



TELECOM ITALIA GROUP



GROUP'S PROFILE

[G4-3] The Telecom Italia Group offers fixed and mobile communication services and ICT solutions¹. In Italy, the Group operates the biggest fixed voice and data infrastructure, covering the whole territory and provides one of the country's most extensive and advanced mobile network platforms. **[G4-6]** In addition to its domestic leadership, the Group has a significant international presence in South America, particularly in Brazil. **[G4-17a]** For the details of the countries where Telecom Italia operates see Note 45 of the Group's consolidated financial statements, which also lists the Group companies, subdividing them by consolidation method. **[G4-13], [G4-22]** No significant changes in operations and in the consolidation scope took place during 2015. For details of the changes that did take place, see Notes 1 and 3 of the Group Consolidated Financial Statements. The main changes over the past three years include the Sofora – Telecom Argentina Group being recorded among discontinued operations, the sale of the La7 S.r.l. business and the shareholding in the MTV Group and the creation of INWIT S.p.A., listed on the Milan stock exchange, which operates in the electronic communication infrastructure sector, specifically in those dedicated to hosting radio transmission equipment for mobile voice networks both of Telecom Italia and the other operators.

Telecom Italia provides the Country with innovative infrastructure, IT skills, products, services and ICT solutions that meet the needs of society. This commitment has been consolidated 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 for the creation of the European Digital Agenda.

Within Telecom Italia the Corporate Shared Value (CSV) department has been set up 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. The three areas identified are:

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

The first 17 projects,² the value of which has been estimated applying the metrics of the CSV model in Italy and in Brazil, have been inserted within these three areas; a summary is provided in the *Corporate Shared Value* section.

[G4-8] [G4-9] All the Group's activities are encompassed in the following Business Units:

- **“Domestic”** operates primarily in the field of domestic fixed and mobile voice and data services for end customers (retail) and other operators (national wholesale), as well as in the domestic information technology products and services sector. The Business Unit also includes the activities of INWIT S.p.A. and on an international note, the activities related to the development of fibre optic networks (international wholesale) in Europe, the Mediterranean and South America;
- **“Brasile”** (TIM Brasil Group) provides mobile telecommunications services. Furthermore, as a result of the acquisition of a number of fixed line operators, it also offers fibre optic data transmission and residential broadband services;
- **“Media”** operates in the management of digital multiplexes through Persidera S.p.A.;
- **“Other Activities”** includes the financial companies and other minor companies not strictly connected with the Group's “core business”.

¹ **[G4-3]** For general information about the Group, see the consolidated financial statements of the Telecom Italia Group, Note 1.

² 2 projects have been inserted in the section The people in Telecom Italia.



Group’s main brands

[G4-4] [G4-8] The main brands market voice/data and information technology products and services for residential and business customers, public administration, national and international operators. The Group also provides transmission capacity and technological solutions for TV sector operators.

TIM is the single brand for the whole Group, which operates in the domestic market offering fixed and mobile telephony, internet, digital content and cloud services. TIM is supporting Italy in its quest for full digitisation by building an ultrabroadband network infrastructure and providing next generation services. In **Brazil**, TIM markets mobile phone, mobile internet and fixed line services.

Through the **Sparkle** brand, the Group offers international voice, data and internet solutions to fixed and mobile telecommunications operators, Internet Service Providers/Application Service Providers, content and media players and multinational companies.

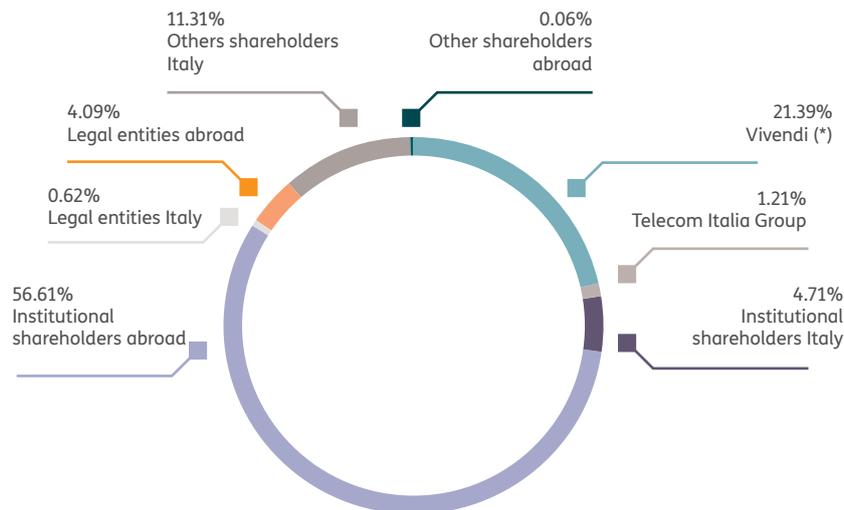
The **Olivetti** brand markets information technology products and services for residential and business customers.

