4-49], [G4-50], [G4-58] The main procedures made available by the Group for stakeholder reporting are:

- the internal control reporting procedure (whistleblowing procedure)
- the procedure for reporting complaints to the Board of Statutory Auditors

available at www.telecomitalia.com. In addition to these there is the procedure for reporting complaints to the "Organismo di Vigilanza" (Supervisory Board), available on the company intranet.

[G4-57], [G4-DMA Labor Practice Grievance Mechanisms] As stated in article 4 of the Group Code of Ethics and Conduct, any requests for clarification regarding the appropriateness of one's own conduct or the conduct of other people, in order to ensure full compliance with the Code and the values set by the Code itself, must be addressed to the Head of the Audit Department of Telecom Italia S.p.A. or to the Head of the Audit Department of the Group's overseas company directly involved, in accordance with specific internal procedures. **[G4-58]** The same entities must be promptly informed, by means of the appropriate internal procedures (Internal Control reporting procedure), of the following by the recipients of the Code and those who have undertaken to comply with it:

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

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

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



[G4-50] In 2014, via the internal control reporting procedure, 91 reports were received from Italy and 77 from Brazil, most of them relating to alleged inefficiencies. The *Human Rights* section of the *Being Sustainable: risks and opportunities* chapter and the *Reports received via the internal control procedure* of the Telecom Italia People chapter illustrate the reports received concerning alleged violations of human and labour rights².

[G4-50] The Board of Statutory Auditors' Report states the number of reports received via the Board of Auditors' Reporting Procedure and provides summary of the investigations carried out by the Board itself with the support of the Group Compliance Officer (see 2014 Annual Financial Report). Furthermore, during 2014, the Supervisory Body received just 3 reports, none of which related to the Code of Ethics and Organisational Model 231.

[G4-51], [G4-52] The remuneration policy for the members of the Board of Directors is determined in accordance with legal requirements and the by-laws, according to which:

- **[G4-53]** the Shareholders' Meeting determines the total gross annual remuneration of the Board of Directors (and of the directors holding specific offices: Chairman and CEO); expresses an opinion on the first section of the Remuneration Report; passes resolutions regarding remuneration plans based on the allocation of financial instruments;
- the Board of Directors passes resolutions to determine how the remuneration set by the Shareholders' Meeting will be distributed (when it is established as a total amount for the Board in its entirety); determines the remuneration policy for executive directors and key managers with strategic responsibilities; determines the remuneration of directors holding special offices.

The Board of Directors is also responsible for making proposals to the Shareholders' Meeting regarding remuneration plans based on the allocation of financial instruments for directors and employees and for drawing up the Remuneration Report.

[G4-52] In order to ensure that the choices made regarding remuneration are appropriately investigated, in accordance with the rules on transparency and the strict regulations on potential conflicts of interest, the Board of Directors relies on the support of the Nomination and Remuneration Committee. In performing its duties, the Committee (the meetings of which are attended by the Chairman of the Board of Statutory Auditors or, if he/she is unavailable, by another Auditor appointed by him/her) relies on the assistance provided by appropriate structures of the Company and can also rely on the support of external consultants whose position does not compromise their independence of judgement. Since the renewal of the Board of Directors, the Committee has relied on the assistance and support of Mercer Italia.

[G4-51] With the exception of the Chairman and the CEO, the directors receive fixed remunerations only. Table 1 "Compensation paid to members of the management and control body and to

² In particular, the Telecom Italia People section contains a more detailed description of the procedure and the types of reports made via the procedure.

Key managers with strategic responsibilities” in the Remuneration Report states all the types and amounts of remuneration received by each director. Details of the fixed and variable remuneration components (including any stock option), benefits and severance pay attributed to the CEO, the Chairman and the key managers with strategic responsibilities, as well as the targets for the variable component of the CEO’s remuneration are illustrated in detail in the Remuneration Report. In particular, the targets assigned to the CEO are primarily of a financial nature, except for the Customer Satisfaction indicator and the total investments in innovation, while for the Chairman, the targets assigned relate for the most part to effectiveness in managing the activities of the Board of Directors, measured by the Board assessment. The sustainability targets used to determine the management incentive system are stated in the *Remuneration Policies* section of the *Telecom Italia People* chapter of this report.

GOVERNANCE AND MANAGEMENT OF SUSTAINABILITY IN TELECOM ITALIA

SUSTAINABILITY GOVERNANCE

[G4-34], [G4-42] Responsibility for monitoring the Group’s socio-environmental issues and identifying CSR projects and initiatives rests with the Corporate Social Responsibility department, which

- reports directly to the Chairman of the Board of Directors;
- periodically reports to the Control and Risk Committee.

The latter acts as a corporate social responsibility overseer, ensuring the consistency of actions carried out with the principles of the Group’s Code of Ethics and with the values adopted by the Group. **[G4-47]** During 2014, the Control and Risk Committee met the representatives of the CSR department twice.

[G4-48] The sustainability report, including the materiality analysis, is the responsibility of the Chairman of the Board of Directors and is submitted for approval to the Board of Directors.

