



INSTITUTIONS

Our relationship with institutions
is fundamental for tuning our activities
to the needs of the country

[G4-DMA Public Policy]

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.

RELEVANT STAKEHOLDERS

The key stakeholders are:

- central national institutions: Parliament, Government, Ministries, Public Administration;
- local institutions and their representative associations: Regions, Provinces, Municipalities, "Comunità montane", the National Association of Italian Municipalities (ANCI), the Union of Italian Provinces (UPI);
- the Italian Communications Authority (AGCOM) (see Competitors), the Italian Competition and Market Authority (AGCM) (see Competitors) and the Italian Data Protection Authority;
- European and international institutions: the European Commission and its regulation committees, the Council and the European Parliament, BEREC (Body of European Regulators for Electronic Communication), the OECD (Organisation for Economic Cooperation and Development);
- the United Nations (UN): particularly the Global Compact, UNEP (United Nations Environment Programme), UNFCCC (United Nations Framework Convention on Climate Change), ITU (International Telecommunication Union) and the other UN agencies (e.g. UNHCR).

CENTRAL NATIONAL INSTITUTIONS

Lobbying activities are principally conducted with the parliamentary committee members of the upper and lower houses of the Italian parliament concerned with issues that could impact on the company, including those of an economic and financial nature or concerning privacy, telecommunications, Internet and TV.

Involvement in parliamentary hearings is also a way of examining specific issues in detail and creating opportunities for discussion about matters being debated in parliament.

The monitoring of law-making activity among institutions often leads to amendments to individual measures being proposed.

Moreover, Telecom Italia provides information to ministries (mainly the Ministry for Economic Development) regarding the activities of the inspection body (parliamentary questions) directed at the Group.

National legislative activity specifically monitored by Telecom Italia during 2014 mainly concerned draft legislation being examined by the Italian parliament and the law decrees introduced by the governments of Enrico Letta and Matteo Renzi - the latter in office since February 22, 2014 -



which might have an impact on the electronic communications sector.

The process of approval of the following legislation was therefore monitored:

- 2013 European Law (Provisions for the fulfilment of obligations arising from Italy's membership of the European Union);
- decrees implementing the law on the "golden power" (Law no. 56/2012). This law harmonised Italian legislation with EU regulations, redefining the powers of objection that may be exercised by the State in public and private companies operating in the energy, transport and telecommunications sectors to protect the strategic interests of the country in these sectors. In order to put into force these regulations, following a long legislative procedure, the Government therefore adopted two implementing Presidential Decrees: the first (Presidential Decree no. 85 of March 25, 2014) is intended to identify strategically relevant actions in the aforesaid sectors, which are the subject of special powers (in the communications sector these are represented by the networks and installations that enable end users to access services included in the universal service obligations and broadband and ultrabroadband services); the second (Presidential Decree no. 86 of March 25, 2014) identifies the procedures for activating special powers in the same sectors, thus defining the organisational procedures for performing the preparatory activities needed to exercise the special powers;
- Legislative Decree no. 21/2014 implementing European Directive 2011/83/EU on consumer rights, which harmonised certain aspects of distance contracts entered into by consumers and the contracts negotiated by them away from business premises. The passage of this measure was monitored with specific reference to the provision which, in the context of the right of withdrawal, provides protection for the consumer in the case of telephone contracts through the general requirement for a written confirmation, even by electronic signature, but also by confirmation of the durable medium (so-called Verbal Order). The Decree also contains an important provision which has eliminated the overlap between the roles of AGCOM and AGCM regarding unfair business practices;
- Decree Law 145/2013, known as the "Destination Italy" decree (Law no. 9 of February 21, 2014) which, in order to encourage the spread of broadband and ultrabroadband, including through the use of innovative excavation techniques that do not require the road surface to be restored (e.g. the "micro-trench" technique), provided for a joint decree to be issued by the Ministry of Economic Development and Ministry of Infrastructure and Transport (awaiting adoption as of April 23, last) revisiting the specific techniques previously governed by the 2013 "Excavation Rules", which will establish further measures regarding the laying of broadband and ultrabroadband infrastructure. Furthermore, with regard to policies for the spread of ultrabroadband, the "Destination Italy" decree also provided for measures promoting the use of digital technology by small and medium sized companies (SMEs), in the form of vouchers and tax credits for the costs incurred to activate digital connectivity services;
- Decree Law on "Competitiveness" no. 91/2014 (law no. 116 of August 11, 2014), which updates Decree Law 179/2012 by requiring the adoption of guidelines (by ISPRA-ARPA/APPA and the