Persidera offers terrestrial digital transmission capacity and high quality technological solutions to leading TV networks operating in the domestic market. Finally, **INWIT** is the Group’s tower company.

Main shareholders of Telecom Italia S.p.A.

[G4-7] Telecom Italia is a joint-stock company organised under the laws of the Republic of Italy¹, **[G4-5]** where the parent company has its registered office. **[G4-7]** The reference shareholder, as of December 31 2015, is Vivendi S.A.² with 21.39% of the ordinary share capital. **[G4-13]** The share ownership underwent significant changes over the course of 2015, with the entry of the French shareholder³ and the exit of Telco S.p.A. and the Findim Group S.A. The Net Equity structure and the number of shares in circulation are shown in Note 14 of the Group Consolidated Financial Statements. For further information relating to reports made to Consob regarding significant shareholdings, see the Report on Operations of the Telecom Italia Group.

The shareholding structure as of December 31, 2015 is shown below ⁴.



(*) Direct and indirect participation.

¹ **[G4-7]** Also see the Telecom Italia Group Consolidated Financial Statements, Note 1.

² Direct and indirect participation.

³ **[G4-7]** For details, also see the Report on Operations of the Telecom Italia Group, Information for Investors, and the stakeholder engagement paragraph of the Corporate Shared Value chapter **[G4-13]**.

⁴ Source: Register of shareholders as of December 31, 2015, supplemented by communications received and by other available information.



[G4-13] An examination of the share capital structure in the three-year period 2013–2015 shows, as well as the aforementioned entry of Vivendi S.A., an increase in 2015 of the shares held by foreign and Italian institutional investors, respectively +5.1pp and 0.9pp. The shares held by foreign legal entities, during this three-year period, fell slightly (from 4.4% in 2013 to 4.1% in 2015) as did the shares held by Italian legal persons, falling from 0.8% in 2013 to 0.6% in 2015.

Lastly, as regards the other Italian shareholders and other foreign shareholders categories, there was a decrease in ownership over the three-year period (-4.5pp), slight for other foreign investors.

CORPORATE GOVERNANCE SYSTEM

Some aspects of the Group's Corporate Governance which are particularly relevant (material) to the reporting of sustainability in accordance with the GRI-4 guidelines are briefly illustrated below. For a more detailed and comprehensive description see the 2015 Report on Corporate Governance and Share Ownership, the Report on Remuneration, the Bylaws and the Group Governance Procedures, available at telecomitalia.com.

[G4-34], [G4-35], [G4-40] The 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). The existing Board of Directors was appointed by the Shareholders' Meeting on April 16, 2014. In December 2015, the number of Directors increased from 13 to 17 with the appointment of 4 Directors at the request of the reference shareholder Vivendi S.A.. **[G4-38], [G4-40]** The only stakeholders represented on the Board are therefore 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 Bylaws 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. An amendment made to the Bylaws of Telecom Italia in May 2015 introduced the principle that at least half of the candidates and elected members from each slate must be independent when the Board of Directors is renewed. Reference is made either to the legal independence requirements or the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana, with which Telecom Italia complies.