[G4-35] Socio-environmental responsibilities are delegated, in the same way as all other powers delegated by the company, by applying the procedure *Granting and revoking powers*. In particular, **[G4-36]** responsibility for monitoring and communicating environmental and social issues rests with the CSR department, which draws up the sustainability report, manages relations with rating agencies and also oversees the implementation of particular projects. Responsibility for dealing with specific socio-environmental issues rests with the departments that deal directly with operations involving these issues (e.g. the People Value department is responsible, among other things, for ensuring the health and safety of employees, handles relations with workers’ representatives, ensures compliance with labour laws, etc., the Open Access department ensures compliance with environmental legislation, etc., the Infrastructures & Energy department, in the Network context, devises initiatives for reducing energy consumption, etc.). **[G4-42]** These latter departments in particular identify specific strategies and targets for improving socio-environmental performance, each department in its own area of responsibility. The strategies, activities and



socio-environmental targets of the various departments are stated in the sustainability report.

[G4-37] Just as the responsibility for dealing with each socio-environmental issue is delegated to the department that is operationally responsible for dealing with that issue, stakeholder consultation is delegated to the departments that are operationally responsible for dealing with the company's various stakeholders. The various involvement initiatives are listed in the Stakeholder Engagement section of this report.

REFERENCES

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

- European Commission directives, recommendations and communications;
- the OCSE guidelines directed at multinational enterprises;
- the ISO 9001 and ISO 14001 certifications governing quality and environmental management systems;
- principles of the International Labour Organization (ILO) Conventions on respecting the fundamental rights of workers;
- the Social AccountAbility 8000 standard (SA 8000), aimed at promoting respect for human rights and working conditions by companies and their supply chains;
- AA1000 AccountAbility Principles Standard (APS 2008) drawn up by AccountAbility, an international organisation which promotes collaboration between stakeholders, and lays down standards and guidelines on matters of sustainability;
- ISO 26000 guidelines for private and public organisations of all sizes.

[G4-15], [G4-16] The Telecom Italia Group has long been a member of many environmental and social organisations, both national and international, formed to disseminate universally recognised values including respect for Human Rights, labour rights and environmental protection. The main associations in which the Group is involved and some of the charters and codes to which it has signed up are listed below:

- Global Compact, the main global benchmark launched in 2000 by the UN, to which Telecom Italia has been signed up since 2002; Telecom Italia is a member of the Global Compact Network Italy;
- ITU (International Telecommunications Union) the UN's main agency for Telecommunications and Information, as well as a reference point for governments and the private sector in the development of networks and services. Its purpose is to allow the development of telecommunications to guarantee that everyone in the world can access the global economy. Telecom Italia is involved, amongst other things, in the ITU Child Online Protection working group:

Guidelines for industry. Telecom Italia is also involved in updating guidelines on Child Online Protection - COP for companies in the broadcasting, Internet and mobile sector, which is part of the broader international Global Cybersecurity Agenda project, and in the Environment and Climate Change working group (Study Group 5);

- ETSI (European Telecommunications Standards Institute), the main European standardisation organisation for telecommunications. Telecom Italia is involved in the following technical committees and interest groups regarding the environment: TC ATTM (Access, Terminals, Transmission and Multiplexing), TC EE (Environmental Engineering) and ISG OEU (Operational Energy Efficiency for Users);
- GSM Association and particularly the GSMA - Mobile Alliance against Child Sexual Abuse Content working group for all technological and communication initiatives aimed at protecting children in the mobile phone sector;
- ICT Coalition and Better Internet for kids/CEO Coalition, for establishing the principles and technologies required to make the Internet a safer place for children;
- GRI, a body set up in 1997 by CERES, Coalition for Environmentally Responsible Economy, with the aim of developing globally applicable guidelines for drawing up sustainability reports.
- GeSI (the Global e-Sustainability Initiative), a global partnership of ICT companies to promote the sustainable development of new technologies. Telecom Italia is represented in the General Assembly and is involved in the initiative's working groups, particularly with regard to optimising energy use and reducing greenhouse gas emissions. From the middle of 2012 to the middle of 2014, Telecom Italia was also a member of the Board of Directors, performing the role of treasurer;
- ETNO, a trade association which aims, among other things, to develop a competitive and efficient European telecommunications market through coordination between operators and dialogue with Institutions. Telecom Italia is a member of the Executive Board, which it chaired between 2011 and 2014, and has signed up to The Sustainability Charter of the European Telecommunications Network Operators' Association. Issues related to Corporate Responsibility are handled by a Working Group which Telecom Italia has chaired since 1997, the tasks of which include promoting and verifying the objectives undertaken through the Association's Sustainability Charter. An Energy Task Force coordinated by Telecom Italia reports to the working group and is responsible for evaluating and pooling best practices and the most advanced solutions in the field of energy efficiency;
- Joint Audit Cooperation, a joint initiative between telephone operators to perform sustainability audits in the production plants of suppliers in developing countries. Telecom Italia is one of the three founding members and is represented in the Leadership Assembly (which has guidance and auditing tasks and consists of high level representatives of the Purchasing and CSR departments of its members) and the Operational Board, which defines procedures and tools and coordinates the auditing of suppliers;
- The European Commission's Joint Research Centre which, with the help of telecommunications operators, including Telecom Italia, has developed Codes for the energy efficiency of data



centres and the energy consumption of broadband appliances, both adopted by Telecom Italia;

- FOSI - Family Online Safety Institute, an international non-profit organisation formed to make the Internet safer for young people and their families, identifying the best strategies while respecting the freedom of the Web. FOSI also promotes dialogue between heads of government, the world of industry and the non-profit sector in seeking new solutions for the safety of children in the Web 2.0 world. Telecom Italia is the first Italian company to have joined this important institution.

Telecom Italia is also a member of ANIMA and Sodalitas (entities that deal with sustainability in Italian trade associations), CSR Europe, a network of European companies for the development of CSR in companies.