Ministry of the Environment) for the methods used to calculate the electromagnetic emissions of mobile telephony installations; these guidelines, which were particularly welcomed by operators, should facilitate an effective deployment of LTE/4G networks. The passage of the Decree Law was also monitored:

- with regard to provisions concerning billing concessions granted to customers of low and medium voltage electricity with power greater than 16.5 kW (measures that would also include Telecom Italia among its beneficiaries);
- with regard to the provision reviewing takeover bid legislation, which introduces a dual threshold (a 25% threshold added to the current 30% threshold) whereby in companies other than SMEs there would be a requirement for anyone with a shareholding exceeding the 25% threshold to make a takeover bid in the absence of any other shareholder with a larger shareholding;
- “Unblock Italy” Decree Law no. 133/2014 (law no. 164 of November 11, 2014), which provides for a series of tax benefits in the form of tax credits (on IRES [corporation tax] and IRAP [regional tax on production], up to a maximum limit of 50% of the investment cost) as an incentive for the development of ultrabroadband networks. The measure applies to infrastructure projects for which no public grants are available relating to the access network through which the users are supplied with the ultrabroadband service. The Decree Law was also monitored with regard to the provisions aimed at simplifying excavation and overhead cable installation procedures and the authorisations required for the development of mobile radio networks. The Decree also provides for the adoption of guidelines regarding limits to exposure to electromagnetic emissions in outbuildings with habitable dimensions, the option for local authorities to exempt operators from the payment of TOSAP [tax on the use of public space] and COSAP [fee for the use of public space] in relation to optical fibre infrastructure, a provision for digital infrastructure to be created in new or refurbished buildings and the creation of a federated infrastructure information system;
- Draft law to reform title V of the Constitution, currently before Parliament, which abolishes the so-called “concurrent legislative power” between the State and the Regions and restores exclusive control of communication to the State; the provision would make it easier to overcome the significant number of disputes currently taking place, particularly with regard to the installation of fixed and mobile infrastructure;
- Law no. 183 of December 10, 2014 on labour policies, known as the “Jobs Act”, currently before Parliament, which, among other things, aims to also extend the powers of the government to revising the rules governing solidarity contracts, in addition to granting powers to reorganise forms of contract and inspection activities;
- Law no. 190 of December 23, 2014 - Stability Law 2015 - which contains several general provisions of interest relating to tax and welfare, including the experimental disbursement of accrued TFR [severance pay] in pay packets for the period between March 1, 2015, and June 30, 2018, for private sector employees subject to ordinary taxation; the removal of employer contribution requirements (for a period of 3 years) in relation to new employees



hired on open-ended contracts as of January 1, 2015; the establishment of a fund of 2 billion euros as of 2015 to cover the charges arising from implementation of the draft labour law; the full deductibility, for IRAP purposes, of the cost of permanent employment; stabilisation of the IRPEF [personal income tax] bonus of 80 euros. Furthermore, among the aspects of specific interest to the company, it contains a provision that establishes the terms of the tender for the award of the so-called "Band L" (1452-1492 MHz), currently used by the fixed line and radio broadcasting service and to be allocated to broadband mobile communication services.

Finally, the Company is also monitoring some parliamentary hearings, including the one currently in progress in the Transport, Post and Telecommunications Committee on audiovisual and radio broadcasting services. The purpose of these hearings is to determine whether existing legislation is appropriate to regulate the technological convergence between traditional television broadcasting and internet services, with the option to use audiovisual content on multiple platforms; in this context, Telecom Italia will also be heard during the month of December.

LOCAL NATIONAL INSTITUTIONS

[G4-DMA Indirect Economic Impacts]

At local level, Telecom Italia maintains constant dialogue with institutions on subjects of a general nature regarding the electronic communications sector, with particular reference to network development and to other issues of interest to the company's business.

The aim is to resolve any issues encountered, to guide the local law-making process in such a way that it respects the national reference framework, to promote the Group's image and represent its position regarding these issues. The dialogue takes place both directly with local authorities and with their representative associations: ANCI and UPI.

Monitoring and constant interaction with the decision-making centres of local institutions take place by means of hearings, including the presentation of position documents relating to the drafting of local regulations, and involvement in workshops as well as in the work of regional commissions and ministerial and specialist work groups. Furthermore, Telecom Italia frequently organises communication initiatives on specific issues of local interest.