[G4-40] In delivering its guidance to shareholders, with a view to the Shareholders' Meeting called to renew the Board of Directors on April 16, 2014, the outgoing Board of Directors expressed a few wishes 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 associated areas of business, strategic guidance, 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, i.e. individuals who had gained professional experience overseas;
- a balanced mix of the various components was required, as the coexistence of diverse skills and experience ensures the complementarity of professional profiles, promoting fruitful discussion and the efficient operation of the Board, in the knowledge 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 suggest 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 telecomitalia.com)



[G4-38] The Board of Directors in office consists of 16 members, including 9 independents. 6 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” contained in the RCG, 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 (indicating “LSGR” in the case of appointment with a slate vote and candidacy by the SGR and Institutional Investor Slate, indicating “LT” in the case of appointment with a slate vote and candidacy by the Telco Slate or “T” in the case of original candidacy in the Telco slate but appointment by the Shareholders’ meeting by ordinary vote, indicating “V” in the case of appointment of candidates proposed by Vivendi S.A. during the Shareholders’ meeting on December 15, 2015) whether they are independent, executive or non-executive. Each Director’s CV can be viewed on the website telecomitalia.com *The Group channel, Governance System/Corporate Bodies* section. The Directors’ skills in the field of economics range from university teaching to graduate and post-graduate studies, specific training in the field of mergers and acquisitions, and experience with stock market supervision authorities and at the top of big companies. One Director also declares that he/she has worked on sustainability-related projects. **[G4-47]** 13 meetings of the Board of Directors were held in 2015.

[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. During the year, the Directors attended a specific meeting on sustainability matters, which saw also the participation of an expert in this field from the KPMG Group and the Head of Corporate Shared Value department. As happened in 2015, specific meetings on sustainability are planned.

[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. Significant transactions with related parties are subject to scrutiny by the Control and Risk Committee, in the case of minor transactions, or by a Committee consisting of all the Independent Directors, in the case of more significant transactions. The process of selecting and appointing members of the Committee, and the independence and competence requirements are described in the Nomination and Remuneration Committee Regulations and in the Control and Risk Committee Regulations, both available on the telecomitalia.com.

[G4-44a] The self-assessment of the size, composition and operation of the Board and its Committees for 2015 was performed by means of a questionnaire consisting of five series of questions relative to (i) the composition of the Board and internal committees; (ii) the items discussed, as well as the frequency and method of preparation of the meeting; (iii) the investigative process and decision-making procedure; (iv) the induction and training initiatives offered to Directors; (v) the analysis of the progress made compared to the previous self-assessment. The board review has been carried out annually since 2005. For 2015, as there was no need to give the Shareholders guidance for the renewal, and in order to guarantee the independence of the assessment process, the self-assessment was carried out by the Directors by completing an online questionnaire (for remote access). The results of the board review were then discussed by the Nomination and Remuneration Committee and subsequently by the full board, commenting on the strengths and areas for improvement, with a view to achieving continuous improvement. **[G4-44b]** Further information on the assessment methods and results are illustrated in the RGS. The 2015 self-assessment did not tackle issues of sustainability.

[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. Subsequently, on March 22, 2016, Marco Patuano resigned and, on March 30, 2016, the Board of Directors appointed Director Flavio Cattaneo as CEO. The Board of Directors considers its current composition to be appropriate and, at the Shareholders’ Meeting convened for May 25, 2016, it will propose to reduce the number of directors from 17 to 16.

Also on March 30, 2016, the Board of Directors updated the proxies granted to the two Executive Directors.

The proxies and powers granted to the Chairman 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 planning process, 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 People Value department, which reports to the CEO;
- supervising the economic and financial performance of the companies and the Group;
- supervising the process of examining and devising the structure of the internal control system;
- supervising security and the Telecom Italia Sparkle company;
- representing the company and the Group in external relations with all Authorities, Italian and international Institutions and investors (on the understanding that Investor Relations department reports to the CEO);
- organisational responsibility for the following departments that report directly to him:
- 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 People Value department, which reports to the CEO;
- supervising the economic and financial performance of the Companies and the Group;
- supervising the process of examining and devising 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 Investor Relations department reports to the CEO);
 - ◆ Legal Affairs (save for the CEO's power to make use of the Legal Affairs Department for the operational management support required);
 - ◆ Institutional Communication (save for the CEO's power to make use of the Press Office for the operational management support required in coordination with the Executive Chairman);
 - ◆ Public Affairs;
- responsibility for the Brand Strategy and Media function;
- organisational responsibility for the Corporate Shared Value (CSV) 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 proxies and powers assigned to the CEO 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;
- 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 sustainability the powers are delegated to those in charge of the CSV 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, government local offices, employees etc., described in the *Stakeholder Engagement* paragraph of *Corporate Shared Value* 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 systematically updated (the latest revision is dated March 17, 2016) and is illustrated in the Report on Corporate Governance and Share Ownership, 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 the Report on Corporate Governance and Share Ownership.