Among the other codes relevant to sustainability to which Telecom Italia has signed up, we should mention the *Equal Opportunities Charter*, the *Self-regulation code for mobile services*, the *Code of conduct for premium rate services* and the *Self-regulation code for commercial communication* (available on the telecomitalia.com website).

CODES AND CHARTERS OF THE GROUP

[G4-56] The undertakings given by the Group to its stakeholders are expressed in a system of Charters and Codes available in the sustainability section of the telecomitalia.com website.

In the belief that the success of the company cannot be separated from business ethics, the *Code of Ethics and Conduct* sets out the objectives and values of the Company's activities in respect of the main stakeholders with whom the Group interacts.

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

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

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

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

Telecom Italia's Code of Ethics and Conduct underlines a number of key objectives for everyone working in the Group; these objectives, which are listed below, provide useful behavioural references.

Excellence of service

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

Ethics and compliance

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

Competition

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

Human resources

We value the Group's human resources, respecting diversity, within a framework of loyalty, observance of ethical values and trust.

Communication

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

The community

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

Health and Safety

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



FIGHT AGAINST CORRUPTION

[G4-SO3a] Corruption is widely recognised as one of the main factors threatening socio-economic growth and the well-being of the population. Preventing corruption has always been an important part of the Telecom Italia control system in all its companies. Over time, Telecom Italia's control systems have evolved and the scope of its companies has changed. Here we shall concentrate on the Group's existing scope, which consists of the following Business Units: Domestic BU (which includes all the commercial and technical activities related to telephony, including Telecom Italia Sparkle, and Olivetti), Brazil BU and Media (see Telecom Italia Group/Group profile).

[G4-DMA Anti-corruption] The Group's system for identifying, preventing and controlling corruption risks is the "Organisational Model 231", pursuant to Legislative Decree 231/2001, a compliance programme for preventing offences pursuant to Legislative Decree 231/2001 which can result in administrative responsibilities being placed on the Company.

The Organisational Model 231 consists of:

- the Code of Ethics and Conduct of the Telecom Italia Group, where the general principles (transparency, fairness, loyalty) that guide the Company in the organization and conduct of business are indicated;
- the "general principles of internal control", principles for achieving the objectives of operational efficiency and effectiveness, reliability of financial and management reporting, compliance with laws and regulations, safeguarding of company assets against possible fraud;
- the "principles of conduct", which consist of specific rules for relations with third parties and for all fulfilments and activities of a corporate nature, and the "internal control check-lists" that describe business processes at risk of crime, any predicate offences relating to them, the preventive control activities and the behavioural indications aimed at avoiding the related risks.

The internal control check-lists have been developed according to the following principles: (i) the separation of roles in undertaking the principal activities involved in business processes; (ii) the traceability of decisions, to allow for identification of the points of responsibility and the motivations for the decisions themselves; and (iii) the objectification of the decision-making processes, so that decisions are not made on the basis of purely subjective considerations, but based on pre-established criteria.

In January 2013, a version of the Organisational Model 2013 was adopted which incorporated the new offences of corruption between private subjects and of unlawful inducement to promise or give benefits to a public official/public service employee. The new version contains updated internal control guidelines and a reference to the Group's anti-corruption policy. The new version also complies with the relevant compliance programme for the application of anti-corruption legislation, such as the FCPA and the UK Bribery Act.

[G4-SO3b]

The areas identified as being at risk of corruption are:

- gifts and entertainment expenses
- events and sponsorships
- donations/membership fees/contributions to non-profit organisations
- consulting, intermediation, relations with business partners and suppliers
- joint ventures, acquisitions and transfers and furthermore
- sale of goods and services
- relations with institutions/authorities
- authorisations and concessions
- subsidised finance
- legal and arbitration proceedings
- health and safety at work obligations
- environmental protection obligations
- staff selection and recruitment

[G4-DMA Anti-corruption] It is specifically prohibited to directly or indirectly receive, demand, give or offer compensation of any kind, gifts, economic benefits or other utility to or from a public or private subject and/or the body such subject directly or indirectly represents that: (a) exceed a modest value and the reasonable practical limits of courtesy and, in any event, (b) are capable of being interpreted as designed to unduly influence the relations between the Group Companies and the aforementioned subject and/or body it directly or indirectly represents, irrespective of whether the aim was pursued, even if exclusively, in the interests or to the benefit of the individual Company or of the Group.

Nor are “facilitation payments” permitted. These are unofficial modest payments made to speed up, favour or secure the execution of a routine or otherwise expected activity that is part of the duties of the public or private subject with which the Group companies has relations.

The anti-corruption policy pays interests to donations, gifts and/or participation in charitable organisations, foundations, non-profit organisations, providing for contributions to be made exclusively to organisations with a proven reliability and recognised reputation, subject to due diligence, and in accordance with the budget prepared on the basis of cost-effectiveness and reasonableness criteria.

[G4-DMA Anti-corruption] The above areas are the criteria by which processes or activities are judged to be at risk or not (each process/activity is at risk if it includes these areas)³.

The Organisational Model is complemented by the Supervisory Body, which is responsible for supervising the operation of the Model, ensuring it is complied with and updating it. Pursuant to Legislative Decree 231/01 article 6(4bis), the functions of Supervisory Body are assigned to the

³ Furthermore, Telecom Italia's procedures for transactions with related parties specify all the measures to be adopted in order to mitigate the risk associated with these transactions (the procedures are approved by the Board of Directors and are published at <http://www.telecomitalia.com/tit/en/about-us/governance-system/procedures.html>).



