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**CORPORATE SHARED VALUE:  
TELECOM ITALIA'S STRATEGIC  
APPROACH TO SUSTAINABILITY**



During 2015, Telecom Italia completed the implementation of a new strategy based on creating economic and social value, developing Corporate Social Responsibility towards the concept of Corporate Shared Value (CSV), with the aim of linking economic and financial results to the social progress created by responding to the needs expressed by the sectors in which the Group operates.

The new approach adopted by Telecom Italia defines a different way to respond to the social needs expressed by stakeholders, as well as the economic ones of the Company, and to interpret the role of the business in society based on an awareness that there can be no long-term economic development unless it guarantees an improvement in social welfare and the protection of natural resources at the same time. The latter consideration is particularly relevant for Telecom Italia and the ICT sector in general, especially where digital technologies are concerned, as these are increasingly emerging as a key factor for the Country's economic and social growth.

The culmination of this process implemented by Telecom Italia is the integration of the sustainability approach conventionally adopted by the Company as part of the overall corporate strategy, turning it into a vehicle for creating economic and social value.

Telecom Italia's activities respond to the objective of providing the country with innovative infrastructure, IT skills, products, services and ICT solutions that meet the needs of society. Furthermore, the Company is strengthening this commitment through its active contribution to achieving the country's digitisation objectives as defined in the Italian Digital Agenda, developed by the Italian government by transposing the directives set out by the EU in the European Digital Agenda.

A focus on innovation and investments in new infrastructures and technologies also characterizes Telecom Italia's activities in Brazil, through its subsidiary TIM Brasil which, by investing in next generation infrastructure for broadband penetration, plays an important role in the digital inclusion process, responding to a strong social need in the Country.

In order to complete the transition to Shared Value that began in 2014, over the past year Telecom Italia's CSV department has implemented several initiatives, both within the Company and externally. Of particular note is the establishment of a CSV model which, starting with an analysis of the country's main needs, has identified three areas of intervention that can respond to these needs, through technologies, skills and specific projects. Once these strategic areas had been defined, and the results of the materiality matrix had been confirmed, the structure of the 2015 Sustainability Report was revised. The three areas identified are:

- digitisation, connectivity and social innovation
- environmental protection
- digital culture

The first 17 projects measured using the CSV model in Italy and Brazil were inserted into these three areas.

Considering in particular the close association between corporate shared value and business, reflecting the over-arching nature of the CSV model, Telecom Italia defined a new enhanced structure by involving the Company's main departments and drawing up a CSV organisational procedure.

Stakeholder involvement, which includes listening to their requests, is one of the pillars of Telecom Italia's sustainability model. The multi-stakeholder approach aims to garner their suggestions for innovative activities and projects the Group could implement. The most relevant project suggestions are shared with the business departments and senior management and, if there is a convergence of interests, they find a commercial outlet.