The internal control system is contained in 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] The Group has adopted an Enterprise Risk Management (hereinafter ERM) Model which allows risks to be identified, assessed and managed uniformly within Group companies, highlighting potential synergies between the parties involved in assessing the Internal Control System. Particular focus is placed on the relationship between the ERM process and the business planning process, particularly on determining the acceptable level of risk for the Group (Risk Appetite) and the acceptable degrees of deviation from the main business targets (Risk Tolerance).

The process is managed by the ERM Steering Committee, which is chaired and coordinated by the CFO. The Steering Committee ensures the governance of the Group's risk management, aimed at guaranteeing the operational continuity of the business, monitoring the effectiveness of countermeasures taken. The ERM process is designed to identify potential events that may influence the business activity, in order to manage risk within acceptable limits and provide a reasonable guarantee that business objectives will be achieved. For further details please read the *Enterprise Risk Management system* section in *Being sustainable in Telecom Italia*.

[G4-49], [G4-50], [G4-58] In November 2015, Telecom Italia implemented the new Whistleblowing procedure, which provides for the centralised management, by the Audit Department, of all whistleblowing reports - including those that are the responsibility of the Board of Statutory Auditors, particularly in its role as the 231 Supervisory Body - via a compute app which whistleblowers can use to access the Company intranet. Since February 2016 this reporting channel has also been accessible via the Group's website.

Reports may be made by any employee, collaborator, consultant, freelance worker, as well as third parties who have business relations with the Group. The system assigns each report a unique identification code which enables the whistleblower to check the processing status in anonymity. The overall oversight by the Audit Department Manager is intended to make an assessment of the Internal Control System's ability to contribute to the achievement of objectives assigned to the individual departments of the company (effectiveness profile), considering the rational use of resources for their achievement (efficiency profile) and in light of the risk factors (qualitative and quantitative) and the likelihood of them influencing the achievement of the said objectives.

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 the parties to significant shareholders' agreements, pursuant to article 122 of the Consolidated Law on Financial Intermediation, 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.



[G4-57], [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]** Using the Whistleblowing procedure, the same entities must be promptly informed of the following by the recipients of the Code and those who have undertaken to comply with it:

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

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

The confidentiality of the identity of people making reports is in any case guaranteed by appropriate internal procedures, subject to legal requirements. No recipient of the Code, employee or third party having business relations with the Group can be subject to sanctions or otherwise discriminated against if he/she refuses to perform actions or adopt a conduct which are considered, in good faith, to infringe the Code, even if this refusal should result in a loss of business or other adverse consequence for the company's business and/or the Group. The Brazilian subsidiary TIM Participações also uses a report reception system based on a form, also accessible via the Company's website, that allows the report to be received at an email address, equipped with computer security systems, for its subsequent management.

[G4-50] In 2015, via the internal control reporting procedure, 156 reports were received from Italy and 343 from Brazil, most of them relating to alleged inefficiencies. The *Human Rights* section of the *Being sustainable at Telecom Italia* 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 employment rights¹.

[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 2015 Annual Report). In 2015 the Supervisory Body received only one report which did not however relate to the Code of Ethics, Human Rights or 231 Organisational Model.

[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

¹ In particular, the Human Rights section contains a detailed description of the procedure and the types of reports made via the procedure.



are attended by the Chairman of the Board of Statutory Auditors or by another Auditor appointed by him/her, subject in any case to the freedom for other Auditors to attend the meeting) relies on the assistance provided by relevant departments of the Company and may also rely on the support of external consultants whose position does not compromise their independence of judgement. During 2015, the Committee once more availed itself of the assistance and support of Mercer Italia, which also analysed the application of clawback clauses (details available in the RR).

[G4-51] With the exception of the Chairman and the CEO, the Directors receive fixed remunerations only. Table 1 “Remuneration paid to members of the management and control body and Key Managers with Strategic Responsibilities” in the RR 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 (aggregated), 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 the CEO are primarily of a financial nature, while for the Chairman, in addition to the financial targets, there are targets associated with the image of the Company and the Group and an assessment by the Board of Directors of his effectiveness in managing the activities of the Board of Directors. The sustainability targets used to determine the management incentive system are stated in the Remuneration Policies section of the Telecom Italia people section of this report.