Board of Statutory Auditors appointed by the Shareholders' Meeting of May 15, 2012.

Amendments to the Model are drafted by a Group managerial committee called Steering Committee 231, briefed by the Supervisory Board and approved by the Board of Directors when of a significant nature.

In order to support the Supervisory bodies of the Companies belonging to the Group, the Compliance Department of Telecom Italia includes a specific structure (Compliance 231) in charge of managing violations of the Organisational Model and carrying out specific compliance interventions also according to the evidence received via the information flows established inside the Group.

[G4-SO3a] The Organisational Model 231 currently covers all the Group's Business Units and **[G4-SO4]** has been approved by the Group's Board of Directors since 2003 (successive amendments have been approved since then), while in December 2012 a specific Anti-Corruption Policy was adopted, which is referred to in the Organisational Model itself. Furthermore, in August 2014, the Board of Directors of TIM Participações approved the Organisational Model in accordance with the recent local anti-corruption law (Ley 12846/13) and the relevant provisions required at Group level. Previously, Brazil had adopted corruption prevention procedures, including the Anti-Corruption Policy of May 2013. **[G4-SO4]** In the case of Italian companies, the Organisational Model 231 and the anti-corruption policy are communicated to all employees, while commercial partners are required to confirm their adherence to the principles contained therein⁴. In Brazil, the communication thereof to employees and partners began in 2014.

In Italy, 185 executives received classroom training on the Organisational Model in 2014 (459 in 2013 and 73 in 2012). Furthermore, two e-learning training campaigns were run, one ending in 2012 and the other in 2014⁵:

E-learning training campaigns run in Italy

	2014	2012
Senior managers	718	865
Middle managers	3,787	4,270
Others	33,877	30,143

Furthermore, in Brazil, between 2012 and 2014, training activities on anti-corruption were carried out with a focus, in the last year, on the new anti-corruption law adopted at the local level⁶. Training on the Organizational Model is currently being defined. It must be pointed out that, as part of activities to raise awareness on anti-corruption issues, over 12,000 resources have signed the Code of Ethics.

⁴ Commercial partners include suppliers of orders worth over 3000 euros, joint ventures, consultants.

⁵ The training campaigns are not necessarily annual but depend on changes made to the Model or other organisational requirements.

⁶ Data regarding training activities carried out in 2012-2014 are not reported because they cannot be directly compared to those related to the same activities in Italy. Tim Participações is currently thinking about the possibility to report data in an homogeneous way.

[G4-DMA Anti-corruption] Employees are trained every time the Organisational Model undergoes substantial changes.

Telecom Italia is currently also planning to carry out training sessions on the Organisational Model 231 and the anti-corruption policy for the corporate bodies of TI SpA, and, with regard to domestic subsidiaries, the activity is currently under way.

[G4-SO5] No incident of corruption has taken place in the Group companies in the past 3 years, nor have any legal proceedings been started on grounds of corruption against Group companies in the same period. With regard to suppliers, in the past 3 years Telecom Italia has never terminated a contract for reasons related to corruption. Only on one occasion, in 2014, has Telecom Italia suspended new activities with a supplier because the latter was charged with corruption.

[G4-DMA Anti-corruption] Telecom Italia is a member of the “231 and Legality” Working Group set up as part of the initiatives taken by *Confindustria*.

LEGAL FRAMEWORK AND COMPLIANCE

The Group’s activities are conducted in full compliance with ruling laws in the countries in which it operates and with universally accepted ethical principles, based on transparency, fairness and loyalty.

[G4-DMA Public Policy], [G4-DMA Compliance] The main changes in the relevant legislation for the Group are regularly set out in the Report on Operations of the Telecom Italia Group (see the *Main changes in the regulatory environment* chapter), while public administration engagement activities are described in the *Institutions* chapter of this report. Relations between the Group and its employees and public administration are carefully regulated and controlled by the Organisational Model 231, briefly presented in the previous section. **[G4-SO6]** In particular, the Code of Ethics explicitly bans any direct or indirect disbursements, contributions, advantages or benefits of any kind to political parties, political movements or trade unions or to their representatives or candidates.

[G4-DMA Anti-competitive Behavior] Relations with our competitors are described in the *Competitors* chapter of this report, which also describes our relations with the relevant competition authorities. Furthermore **[G4-SO7]** the Group’s main disputes in this respect are listed and described in Note 25 (*Contingent liabilities, other information, commitments and guarantees*) of the Consolidated Financial Statements, particularly in the *Significant disputes and pending legal actions* section. **[G4-SO8]** The same Note contains a description of all the Group’s other disputes.

[G4-DMA Grievance Mechanisms for Impacts on Society], [G4-SO11] No reports have been received over the past three years, via the main company reporting mechanisms described in the *Outline of Corporate Governance* section of this chapter, regarding alleged damage caused to the community by Telecom Italia, including damage of an environmental nature, discrimination against the population in terms of coverage, and corruption.



[G4-DMA Compliance], [G4-EN29] In its environmental management systems, the Group is very careful to comply with the environmental laws of the countries in which it operates. There have been no significant fines of this nature over the past three years.

STAKEHOLDER ENGAGEMENT

Telecom Italia believes it is fundamentally important to consider the opinions and expectations of its stakeholders, namely the parties who for various reasons have an interest in the company's activities.