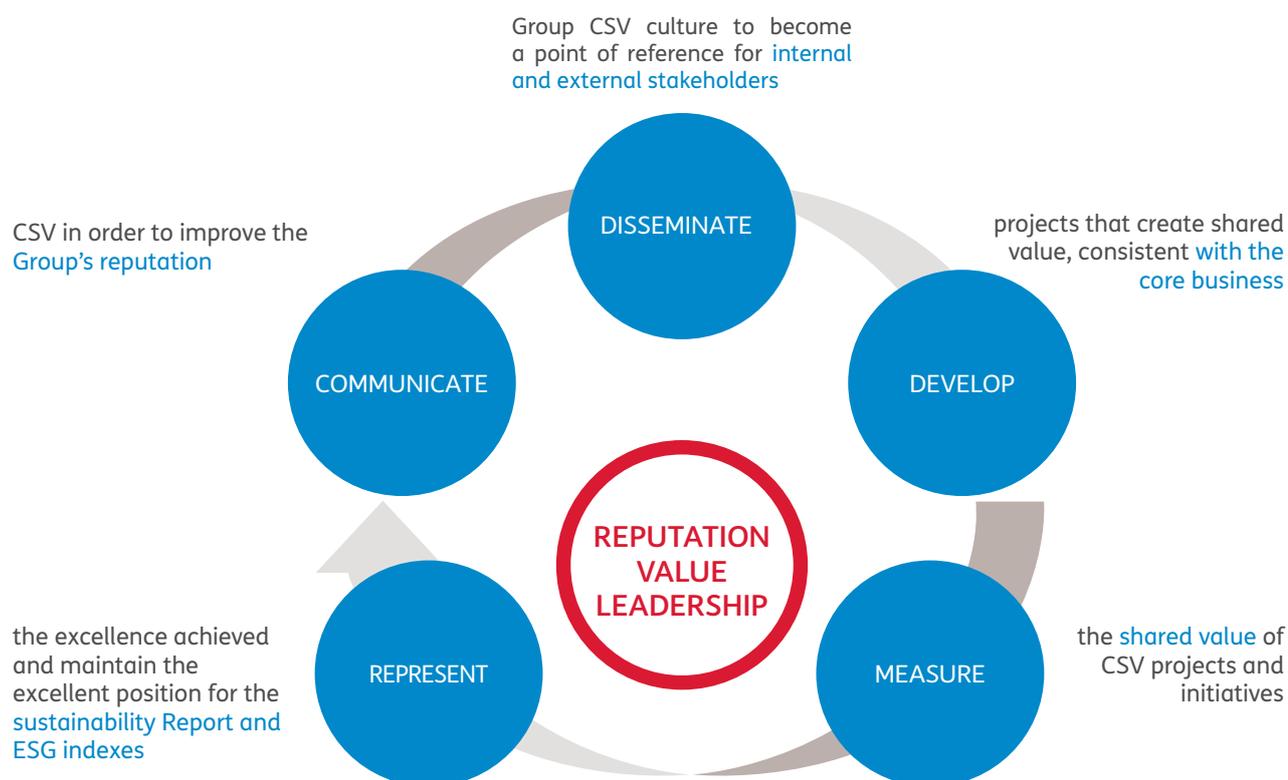
This approach allows to achieve major benefits, including:

- better risk management;
- high level of product and process innovation;
- better knowledge of the contexts in which the Group operates;
- scouting for the best market opportunities.

During the year, a new communication framework was established (#wesharethefuture), which expresses Telecom Italia's CSV vision and systematises the Company's sustainability initiatives and projects.

The development of the CSV strategy within the Company is constantly evolving and is principally based on the following drivers:

- updating the strategic areas of intervention;
- supplementing the strategic guidelines of the CSV in the business strategy guidelines;
- using social marketing guidelines to support the development of offers and services producing shared value;
- using CSV themes as positioning drivers in terms of both market and brand communication;
- monitoring the impact of CSV on the Group's reputation.





## SUSTAINABILITY GOVERNANCE

**[G4-34], [G4-42]** Responsibility for monitoring the Group's socio-environmental issues and identifying CSV projects and initiatives rests with the Corporate Shared Value 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 sustainability overseer, ensuring the consistency of actions carried out with the principles of the Group's Code of Ethics and Conduct and with the values adopted by the Group.

**[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. **[G4-47]** During 2015, the Board of Directors met the representatives of the CSR department twice.

**[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 CSV department, which draws up the sustainability Report, manages relations with rating agencies and also oversees the implementation of particular projects. Responsibility for managing particular socio-environmental themes remains with the departments that directly manage operations related to these themes. For example: the People Value department is responsible, among other things, for ensuring the health and safety of employees, liaising with employee representatives, guaranteeing compliance with employment legislation, etc.; the Open Access/Wholesale department ensure compliance with environmental legislation, etc.; the Network Infrastructures & Energy department plans initiatives for reducing energy consumption, etc. **[G4-42]** The latter two departments, in particular, identify specific strategies and direct targets for improving socio-environmental performance, each department operating within its 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 assigned 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 stakeholders. The various involvement initiatives are listed in the *Stakeholder Engagement* section of this Report.



## POSITION IN INDEXES AND OTHER AWARDS

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 sustainable companies, considering them to be less risky and more promising in the medium to long term.