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

Among the main subjects of dialogue with Local Authorities during 2014 we would highlight the following:

- the development of new ultrabroadband networks (NGA - Next Generation Access) and the new LTE (Long Term Evolution) standard, local coverage and reducing the digital divide;

- the drawing-up of protocols with local authorities in order to promote the use of non-invasive techniques (mini-trenches) during excavation work, particularly in order to speed up the development of new generation access network coverage;
- draft regional laws and municipal regulations regarding the installation of mobile telephony systems and electromagnetic fields (e.g. Umbria Law, Municipality of Rome Regulation, Municipality of Florence Town Planning Regulation) in order to represent the company's requirements (particularly by submitting amendments), in a way that allows all the various interests involved to coexist, with a view to simplifying rules and standardising the relevant national provisions;
- proposed excavation rules, in order to ensure the consistency of the authorisation process and the respective regulations with the relevant national regulations also in order to ensure increased simplification at local level;
- the removal of public telephone equipment (telephone booths) which involved public consultation as part of a procedure agreed with AGCOM;
- promotion of Telecom Italia's digital inclusion initiatives to facilitate the learning of new technologies and their proper use, particularly by seeking new forms of partnership with municipalities as well as other partnerships and sponsorships;
- promotion of Telecom Italia's system of digital services for the creation of smart cities and particularly support for the cities of Genoa and Turin in their applications to take part in the European Commission's Smart City project. In this respect, we should mention: our involvement in the activities of the steering committee of Genoa Smart City (a protocol has been signed with the Municipality of Genoa for joint initiatives regarding the improvement of energy efficiency of school buildings and digital education), and our involvement as a founding member of the Torino Wireless Foundation (a technological ICT district involving national and local institutions, universities and research centres, businesses and financial institutions) and our cooperation with the Municipality of Turin and the Torino Smart City Foundation for the presentation of joint projects that can be implemented within the Smart City initiatives framework;
- the signing of a memorandum of understanding with ANCI for the "Progetto Comuni 3.0", which involves the testing by Telecom Italia, in four Municipalities (Piacenza, Pordenone, Lecce, Benevento), of solutions for innovative digital services in urban centres with a Smart City perspective. The selected Municipalities work together to determine the objectives and functions of the services that will be presented as case and excellence studies nationally and disseminated via the ANCI National Smart City Observatory;
- the presentation of three studies carried out with leading universities on health and education issues. More specifically: a study was carried out with the Bocconi University on the development of Electronic Health Records in some Italian regions, the study was presented during a meeting of the Network of Public Health Authority Directors in June 2014. The second study was carried out with the University of Bologna and relates to the introduction of digital solutions in education; it was presented at the ABCD exhibition in Genoa in November 2014. The third study, carried out with the LUISS University, is related to the use of 2014-2020 cohesion policy



resources in the regions of southern Italy; the report was presented during a dedicated event held at LUISS in January 2014;

- the drafting of regional Policy Reports aimed at taking stock of the current situation and of developments in regional policy regarding digital services, network infrastructure and smart cities. In September 2014, the second updated edition of the Policy Report relating to all Italian regions was completed.

EUROPEAN AND INTERNATIONAL INSTITUTIONS

Relations with European and supranational institutions are both institutional (e.g. participation in discussion platforms, public consultations, workshops, meetings of parliamentary committees) and collaborative (meetings with the European Commission, Permanent Representatives of EU Member States, the European Parliament, Agencies or working groups and specialised studies under the auspices of EU institutions, including the Centre for European Policy Studies, etc.).

The company's position in respect of BEREC and the European Commission is asserted through individual action and/or with the involvement of other operators.

Among the issues tackled at European level, which were the subject of the main legislative/regulatory provisions relevant to the Group, we would mention for example: the European Commission's proposal for a Regulation concerning the Single European Market for Telecommunications, the Recommendation on Costing Methodologies and Non-Discrimination Principles, the Regulatory Framework Review, the procedures for notification of the decisions of National Regulatory Authorities to the Commission pursuant to framework article 7, the implementation of the new Recommendation on Relevant Markets, the BEREC public consultation documents and the regulatory framework interpretation and implementation documents discussed and adopted in the context of the BEREC annual work programme, the review of the Directive on Payment Services, the process of adoption of the new Regulation for the Protection of Personal Data, involvement in the expert groups on Cloud Computing (C-SIG) with regard to the drafting of Service Level Agreements - SLAs -, of a Code of Conduct on the protection of personal data in the Cloud environment and the drafting of standard contract clauses for cloud services, the process of adopting the new Directive on cyber-security and the NIS Platform, the new regulation on electronic identity and trust services and respective implementation measures. Telecom Italia is also particularly active in European and international committees relating to the distribution of digital content and the protection of rights, particularly on issues such as the review of copyright in the digital scenario and its enforcement, discussions and proposals regarding the responsibilities of operators/ISPs, particularly those relating to actions taken by hosting providers to combat illegal activities online, the reform of the European directive on audiovisual media services, including the consultation (Green Paper) on connected TVs and on the convergence of telecommunications. In the field of child protection, Tel-