[G4-24] The stakeholders with whom Telecom Italia comes into contact in the conduct of its business are many and very varied. For ease of management and reporting they have been grouped into eight categories, the first six of which relate to the outside world and the remaining two relate to the internal world of the Company:

- customers
- suppliers
- institutions
- competitors
- environment
- community (including the media)
- Telecom Italia people
- shareholders

This sustainability report, the chapters of which are arranged according to these stakeholder categories, is a report on the Group's activities that are relevant to the stakeholders in each category. In particular, each chapter dedicated to a particular stakeholder category contains a list of the main stakeholders belonging to that category.

[G4-25], [G4-26] The stakeholder engagement process takes place regularly during implementation of the company's projects. For each project, the affected stakeholders are identified and priorities are assigned based on the importance of the stakeholder for the business objectives or on the basis of the Company's decision to focus on specific fields such as, for example, contributing to the economic or cultural growth of the country with projects not strictly connected with business. Once the relevant stakeholders have been identified for the project, the most suitable strategies for building relations are studied, which can include individual meetings, group meetings, information sessions, shared projects, surveys, focus groups, etc.

At the end of the feasibility analysis and verification process, Telecom Italia decides which solutions to offer, which projects and which initiatives to undertake. Stakeholder involvement continues beyond this and serves to monitor and adjust the initiatives.

Telecom Italia has drawn up *general guidelines for group stakeholder engagement* and a set of policies associated with different kinds of stakeholders, including customer service charters, a policy on *relations with suppliers in purchasing processes*, *the code of conduct for protecting the data of other local operators*, *guidelines for relations with local authorities and other organisations*, *guidelines for voluntary contributions to the Community*.

[G4-26], [G4-27] The Group's main stakeholder engagement initiatives taken in 2014 are summarised below. In the diagram:

- the "information" column refers to one-way communications by the Company with stakeholders;
- the "consultation" column refers to the occasions when stakeholders are asked for their opinion through surveys or similar tools;
- the "dialogues" column refers to the discussions and ongoing and stable cooperation between the Group and stakeholders;
- the "partnership" column refers to the specific projects that are managed together.

Each initiative mentioned in the table is accompanied by reference to the relevant chapter and section of this report in which the initiative is discussed in detail.



		INITIATIVES			
		INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
STAKEHOLDERS	ENVIRONMENT	Product environmental declarations for customers – Telecom Italia Green range (Environment/Product Responsibility/Telecom Italia Green)		Collaboration with other telecommunications operators on issues of environmental relevance within the framework of industry associations and initiatives, including GeSI and ETNO (Environment/Relevant stakeholders, and Climate change)	
	COMMUNITY		Focus groups were held that involved around 50 representatives of profit-making and non-profit-making organisations in the fields of the environment, digital and social culture. The consultation activity consisted of gathering suggestions and surveying expectations regarding the creation and implementation of the WITHYOUWEDO crowdfunding platform (Community/Responses to stakeholders)	During 2014, the TI Group worked with the Postal and Communication Police to implement the “Una vita da social” initiative, a road show designed to educate people regarding legality on the Internet, presenting students, families and visitors with the main pitfalls of the Web and in particular the risks children face when browsing the Internet (Community/Responses to stakeholders)	Many projects carried out in partnership with companies, universities, research centres and non-governmental and civil society organisations. (Community/Responses to stakeholders, and Research and Development)
	TELECOM ITALIA PEOPLE	Internal communication activities (Telecom Italia People / Internal communication)	The ninth edition of the climate survey was carried out in Italy and Brazil, involving a total of around 66,000 people (Telecom Italia People/People caring)	Mailboxes, Intranet, blogs, virtual communities, multimedia conventions to communicate with employees (Telecom Italia People/ Internal communication)	Selection and training programmes carried out with research centres, universities, associations and voluntary foundations (Telecom Italia People/Collaboration with universities)
		In 2014, the Company continued with its significant commitment to provide safety training to all company staff with different programmes based on the risks to which workers are exposed (Telecom Italia People/Health and safety)		Information and discussion sessions with trade unions on matters of interest (Telecom Italia People/Industrial relations)	Second edition of the Tim Chair in Market Innovation at the Bocconi University of Milan, as part of the Master’s Degree in Economics and Management of Innovation and Technology (EMIT). (Telecom Italia People/Collaboration with universities)
			Initiatives to improve the management of diversity in the Company (Telecom Italia People/People caring)	Counselling service for dealing with personal difficulties or problems at work experienced by employees (Telecom Italia People/People caring)	Volunteering initiatives with the involvement of employees and external partners Telecom Italia People/People caring)
			Involvement of employees in the Individual Performance Feedback assessment programme (Telecom Italia People/ Health and safety)		7 th edition of the “Network Scuola Impresa” (school business network) project, working with 35 schools selected from across the country. The project aims to create a structured relationship with senior schools, particularly in order to express our internal skills, get in touch with young people across the country and promote the company’s image at the same time (Telecom Italia People/Collaboration with universities)