Taking part in the process of evaluation is, moreover, a timely moment for reflection within the Company on the results achieved. 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 2015, Telecom Italia was included for the twelfth year running in both the sustainability index categories of the Dow Jones (Dow Jones Sustainability Index World and Europe) and for the second time running in the Italian 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
- STOXX® Global ESG Leaders Indexes:
  - ◆ ESG Leaders
  - ◆ ESG Environmental Leaders
  - ◆ ESG Governance Leaders
  - ◆ ESG Social Leaders
- Ethibel Sustainability Indexes (ESI):
  - ◆ Excellence Europe
  - ◆ Excellence Global
- ECPI Indexes:
  - ◆ ECPI Euro Ethical Equity
  - ◆ ECPI EMU Ethical Equity
  - ◆ ECPI Global Developed ESG Best in class Equity

Telecom Italia, finally, is classified as “prime” in the OEKOM rating and “industry leader” by the Sustainalytics report.

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

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

- second place in Italy and Europe and first place for the European TLC sector in the 2015 Webranking by Comprend, which assesses and rewards the quality of online financial and corporate communication. The survey, carried out every year by Comprend, working with Lundquist, considered the 70 biggest Italian companies and the 500 biggest European companies by capitalisation;
- Top Employers 2015 certification (for the third year running), 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;

- Gold award (top award) for the 2014 “Telecom Italia oltre i numeri” Company Profile, which was judged to be the Best Online Report: International/Unlisted at the 2015 Corporate & Financial Awards, an initiative organised by Communicate Magazine;
- Special Award for the Scuola di Areté - 2015 Responsible Communication Award for the EducaTI project launch event;
- first place as *most attractive employer* in Italy awarded to Telecom Italia by Universum, a company which has operated globally in the employer branding sector for the past 25 years and carried out an annual survey with 39 universities across Italy.

## 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. In 2015, the stakeholder engagement process was further enriched by the organisation of a multi-stakeholder forum.

The multi-stakeholder forum is a listening and involvement tool that promotes integration between the demands of the various stakeholders involved, allowing the Company to receive contributions that consider the various perspectives while at the same time providing an integrated vision of the various expectations and priorities. The 2015 forum focused on two objectives:

- strengthening understanding of the demands and priorities of stakeholders on matters relevant to the Group's strategy;
- gathering contributions on potential areas of development for the Group's CSV strategy, in order to strengthen its ability to create shared value between the Company and its stakeholders.

In establishing the method used to run the multi-stakeholder forum, the principles of the international Stakeholder Engagement Standard AA1000SES, drawn up by AccountAbility, were applied.

In accordance with the AA1000SES standard, provision was made for:

- ensuring the presence of a third party independent of Telecom Italia and specialised in stakeholder engagement and accountability. The Group availed itself of SCS Consulting, responsible for guaranteeing the materiality of the issues being discussed, an independent review of what has emerged from the listening activities and the inclusion of stakeholders who represent different views on the topics being discussed;
- selecting participants in the forum based on their knowledge of the topics discussed and a balanced presence of stakeholders with different points of view;
- excluding people who have been employed by or have had a professional working relationship with the Group and ruling out any remuneration for forum participants.

Finally, provision was made for the presence of a representative of PricewaterhouseCoopers, the company in charge of auditing the financial statements.

**[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 were grouped into eight categories:

- customers
- institutions



- competitors
- environment
- community (including associations, universities, schools, media, startups)
- suppliers
- shareholders
- human resources

In particular, the forum involved over 30 representatives from the first six categories. For ease of management and reporting, they were split into six working groups based on their interests and skills:

- connectivity and digitisation: prospects for the country
- connectivity and digitisation: impacts on growth and innovation
- digital administration in the service of citizens
- digital culture
- environmental protection
- quality services for customers

**[G4-25], [G4-26]** Aside from the multi-stakeholder forum, 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 its relevance in specific fields which are considered strategic by the Company (i.e. 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 and group meetings, information sessions, shared projects, surveys, focus groups, etc.

The feedback that the various stakeholders provide to Telecom Italia is analysed in order to identify solutions the Company can offer to satisfy the specific requirements.