References

The 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 certificates governing quality and environmental management systems;
- principles of the International Labour Organization (ILO) Conventions on respecting the fundamental rights of workers;
- the Social AccountAbility 8000 standard (SA 8000), aimed at promoting respect for Human Rights and working conditions by companies and their supply chains;
- Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), version G4, comprehensive option;
- 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 Group has always been a member of many environmental and social organisations, both national and international, formed to disseminate universally recognised values including respect for Human Rights, employment 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. Telecom Italia is involved, among other things, in the ITU Child Online Protection initiative and in particular in updating the guidelines developed as part of this same initiative, which are aimed at companies in the broadcasting, internet and mobile sector. The initiative is part of the wider international Global Cybersecurity Agenda project launched by the



ITU in 2007. Also in the context of the ITU, Telecom Italia is involved 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 for Children Online 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, European Telecommunications Network Operators' Association, 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 Corporate Responsibility Charter of the ETNO. Issues related to Corporate Responsibility are handled by a working group which Telecom Italia has chaired for several years, the tasks of which include promoting and verifying the objectives undertaken through the Association's Corporate Responsibility 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. A task force on Online Child Protection reports also to the working group;
- Joint Audit Cooperation, a joint initiative between telecommunication operators to perform sustainability audits of the production plants of their respective suppliers in geographical areas that present a high social and environmental risk. 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 Sustainability departments of its members), the Operational Assembly, (which defines procedures and tools and coordinates the auditing of suppliers) and holds the position of Vice-President of Operational Committee;
- 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 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 sustainability 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 telecomitalia.com).



Codes, policies and charters of the Group

[G4-56] The undertakings given by the Group are expressed in a system of Charters, Policies 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 and the Human Rights Policy of the Telecom Italia Group set 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 objectives set for each year for the individual services (fixed and mobile voice services, Internet access services, call centre services for customer support) are published on the relative websites. 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 Internet site:

- *Respecting Human Rights in the Telecom Italia Group*, which emphasises that the telecommunication sector is strategic in terms of Human Rights because it affects the accessibility of technology and services (geographical and social digital inclusion) in particular for the most vulnerable, as well as the right to privacy, personal data protection and freedom of expression, particularly online;
- *Social responsibility in the Telecom Italia Group*, on compliance with labour standards within the Group, with particular reference to child labour, forced labour, health and safety, freedom of association, discrimination, disciplinary procedures, working hours and pay;
- *Relations with suppliers in Telecom Italia Group's procurement process*, which governs the negotiating ethic of the Group (transparency, the separation of roles, fairness and traceability) and the requirements that Telecom Italia demands of its suppliers in the area of working and environmental standards;
- *Green Procurement Policy* which is intended to minimise the environmental impact directly attributable to the Company and its suppliers in the context of the procurement process.
- *Telecom Italia Group Guidelines on Voluntary Contributions to the Community*, which govern the ways in which the Group makes investments in favour of the communities in which it operates;
- *Code of conduct for the confidentiality of OLO (Other Licensed 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.

The Code of Ethics and Conduct of Telecom Italia, currently being revised following the conclusion of the "organisational identity development¹ workshop, underlines some of the key principles for all the people working in the Group:

- **Excellence of the service**

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

- **Ethics and Compliance**

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

¹ More details on the workshops are available in the *Telecom Italia people* chapter.



■ **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 each other's differences, within a framework of loyalty, observance of ethical values and trust.

■ **Communication**

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

■ **The Community**

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

■ **Health and Safety**

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

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 internal control system in all its companies. Over time, oversight and 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 (which includes all the commercial and technical activities related to telephony, Telecom Italia Sparkle, INWIT and Olivetti), Brazil 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 "231 Organisational Model", 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 Group Organisational Model and the Brazilian Organisational Model identify the processes that are at risk of corruption offences, in particular relating to the management of relations with public entities (e.g. management of inspections and procedures, representing the Company's position in respect of the Authorities, requesting authorisations, managing subsidised loans, tender notices), negotiations with customers (commercial negotiations, calls for tenders), identification and management of counterparts in commercial relations, partnerships, joint ventures, purchase of shareholdings, purchase of goods and services, consulting and professional services. During 2015, due diligence was adopted for the assessment of counterparts (donations, business partnerships, M&A²) with the scope of the Italian companies. As regards Brazil due diligence was adopted in 2015 as part of the procurement process (suppliers of goods and services/consultancy and professional services). 231 Organisational Model 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", as a blueprint 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;
- 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