		INITIATIVES			
		INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
STAKEHOLDERS	CUSTOMERS	Information on the Service Charters and General Conditions of Subscription via the Group's websites (Governance and management of sustainability in Telecom Italia/Codes and Charters of the Group)	Customer satisfaction is surveyed systematically (Customers/Quality of service and Customer listening)	Collaboration with the consumer associations (Customers/Conciliation procedures)	Participation in national and international working groups, in partnership with UN agencies, non-governmental organisations, and organisations in the sector, on the issue of protecting children from potential abuses carried out via the Internet (Customers/Child protection)
	SUPPLIERS	Information regarding tools for the safe use of the Internet and for combating computer abuse (Customers/Child protection)	Exchange of information and documentation with suppliers via the "Vendors hub" portal (Suppliers/Involvement initiatives)	Use of web-based tools on social networks by customer care operators to talk to customers and share their knowledge (Customers/Quality of service and Customer listening)	Partnership projects with institutions and other companies to test and create innovative services (Customers/Innovative services)
SHAREHOLDERS	SUPPLIERS	Specific focus on the principles expressed in the Group's Code of Ethics and Conduct and recalled in the contract clauses and specific undertakings that suppliers are made to sign (Suppliers/General comments)	Eighth survey of satisfaction with the Purchasing department, and more generally with Telecom Italia, conducted among the Group's main suppliers (Suppliers/Involvement initiatives)	Collaboration areas dedicated to the main suppliers available on the Vendors Hub portal (Suppliers/Involvement initiatives)	Joint Audit Cooperation, an initiative which provides for CSR audit activities conducted in the production plants of common suppliers and sub-suppliers based on an agreement signed with another 9 telecommunications operators (Suppliers/Sustainability checks)
	SHAREHOLDERS	The "TI Alw@ys ON" shareholders' club (telecomitaliaclub.it) provides important information to individual investors and the general public (Shareholders/Financial communication)	Self-assessment questionnaire sent to the most risky suppliers, in terms of sustainability, during the qualification stage and, periodically, to qualified suppliers (Suppliers/Sustainability initiatives)	Three monthly conference calls, meetings at institutional offices of the Group (reverse road shows), participation in sector conferences, making a total over 600 investors meetings (Shareholders/Financial communication)	Meetings with stakeholders on corporate governance issues (Shareholders/Financial communication)
		Online financial communication through the Group's website (Shareholders/Financial communication)			



		INITIATIVES			
		INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
INSTITUTIONS			Dialogue with national and international institutions also takes the form of actual consultation with the various stakeholders, for example when public telephone equipment (telephone booths) is removed, which has involved public consultation as part of a procedure agreed with AGCOM (Institutions/Local national institutions)	Dialogue with national and international Institutions on business issues of relevance to the Group	A protocol was signed with Municipalities for the joint implementation of energy efficiency initiatives in school buildings and digital education (Institutions/Local national institutions)
	COMPETITORS		Periodic qualitative and quantitative research activities to analyse the strength of the Telecom Italia and TIM brands, the image of the providers of telecommunications and mobile telephony services, the reputation of operators (Competitors/Competitive positioning)	Dialogue with the OLOs on commercial issues and regarding implementation of the Undertakings (Competitors/Services for OLOs) Constant dialogue with the Authorities (AGCM and AGCOM) The Group is a member of numerous federations, associations and organisations, both nationally and internationally (Competitors/Relevant stakeholders)	

PLACEMENT IN THE INDEXES

Sustainability indexes are stock indexes in which securities are selected on the basis of economic-financial parameters as well as social and environmental criteria. The selection process is carried out by specialised agencies that assess companies on the basis of publicly available information or questionnaires, taking account of opinions expressed by the media and stakeholders. Inclusion in these indexes is an important achievement for companies because of the positive effects on their reputation and because, in addition to the pension funds and ethical funds, an ever increasing number of investors favour these 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. In fact, the suggestions of the rating agencies at the end of the process are taken into careful consideration when planning improvement actions in the future.

In 2014, Telecom Italia was not only confirmed for the eleventh year running in both the sustainability index categories of the Dow Jones (Dow Jones Sustainability Index World and Europe) but also emerged as the industry leader in its sector, the only Italian company to achieve this recognition.

Furthermore, in 2014, Telecom Italia was included for the first time in the Climate Disclosure Leadership Index (CDLI) of the Carbon Disclosure Project (CDP).

Telecom Italia has been included in the Financial Times Stock Exchange for Good (FTSE4Good) Global and Europe series since its inception.

Telecom Italia is also included in the following indexes:

- Euronext Vigeo:
 - Europe 120
 - Eurozone 120
- Ethibel Sustainability Indexes (ESI):
 - Excellence Europe
 - Excellence Global
- ECPI Indexes:
 - ECPI Euro Ethical Equity
 - ECPI EMU Ethical Equity

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

Tim Participações, the listed holding company of the TIM Brasil Group, has had its position confirmed in the ISE (Índice de Sustentabilidade Empresarial) index, managed by BM&F Bovespa



(the São Paolo stock exchange) together with the Brazilian Environment Ministry and other financial sustainability organisations.

OTHER AWARDS

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

- first place in the Lundquist CSR Online Awards 2014 ranking for the best online sustainability communication in Italy, through the Group website telecomitalia.com. Conducted by strategic consultancy firm Lundquist, the survey analyses 100 major national companies and assesses corporate social responsibility reporting based on seven pillars: concrete, transparent, integrated, distinctive, ongoing, user-friendly presentation of the information and use of Social Media;
- third place in the Italian and European Webranking by Comprend (formerly KW Digital) 2014 rankings, which assess and reward the quality of online financial and corporate communication. The rankings, drawn up by Comprend, working with Lundquist, respectively considered the 100 biggest Italian companies and the 500 biggest European companies by capitalisation included in the FT Europe 500 index;
- Top Employers 2014 certification, awarded annually to the best companies in the field of HR management. Conducted by the Top Employers Institute, the survey verified and certified the excellence of Telecom Italia in the field of Human Resources and the wide range of benefits and initiatives provided to its people: from working conditions to non-monetary benefits, including structured training and development policies.

REPORTING

SCOPE AND CRITERIA

[G4-17b] The Sustainability Report complies with the same accounting principles and the same consolidation scopes as the Consolidated Financial Statements, except for some information (particularly associated with environmental performance) which is highlighted in the text⁷.