At the end of the feasibility analysis and verification process, Telecom Italia decides which solutions to offer and which projects and initiatives to undertake. Stakeholder involvement continues beyond this to monitor and adjust the initiatives. In particular, over 50 proposals for projects emerged from the forum that could be used by the Group as part of its CSV strategy.

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.

Lastly, the Group is aware of the importance of providing accurate information on its activities to the financial market, investors and the community in general. Subject to the need for confidentiality in the running of the business, communication with the financial market is carried out in a way that ensures transparency, fairness, clarity, promptness and equality of access to information, ensuring equality of treatment for all categories of shareholders, as required by the Bylaws. The external communication of information is governed by specific internal procedures, in line with the regulations in force.

The Company has set up dedicated channels of communication with shareholders, bondholders and stakeholders interested in receiving information about the financial and non-financial aspects of the Company.

The Investor Relations department manages relations with the main stakeholders: institutional and retail investors (including small shareholders' associations), bondholders, socially responsible investors, equity and credit analysts.



Their shared expectations - together with the certainty of a prompt and comprehensive response to the requests for information - relate to:

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

In the course of 2015, the Company organised quarterly conference calls, road shows and meetings abroad in the Group's corporate headquarters (reverse road shows) as well as attending industry conferences. During these events, the Company met over 600 investors. In addition to these there are the direct contacts and telephone conversations that the Investor Relations team has on a daily basis. Furthermore, in order to improve communication with the stakeholders, considering the growing importance of this issue over the last 2 years, Telecom Italia organised meetings and detailed discussions on corporate governance matters.

The Group's responses to the financial market are based on criteria of relevance, sensitivity, and congruity with the Group's structure and the actions taken by the Group to achieve its planned targets as well as equal access to information and equal treatment of all the categories of shareholders in compliance with the Bylaws.

Financial communication also considers the needs of investors linked to Socially Responsible Investing (SRI), which favour in their investment choices companies that pay attention to ethical, social and environmental factors as well as financial ones. Interaction with this category of investors is developed through individual contact and conference calls.

As regards relations with individual (retail) shareholders - more than 400,000 holders of ordinary shares - Telecom Italia's strategy aims to strengthen communication channels in order to respond quickly and effectively to queries regarding the performance of shares and the Group strategy as a whole. The messages and ideas that emerge from dialogue with retail investors are collected and reported to Top Management. In this respect, the "TI Alw@ys ON" ([telecomitalia.com/individuali](http://telecomitalia.com/individuali)) Shareholders' Club was launched in 2006 as a virtual meeting place between the Company and its individual investors. Access to the Club is not exclusive. Non-shareholders can also simply register to receive the same services provided to shareholders. Both registration and delivery of the services are completely free of charge. With regard to on line financial communication, the [telecomitalia.com](http://telecomitalia.com) website is constantly updated and innovated.

**[G4-26], [G4-27]** The Group's main stakeholder engagement initiatives taken in 2015 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 "dialogue" 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
STAKEHOLDER	 ENVIRONMENT	Product environmental declarations for customers- TIM eco-friendly (Environmental protection /TIM eco-friendly)	Multistakeholder forum aimed at strengthening understanding of demands and priorities and mustering innovative contributions (Corporate Shared Value/ Stakeholder engagement)	Collaboration with other telecommunications operators on issues of environmental relevance within the framework of industry associations and initiatives, including GeSI and ETNO	
	 COMMUNITY	During 2015 training and information activities continued via the EducaTI project: specifically via the event organised with FOSI dedicated to security and the introduction of coding in schools (Digital culture/Relations with local communities/E-learning and evolved digital education)	Multistakeholder forum aimed at strengthening understanding of demands and priorities and mustering innovative contributions (Corporate Shared Value/ Stakeholder engagement)	During 2015, the Group continued to work 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 (Digital culture/ Relations with local communities/E-learning and evolved digital didactics education)	Many projects carried out in partnership with companies, universities, research centres and non-governmental and civil society organisations, for example, (Digitisation, connectivity and social innovation/Research & Development and innovative services/Public initiatives consistent with the core business)
		Last Call to Europe 2020 event-The role of companies for a Smart, Sustainable and Inclusive Europe		Collaboration at a European level, with Sodalitas, CSR Europe and 5,000 other companies for the staging of the manifesto the «Milan CSR Manifesto»	Event held in Milan during Expo 2015 in collaboration with the stakeholder Sodalitas and CSR Europe
	 HUMAN RESOURCES	Training activities on the respect of Human Rights (Being sustainable in Telecom Italia/ Human Rights and the Telecom Italia people/Collaboration with universities, training and knowledge management)	The ninth edition of the climate survey was carried out in Italy and Brazil, involving the entire workforce (Telecom Italia people/Internal communication)	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, training and knowledge management and New skills and development)
	In 2015, 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)	Sponsorship 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, training and knowledge management)	