¹ Merger&Acquisition



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 August 2015, a version of the “231 Organisational Model” was adopted which covers all the new types of offence (false accounting, self-laundering, environmental crime). This version, like the previous one (2013), also complies with the relevant compliance programme for the application of international anti-corruption laws, such as the FCPA and the UK Bribery Act. In particular, in 2015, in support of the Organisational Model and to complete the work done in previous periods (gifts policy, entertainment expenses, events, sponsorships), the donations management procedure was adopted and the M&A procedure was updated. A procedure for membership fees is currently being finalised.

[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 financing
- legal and arbitration proceedings
- health and safety at work obligations
- environmental protection obligations
- staff selection and recruitment
- operations carried out by the Executive Directors
- operazioni svolte dal Vertice Aziendale

[G4-DMA Anti-corruption] It is specifically prohibited to directly or indirectly receive, demand, give or offer compensation of any kind, gifts, benefits of an economic or other useful nature 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 the aims pursued, including exclusive aims, in the interests or to the benefit of the individual Company or 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 aforesaid principles are stated in a specific Group Policy on the fight against corruption, which focus in particular on 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)¹.

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

¹ 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>).



of Supervisory Body are assigned to the 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 Body 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 231 Organisational Model currently covers all the Group's Business Units and **[G4-SO4]** has been approved by Telecom Italia'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, 231 Organisational Model and the anti-corruption policy are communicated to all employees while commercial partners are required to confirm their adherence to the principles contained therein¹. In Italy, in 2015, e-learning training on the 231 Organisational Model and anti-corruption aspects was completed². Note also that the on-boarding training provided to new recruits at Telecom Italia S.p.A. included specific anti-corruption sessions.

E-learning training campaigns run in Italy*

	2015	2014	2012
Senior Managers	42	718	865
Middle Managers	185	3,787	4,270
Others	10,828	33,877	30,143

*Unit of measurement: people

In Brazil, communication on anti-corruption matters, with employees and partners, was launched in 2014 and new classroom training activities were delivered during 2015 aimed at the departmental focal points, the people who manage relations with public bodies and legal advisors³. As part of the awareness-building activities focused on combating corruption, the Code of Ethics was signed by over 13,000 employees 99.7% of the employee and collaborator (such as the people working in the stores) target.

[G4-DMA Anti-corruption] Employees are trained every time the Organisational Model undergoes substantial changes Telecom Italia has made the e-learning training module on the 231 Organisational Model and anti-corruption aspects available to corporate bodies of all national subsidiaries.

[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 it 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. During 2015, the Compliance 231 department participated in the working groups set up at Business 20 (B20) to implement the recommendations made at the G20/B20 on anti-corruption matters and, in particular, to develop an international training toolkit intended for small to medium companies (SMEs), presented at the G20 Summit in Antalya in November 2015. In this context, the company has become involved in Confindustria's "Legality and 231" working group for subsequent implementation of the plan in respect of SMEs.

¹ Commercial partners include suppliers of orders worth over 3,000 euros, joint ventures, consultants.

² The training campaigns are not necessarily annual but depend on changes made to the Model or other organisational requirements.

³ In December 2015 the e-learning course on the Organisational Model and anti-corruption aspects was launched. The Group will shortly consider the possibility of representing the above data in comparable terms.



KEY ECONOMIC PERFORMANCE DATA AND ECONOMIC VALUE GENERATED AND DISTRIBUTED

The Group aims to achieve a balance between the three dimensions of sustainability:

- environmental: maintaining the function of ecological systems, ensuring a balance between the use of natural resources and the company's activities;
- social: promoting the principle of fairness between generations and within the same generation;
- economic: maintaining and increasing capital.

[G4-9] The Group reports on what it does to achieve this objective in the sustainability Report, which focuses primarily on environmental and social sustainability, as well as aspects that are both of a social and economic nature (e.g. customer care and innovation management) and the Annual Financial Report, which discusses the Group's economic performance in detail. In order to give a comprehensive view of the Group's sustainability, we have provided some summary data of economic performance below, which are drawn from the Annual Report.