In accordance with the triple bottom line⁸ approach, the company's economic and financial data has to be shown together with the environmental and social results. The overall analysis of company performance including all three dimensions provides stakeholders with complete and comprehensive information and allows interests to be balanced in a way that guarantees the success and survival of the company in the medium and long term. For this reason, as of 2003, the Group has integrated sustainability data in the Consolidated Financial Statements, in fact preceding the

⁷ In accordance with the materiality principle, in these cases only information relating to companies with more than 40 employees and a turnover of more than 300,000 euros are included. Furthermore, for environmental data, in order to allow a proper assessment of the trend, the scope used in previous years is reclassified according to the last year.

⁸ 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: 2: 90-100.

application of European Directive 51/2003, which was transposed in Italy by Legislative Decree No. 32 of February 2, 2007.

[G4-28], [G4-30] The Sustainability Report, which is drawn up for every calendar year, complies with the same deadlines as the Group's Annual Financial Report and is based on a multi-stakeholder approach, involving the joint analysis of actions taken in respect of the main stakeholders with whom the Company interacts. The report is drawn up according to a system of indicators (KPI - Key Performance Indicators) which measure the company's performance and the degree of achievement of objectives previously established for the areas in which the Company has major impact.

The KPIs are defined on the basis of:

- the analysis of the Global Reporting Initiative (GRI), an international organisation which develops universally applicable guidelines for drawing up sustainability reports;
- the demands received from stakeholders;
- the questionnaires sent out by the leading rating agencies for the purpose of admission to sustainability indexes;
- the experience the Company has gained in the field of sustainability in over 18 years.

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

The Sustainability Report⁹ is based on the AA1000 AccountAbility Principles Standard (APS 2008), adopted as of the 2009 Financial Statements, and set out below:

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

The Telecom Italia Sustainability Report's compliance with the AA1000 standard and the GRI G4 standard, comprehensive option is verified by the auditing firm PricewaterhouseCoopers (see Independent Auditor's Report).

⁹ **[G4-29]** The Group sustainability report for 2013 was approved by the Board of Directors in April 2014.



MATERIALITY ANALYSIS

[G4-18a], [G4-18b]

Telecom Italia has reviewed its materiality analysis process with the aim of refining it and ensuring that it conforms to the new GRI G4 guidelines, thus focusing it on identifying the most relevant topics in terms of the socio-environmental and economic impact generated by the Group, both inside and outside the organisation.

IDENTIFICATION OF RELEVANT TOPICS

An initial list of topics to be explored during the subsequent stages of the analysis process was identified. Numerous sources of information, both national and international, public and non-public, internal and external to the Group were analysed.

At the end of this initial screening, Telecom Italia was therefore able to draw up a list of relevant topics representing 9 macro areas:

- Direct and indirect economic impacts;
- Risk management and Public Policy;
- Business ethics and promotion of human rights;
- Market position and customer protection;
- Compliance with national and international regulations;
- Responsible management of human resources, promotion of diversity, equal opportunities and the health and safety of workers;
- Responsible management of the supply chain;
- Initiatives for local Communities;
- Responsible management of energy resources, atmospheric emissions and waste.

ASSIGNMENT OF PRIORITIES

The assignment of priorities among the topics emerging from the aforesaid analysis, led to the identification of the material issues to be disclosed in the sustainability report.

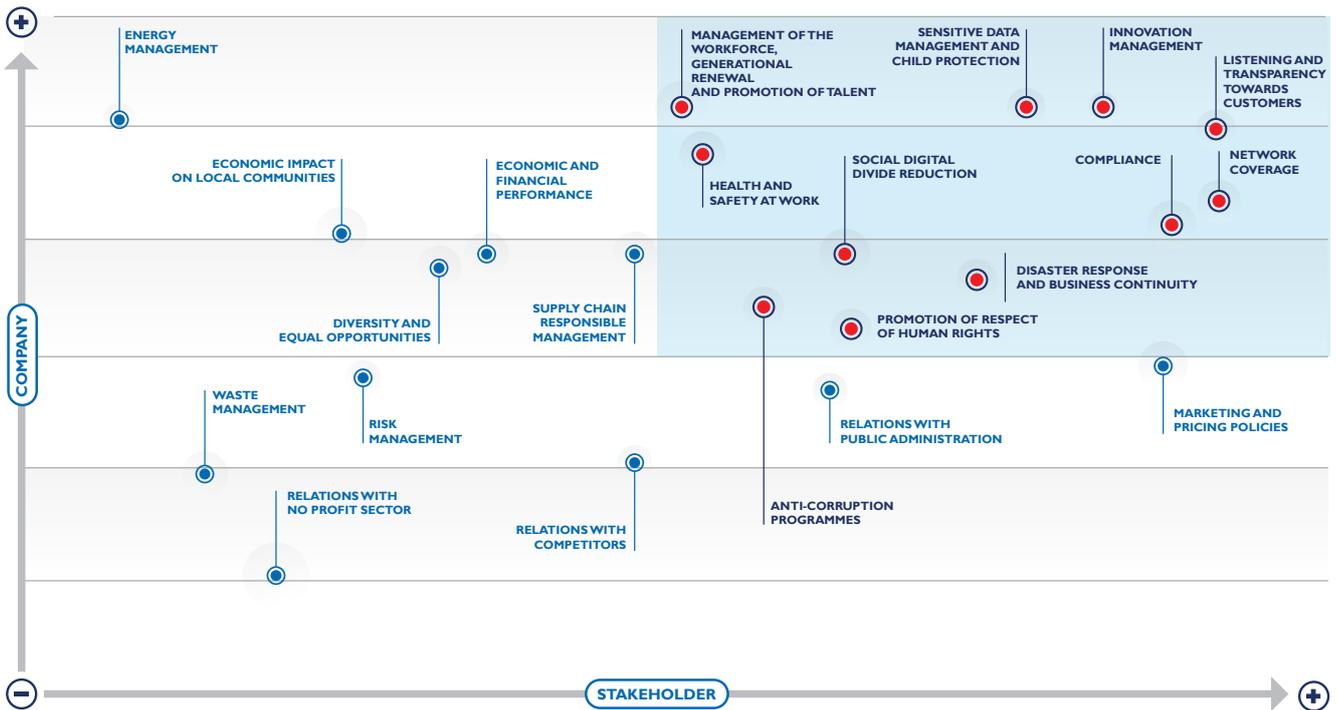
During this phase, Telecom Italia assessed the importance of the topics identified from an internal and external viewpoint.