		INITIATIVES			
		INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
 HUMAN RESOURCES	Internal communication activities (Telecom Italia people / Internal communication)	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 2015 performance assessment programme related to the skills of the Leadership Model and a crucial element for the entire new Development System (Telecom Italia people/New skills and development)		7th 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 high schools in part to enhance internal skills and get in touch with young people, promoting the company's image (Telecom Italia people/Collaboration with universities, training and knowledge management)	
 CUSTOMERS	Information on the Service Charters and General Conditions of Subscription on the Group's websites (The Telecom Italia Group/Corporate governance system)	Customer satisfaction is systematically measured (Digitisation, connectivity and social innovation/Group's customers)	Collaboration with the consumer associations (Digitisation, connectivity and social innovation/Group's customers)	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 (Digitisation, connectivity and social innovation/Group's customers)	
	Information regarding tools for the safe use of the internet and for combating computer abuse (Digitisation, connectivity and social innovation/Group's customers)	Multistakeholder forum aimed at strengthening understanding of demands and priorities and mustering innovative contributions (Corporate Shared Value/ Stakeholder engagement)	Use of web-based tools on social networks by customer care operators to talk to customers and share their knowledge (Digitisation, connectivity and social innovation/Group's customers)	Partnership projects with institutions and other companies to test and create innovative services (Digitisation, connectivity and social innovation/Group's customers)	
 SUPPLIERS	Exchange of information and documentation with suppliers via the "Vendors hub" portal (Digitisation, connectivity and social innovation/Sustainability throughout the supply chain)	Ninth survey of satisfaction with the Purchasing department, and more generally with Telecom Italia, conducted among the Group's main suppliers (Digitisation, connectivity and social innovation/Sustainability throughout the supply chain)	Collaboration areas dedicated to the main suppliers available on the Vendors Hub portal (Digitisation, connectivity and social innovation/Sustainability throughout the supply chain)	Joint Audit Cooperation, an initiative which provides for sustainability audit activities conducted in the production plants of common suppliers and sub-suppliers based on an agreement signed with another 10 telecommunications operators (Digitisation, connectivity and social innovation/Sustainability throughout the supply chain)	
	Specific focus on the principles expressed in the Group's Code of Ethics and Conduct and recalled in the contract clauses and specific undertakings to observe them that suppliers are made to sign (Digitisation, connectivity and social innovation/Sustainability throughout the supply chain)	Self-assessment questionnaire sent to the most risky suppliers, in terms of sustainability, during the qualification stage and, periodically, to qualified suppliers (Digitisation, connectivity and social innovation/Sustainability throughout the supply chain)			
		Multistakeholder forum aimed at strengthening understanding of demands and priorities and mustering innovative contributions (Corporate Shared Value/ Stakeholder engagement)			