Telecom Italia Group – Main economic, financial and operational data by Business Unit

(million euros)	Revenues			EBITDA			Industrial investments			Headcount at year-end		
BU	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Domestic	15,001	15,303	16,388	5,567	6,998	7,741	5,086	2,783	3,031	52,644	53,076	53,377
Brazil	4,636	6,244	6,945	1,449	1,774	1,812	1,626	2,195	1,349	13,042	12,841	12,140
Media	82	71	124	37	25	(2)	8	6	20	64	89	84
Other activities	49	-	-	(51)	(12)	(15)	-	-	-	117	19	22
Adjustments and eliminations	(50)	(45)	(50)	2	1	4	-	-	-	-	-	-
Consolidated total	19,718	21,573	23,407	7,004	8,786	9,540	6,720	4,984	4,400	65,867	66,025	65,623

[G4-9] The distribution of revenue by product and service is shown in Note 25 of the Telecom Italia Group's consolidated financial statements.

Telecom Italia Group - Other consolidated economic and financial data

(million euros)	31.12.2015	31.12.2014	31.12.2013
Total net equity	21,542	21,699	20,186
- attributable to Parent Company Shareholders	17,819	18,145	17,061
- attributable to minority shareholdings	3,723	3,554	3,125
Profit (loss) for the financial year attributable to Parent Company Shareholders	168	1,350	(674)
Profit (loss) for the financial year attributable to Minority Shareholdings	729	610	436
Net financial accounting debt	28,475	28,021	27,942



[G4-9] The trend in the Group's capitalisation and debt is shown in the Report on Operations of the Telecom Italia Group.

[G4-9] The following table shows one of the Group's key management data figures: the trend in fixed and mobile telephone service access lines.

Telecom Italia Group - Main operational data by Business Unit

(thousands)/Year-end figures	31.12.2015	31.12.2014	31.12.2013
DOMESTIC FIXED			
Physical connections	19,209	19,704	20,378
Broadband connections	8,890	8,750	8,740
DOMESTIC MOBILE			
Number of lines	30,007	30,350	31,221
BRAZIL			
Number of lines	66,234	75,721	73,431



[G4-EC1] The economic value generated and distributed to stakeholders is shown below. Since 2008, the method of presentation recommended by the GRI has been adopted, with appropriate adaptation.

Telecom Italia Group – Economic value generated and distributed			
(million euros)	2015	2014	2013
Direct economic value generated			
a) Total revenue and operating income	20,005	21,974	23,731
b) Interest payable and dividends paid	216	228	149
c) Net gains (losses) on disposals of non-current assets	336	29	(82)
d) Direct economic value generated (a+b+c)	20,557	22,231	23,798
Economic value distributed			
e) Operating costs	9,296	9,951	10,976
f) Employee costs	3,589	3,119	3,087
g) Shareholders and providers of capital	2,291	2,259	2,508
h) Taxes and duties	532	852	961
i) Economic value distributed (e+f+g+h)	15,708	16,181	17,532
Economic value retained (d-i)	4,849	6,050	6,266
Wages and salaries	2,296	2,202	2,183
Social security costs	834	801	788
Other expenses	459	116	116
Employee costs	3,589	3,119	3,087
Purchases of materials and services	8,533	9,430	10,377
Other operating costs(*)	1,375	1,057	1,190
Change in inventories	44	52	(48)
Internally generated assets	(656)	(588)	(543)
Operating costs	9,296	9,951	10,976
Dividends distributed	262	319	595
Interest payable	2,029	1,940	1,913
Shareholders and providers of capital	2,291	2,259	2,508
Income taxes	416	734	833
Indirect taxes and duties	116	118	128
Taxes and duties	532	852	961
- regarding Domestic BU	381	724	826
- regarding Brazil BU	121	122	126
- regarding activities abroad/other	30	6	9

(*) Mainly includes write-downs and charges connected with the management of non-financial credits of 345 million euros (375 million euros in 2014), risk provisions equal to 330 million euros (84 million euros in 2014), and contributions and fees for the performance of TLC activities of 342 million euros (449 million euros in 2014) net of "Indirect taxes and duties" of 116 million euros (118 million euros in 2014) included in the item "Taxes and duties".