ecom Italia is actively involved in two particularly important initiatives aimed at increasing the safety of children using the Internet: these are the “Better Internet for Kids” platform (a committee set up by Commissioner Kroes in 2011) and the ICT Coalition (a committee of European ICT industries).

As regards relations with the UN, the activities carried out as part of the Global Compact (GC) are of particular importance, taking the form of participation in the working group on Human Rights organised by the GC Network Germany and in the various activities of the Italian network. Telecom Italia and Tim Brasil, the two Group companies which have joined the Global Compact, draw up an annual “Communication on Progress”, which reports on progress achieved by the companies in promoting and applying the 10 core principles of the Global Compact. The CoP drawn up by Telecom Italia in the summer of 2014, relating to the whole of 2013, grants it “Active” status and the “Advanced” level (compliance with the twenty-one criteria required). For further information see Human Rights paragraph and the telecomitalia.com website.

Telecom Italia is actively involved as a sector member in the ITU (UN agency for international telecommunications), in the three sectors into which it is divided (ITU Radiocommunication Sector, ITU Telecommunication Standardization Sector, ITU Telecommunication Development Sector). It also regularly attends the most significant events of the ITU.

Telecom Italia actively monitors the work of the OECD through BIAC (an association which brings together a range of companies from OECD member states) and the Permanent Representative of Italy to the OECD and the work of the competent Committees on matters of relevance to the Company, including the CDEP (Committee on Digital Economy Policy), the Competition Committee and the respective working groups, including the Working Party (WP) on Communication Infrastructures and Services Policy, the WP for Security and Privacy, the WP on consumer protection. The issues dealt with during 2014 related to the Knowledge Based Economy project, with a focus on the big data and intellectual property chapter, the review of security guidelines, the transition to IPv6, the international traffic termination, the spectrum, the development of broadband fixed networks, connected TV, the review of e-commerce guidelines, *the Internet of Things*. Furthermore, discussions and work have been launched relating to the OECD Ministerial meeting planned for May 2016 in Cancun, Mexico.

Telecom Italia interfaces with institutions, particularly supranational ones, both individually and as a member of important associations operating on the European and international scene, such as ETNO, GSMA, Business Europe, TABC.



RELATIONS WITH INSTITUTIONS IN BRAZIL

TIM Brasil holds excellent relations with the institutions, at all levels of Government, Congress, and regulatory authorities. Dialogue is very intense and frequent and it is based on objective proposals and positions aimed not only at the development of specific issues for the company, but also for the entire industry.

At the federal level, relations activities occur primarily with the Ministry of Communications, and also with several relevant departments of the Office of the President of the Republic and of ministries dealing with development and industry, justice, science and education, local entities. TIM holds moreover important relations with members of the committees involved with themes related (but not limited) to economic-financial issues, privacy, telecommunications and consumer protection.

Regionally, TIM Brasil maintains a permanent agenda with local institutions and authorities on general issues related to the telecommunications industry, with emphasis on the development of infrastructure and network coverage and other matters of interest of local communities.

Addressing proposals, stimulating debates, active participation in public hearings, contributions in public consultations, meetings with specific stakeholders on specific issues, are the main modalities of the daily intense interactions with all the above mentioned institutions.

The main industry associations in which TIM Brasil is active are:

- ABR Telecom (Brazilian Association of Telecommunications Resources), which focuses on centralized management of technology solutions;
- TelComp (Brazilian Competitive Telecommunications Association), which represents the interests of more than 60 operators for market competition;
- SINDITELEBRASIL (TLC operators National Syndicate), which works on the coordination, defense and legal representation of the member companies, including all mobile and fixed operators;
- GSMA, which represents the interests of mobile operators worldwide;
- AHCJET (Latin American Association of Research Centers and Telecommunication Enterprises), which strives for a common position among associates based on various studies on the numerous industry challenges in Latin America, through a public-private dialogue.