INITIATIVES				
	INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
 SHAREHOLDERS	The "TI Alw@ys ON" shareholders' club (telecomitaliaclub.it) provides important information to individual investors and the general public (Corporate Shared Value/ Stakeholder engagement)		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 (Corporate Shared Value/ Stakeholder engagement)	
	Online financial communication through the Group's website (Corporate Shared Value/ Stakeholder engagement)		Meetings with stakeholders on corporate governance issues (Corporate Shared Value/ Stakeholder engagement)	
 INSTITUTIONS		Multistakeholder forum aimed at strengthening understanding of demands and priorities and mustering innovative contributions (Corporate Shared Value/ Stakeholder engagement)	Dialogue with national and international Institutions on business issues of relevance to the Group (Telecom Italia Group/Organisations and Institutions)	Memorandum of understanding signed with the MIR and EducaTI project launched (Digital culture/E-Learning and evolved digital education)
 COMPETITORS		Periodic qualitative-quantitative researches to analyse the strength of the Group brands, the image of the providers of telecommunications services and mobile telephony, the reputation of the providers (Telecom Italia Group/ Reference context)	Dialogue with the OLOs on commercial issues and regarding implementation of the Undertakings (Telecom Italia Group/Reference context)	"Dono per...", a limited liability consortium company founded by Telecom Italia, Vodafone Italia and Wind, that will deal with all initiative for the raising and distribution of funds for charity as well as loans to political parties or movements, as envisaged by the new legislation. (Digitalisation, connectivity and social innovation/R&D and innovative services)
			Constant dialogue with the Authorities (AGCM and AGCOM) (Telecom Italia Group/ Reference context)	
			The Group is a member of numerous federations, associations and organisations, both nationally and internationally (Telecom Italia Group/Reference context)	



## MATERIALITY ANALYSIS

### Materiality matrix

**[G4-18a], [G4-18b]** In 2015 as well, the materiality analysis process was conducted according to the GRI G4 requirements, in order to identify topics that are most relevant to the socio-environmental and economic impacts generated by business activities both inside and outside the organisation.

#### Identification of relevant topics

As stated in the “Guidelines for updating the Telecom Italia materiality analysis” and in the Review section of 2014 sustainability Report<sup>1</sup>, preparatory activity was carried out regarding the validity of the issues that emerged the previous year. This activity involved a specific comparison with various national and international sources of information, both public and private, inside and outside the Group<sup>2</sup> and a comparison with sector practice benchmarks.

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

- direct and indirect economic impacts;
- business ethics and promotion of human rights;
- responsible management of the supply chain;
- risk management and Public Policy;
- market position and customer protection;
- responsible management of human resources, promotion of diversity, equal opportunities and the health and safety of workers;
- compliance with national and international regulations;
- initiatives for local Communities;
- responsible management of energy resources and waste.

#### Assignment of priorities

The assignment of priorities among the topics emerged, led to the identification of the material issues to be disclosed. During this phase, Telecom Italia assessed the importance of the topics identified from an external and internal viewpoint. The latter was provided by the main departments of the company following a specific assessment of the topics for analysis.

**[G4-26]** The updated assessment of relevance from an external point of view was produced by a specific stakeholder listening activity aimed at gathering the perceptions of authoritative Group stakeholder representatives. At the 2015 multi-stakeholder forum, which involved over 30 representatives of the main external stakeholder categories, participants were presented with material issues for the Company's strategy in order to identify an order of importance<sup>3</sup>. The stakeholders, subdivided into theme-based working groups based on their interests and skills, expressed their views regarding the matters discussed by their working group. The use of parametric qualitative and quantitative scales ensured the uniformity of the assessment.

**[G4-19]** The analysis of the results produced the data needed to determine the “stakeholder relevance” dimension of the materiality matrix.