The internal viewpoint was provided by the Top Management which, through the involvement of a significant sample from all the company's departments, expressed its opinion on the relevance of each topic for Telecom Italia.

[G4-26] The external viewpoint was instead surveyed by organising two focus groups involving employees representing the departments that normally deal with the Group's various categories of stakeholders. These employees were asked to assess the relevance of the topics based on the perceptions of stakeholders with whom they normally have relations.

[G4-19] Assessing the results of the analyses allowed the topics to be put in order of priority and the materiality matrix summarising the results for the 2014 report to be created.

Results at a glance: the materiality matrix



VALIDATION

The validation of the topics and the whole materiality analysis process was carried out by the Corporate Social Responsibility department, which was assisted by the Telecom Italia Lab department assigned to survey perceptions through psycho-social research analyses. The Governance of the Corporate Social Responsibility department is explained in the Sustainability Governance section of this report.

REVIEW

The review phase is due to take place as a preparatory stage prior to the next reporting cycle, with the aim of submitting the results of the analyses carried out, updated in the following year, to specific stakeholder engagement activities.

In order to make the process systematic, consistent over time, transparent and well-structured for this and future years, the “Telecom Italia Handbook for Materiality Analysis Pursuant to GRI G4” has been produced. It contains guidelines for all the activities, describing the timescales and responsibilities involved in the process itself.

BOUNDARIES

[G4-20], [G4-21] All the topics (and therefore aspects of the GRI G4 standard) that are judged to be material have major implications both inside and outside the company.



The topics can be grouped into two categories in terms of their relevance to the different areas of the Group.

On the one hand there are cross-cutting topics that are relevant to all the companies in the Group's consolidation scope, wherever they may be, without exception, and which are relevant to all external and internal stakeholders, these being:

- Innovation management
- Compliance with national and international regulations
- Anti-corruption programmes
- Promotion of respect for Human Rights inside and outside the company
- Management of the health and safety of workers
- Management of the workforce, generational renewal and promotion of talent¹⁰
- Customer listening and transparency of relations

On the other hand there are topics that are mainly relevant to Group companies operating as telephone service operators, which account by far for the main part of the Group in terms of turnover, employees and impact on external stakeholders:

- Network coverage
- Bridging the “digital divide” and promoting social inclusion and the digital transformation of the country by disseminating and developing ICT technology across the country.
- “Disaster response” and business continuity
- Sensitive data management and child protection

These topics are undoubtedly more relevant to all the stakeholders who live in Italy, where Telecom Italia is the biggest operator and therefore the company on which stakeholders pin their greatest expectations. In Brazil, where the Group is present with one of the country's biggest mobile operators, the topics are definitely relevant to stakeholders but to a lesser extent than in Italy.

[G4-23] No significant changes have been recorded in the scope of activities, and therefore in relevance of boundary, in recent years, except as mentioned in Group Profile section of *Telecom Italia Group* chapter.

¹⁰ The health and safety of workers and staff management may appear to be material issues only for employee stakeholders. In actual fact they directly involve public administration and the communities where employees work and, indirectly, all stakeholders who come into contact with employees, who benefit from balanced and serene relations.

The following table shows the relation between the Group’s material topics and GRI G4 “aspects”

Innovation management	G4 EC [7, 8]	G4 SO [1, 2]
Network coverage	G4 EC [7, 8]	G4 SO [1, 2]
Compliance with national and international regulations	G4 PR9	G4 SO [7, 8] G4 EN [29]
Anti-corruption programmes	G4 SO [3, 4, 5], [6]	
Management of the health and safety of workers	G4 LA [5, 6, 7, 8]	
Management of the workforce, generational renewal and promotion of talent	G4 LA [1, 2, 3], [4], [9, 10, 11], [12], [13], [16]	
Promotion of respect for Human Rights inside and outside the company	G4 HR [1, 2], [3], [4], [5], [6], [7], [8], [9], [10, 11], [12]	
Bridging the “digital divide” and promoting social inclusion and the digital transformation of the country by disseminating and developing ICT technology across the country	G4 SO [1, 2]	
“Disaster response” and business continuity	G4 EC [7, 8]	
Sensitive data management and child protection	G4 SO [11]	G4 PR [3, 4, 5], [8], [9]
Customer listening and transparency of relations	G4 PR [1, 2], [3, 4, 5], [6, 7], [8], [9]	G4 PR [3, 4, 5], [8], [9]