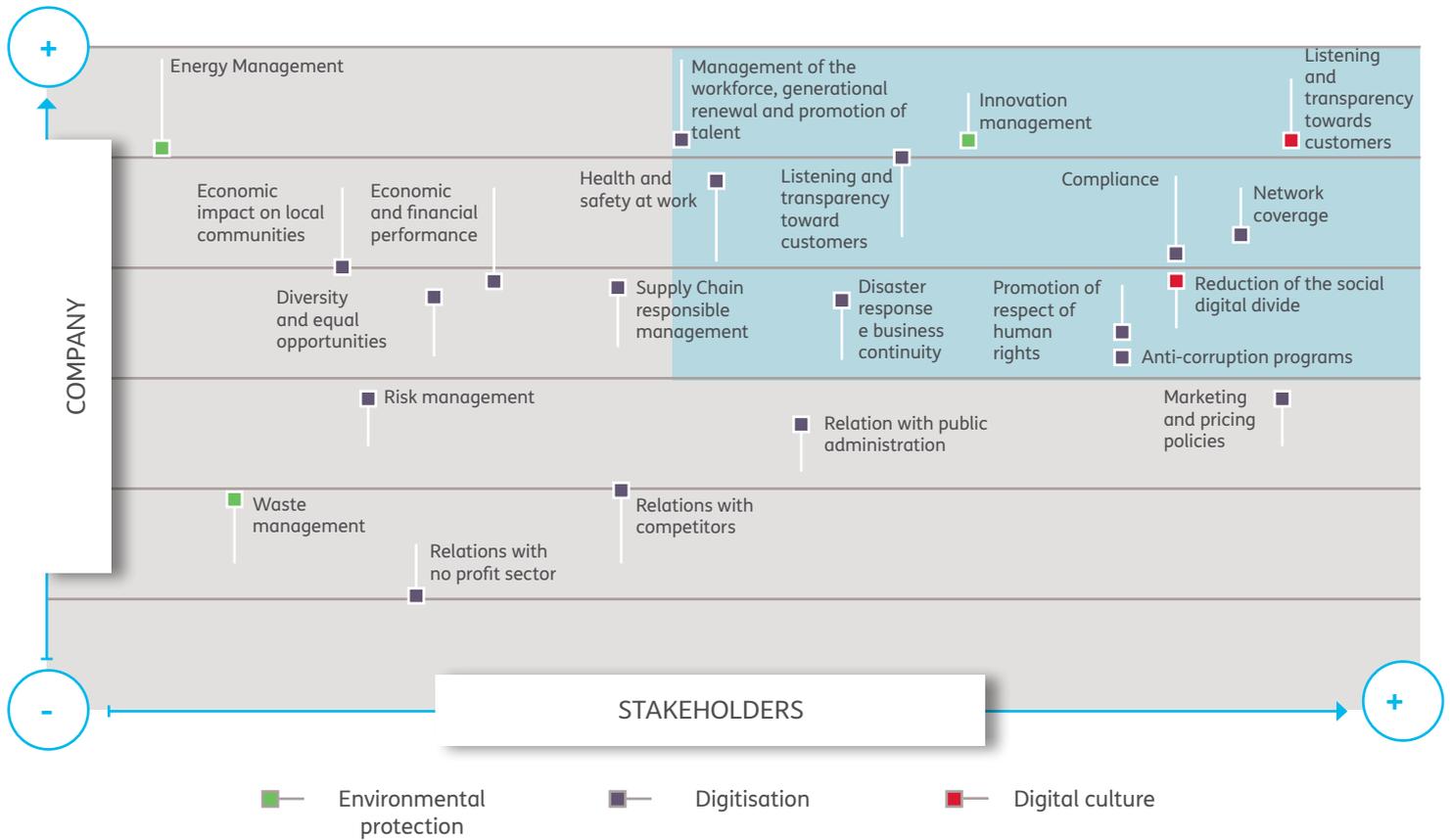
<sup>1</sup> Sustainability Report 2014: “The review phase is due to take place as a preparatory stage prior to the next reporting cycle, with the aim of submitting the results of the analyses carried out, updated in the following year, to specific stakeholder engagement activities. In order to make 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.

<sup>2</sup> For example: Digital Economy and Society Index of the European Union, the Polytechnic of Milan's Digital Agenda Observatory reports, the “Fair and Sustainable Welfare in Italy - 2014” report promoted by the National Council for Economy and Labour and ISTAT.

<sup>3</sup> Each participant was provided with an information folder prior to the forum for a better understanding of the topics discussed.



## Results at a glance: the materiality matrix



The health and safety of workers and staff management may appear to be material issues only for employee stakeholders. In actual fact, these issues directly involve government local offices and the communities where the Group operates and indirectly all the stakeholders who come into contact with the Group's employees.

### Validation

The issues and the whole materiality analysis process were validated by the Corporate Shared Value department, which, as stated above, availed itself of the support of SCS Consulting to determine perceptions by participating in the working groups and sharing the results among the forum participants. The Governance of the Corporate Shared Value 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. The Group has drawn up the "Guidelines for updating the materiality analysis of Telecom Italia" pursuant to the GRI G4 in order to establish a transparent structure for the analysis process. The document provides guidelines for the activities to be carried out, establishing timetables and the roles involved in the process. The diagram produced for this purpose by GeSI for ICT sector, which is available in the "ICT and Sustainable Development: a materiality assessment for the ICT industry", is currently being analysed with a view to further enrichment of the matrix.



## 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.

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 talent
- 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” e 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 protection 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.

More generally, some ideas that emerged from the multi-stakeholder forum show how the Group is characterised by being:

- a hub for the development of digital skills and culture. Participants noted the need to improve the digital skills of ordinary citizens, businesses and government local offices in a structured way, identifying Telecom Italia as an active player for improvements in the home;
- a promoter of projects capable of generating shared value. Institutional and Community representatives valued the Company's potential role as a direct promoter of research and development initiatives for digital solutions, while the business world proposed support and promotion of entrepreneurial activities that can achieve digital innovation independently, to be identified by means of an active scouting process.

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



## STRATEGIC AREAS OF INTERVENTION FOR CORPORATE SHARED VALUE CREATION

The themes identified in the matrix were traced to the three areas of intervention, within which the CSV department measured the following projects for 2015:

- Digitisation, connectivity and social innovation
  - ◆ **Italy:**
    - ▶ Digitisation of the Country
    - ▶ Employment impact
    - ▶ Patents
    - ▶ Expo 2015
    - ▶ Extended Expo 2015
    - ▶ Partnership with Digital Champions
    - ▶ WithYouWeDo
    - ▶ Joint Open Lab
  - ◆ **Brazil:** Mobile Broadband
  
- Environmental protection
  - ◆ **Italy:** Energy efficiency
  - ◆ **Brazil:** Biosite
  
- Digital culture
  - ◆ **Italy:**
    - ▶ Digital School (TIM College + EducaTI)
    - ▶ Partnerships with schools and the academic world
    - ▶ Pappanoinweb
  - ◆ **Brazil:** TIM TEC

Nurseries and Citizens without Frontiers are included in the chapter *Telecom Italia people*.  
The following is a graphic representation of the process used in 2015.

## Materiality matrix - strategic areas - CSV projects link



▶ Most significant aspects



Italy



Brazil



For quantification purposes, 10 macro-classifications of business and social value were identified, expressed using specific KPIs crucial for measuring the value of the individual project and aggregating the overall value generated.

The 3 drivers of business value are:

- revenues;
- costs;
- reputation.

The 7 drivers of social value are:

- digitisation: related to the diffusion of ultra broadband, the digitisation of schools, the digitisation of health services etc.;
- well-being of the Country: valorisation of the ability to create direct and indirect employment, potential impact on GDP and employment of the construction of the ultra broadband network;
- ability to innovate: related to investments in R&D, innovations created and patented, employees' ability to innovate;
- environmental protection: relative to energy saving, the resulting obtaining of white certificates and reduction of emissions relative to Telecom Italia and to customers using products and energy-efficient solutions sold by Telecom Italia (direct and indirect impact);
- supporting universities: relative to supporting the academic world of research;
- firms and families' revenues: related to the improvement in profitability of public and private companies and families;
- dissemination of knowledge: valorisation of Telecom Italia's ability to create skills, such as for example hours of training, investments, people involved, return on investment in human capital.

The estimate of economic shared value generated in Italy during 2015 is over 12 billion euros, divided into 3.3 billion euros of business value and 9.1 billion euros of social value. The details of the values of the individual projects are given in the corresponding chapters.

Finally, it should be noted that the measurement highlighted various non-economic KPIs reported in detail in the individual project data sheets, such as impacts on reputation (for example over 12 million networking contacts thanks to the WithYouWeDo project) or supporting the universities: around 150 young people involved, 5 universities, 8 applied research and innovation laboratories involved in 2015, created by Telecom Italia (Joint Open Lab) at the main Italian universities.