Telecom Italia Group – Contribution to the community

(million euros)	2015	2014	2013
Distribution of contribution			
Charity	0.3	0.9	1.8
Investments in the community	17.6	7.1	23.3
Initiatives in the community ¹	9.4	14.5	21.5
Total	27.3	22.5	46.6

The contribution to the community is calculated according to the London Benchmarking Group (LBG) guidelines. The calculation has been done using management data partly based on estimates.

More than 150 major international companies subscribe to the LBG, which was founded in 1994 and is the global gold standard for the classification of voluntary contributions made by companies in favour of the community.

In line with the LBG model, in order to measure and represent the Group's commitment to the community, the contributions paid out have been subdivided into three categories (donations, investments in the community, initiatives for the community). In the first, the charitable spirit prevails, the third includes initiatives that combine a benefit to the community with a commercial interest on the part of the Company. For further information regarding the LBG model and its investment classification criteria on the three levels, see the sustainability section of the telecomitalia.com website and the lbg-online.net website.

Telecom Italia Group – economic shared value CSV projects

The estimate of economic shared value generated by the 17 CSV projects during 2015, in Italy, was over 12 billion euros. The details of the values of the individual projects are given in the corresponding chapters.

¹ Among the initiatives for the community worth note: the Junior TIM Cup, a joint project with the CSI - Centro Sportivo Italiano - and Lega Serie A to promote football in parish youth centres and reflect on delicate issues such as cyber bullying and digital well-being; TIM Guarda Avanti, an initiative for talking to young people about their future and making them aware of the danger of using mobile phones while driving; the VOLLEY TIM CUP promoting ladies' volleyball and team sports as a way of building a sense of loyalty and belonging to a group, whether sports or equivalent, which characterises their daily routine and helps their physical, civil, social and cultural growth.



REFERENCE CONTEXT

Legal and compliance framework

The Group's activities are conducted in full compliance with current 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 *Corporate Shared Value* chapter of this Report. Relations between the Group and its employees and public administration are carefully regulated and controlled by the 231 Organisational Model, briefly presented in this chapter. **[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 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 *Telecom Italia Group/Corporate Governance System* 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 disputes of this nature over the past three years.

Competitors

[G4-DMA Anti-competitive Behavior] Telecom Italia is committed to promoting fair competition, a factor considered to be in its interests and those of all market operators, customers and stakeholders in general, promoting and participating in initiatives and projects, together with competitors, and in the management of technical round tables and the activities of trade associations.

Our target audiences in this respect are:

- OLOs (Other Licensed Operators);
- the Italian Communications Authority (AGCOM);
- the Italian Competition and Market Authority (AGCM);
- associations, federations and national and international trade associations.

Telecom Italia manages relations with associations, coordinating representation activities in respect of Confindustria and other Trade associations.

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

The Group is a member of over 100 local associations, including, in particular, CD Confindustria Digitale and Associazione delle società di TLC (Telecommunications Companies Association). Since 2010, Telecom Italia joined Assinform, the national association of leading Information Technology companies operating in the Italian market, which acts as a link between the main economic, political and institutional entities for the development of Italy as a national system by recourse to innovation and new technologies.

Together with the other operators, Telecom Italia takes part in the Ugo Bordoni Foundation (FUB), which aims to carry out research and studies in the communication and digital technology sector for the purpose of promoting scientific progress and technological innovation. The Foundation, in which public administration performs management and control functions, provides advice to Parliament, the Government and independent administrative Authorities.

Telecom Italia also participates in the Audio and ICT District, a consortium of around 60 businesses operating in the



information technology, telecommunications, networking and media sectors. Sponsored by the Municipality of Rome, the Union of Industrialists and the Rome Chamber of Commerce, the objective of the District is to express and represent, within its field, the industrial activities and services operating in the new economic area of the great convergence or multimediality. In order to monitor the competitive situation, quantitative surveys are periodically carried out on a representative sample of the adult Italian population to measure the effectiveness of advertising for telecommunication services. These measure how well the individual operators are known, unprompted and prompted knowledge of advertising, recollection of advertising content, enjoyment of advertising and likelihood of entering into a contract.

For many years now, the Company has had an overall Group reputation monitoring service related to all types of media (print and online, radio, TV, social web). The tool analyses and compares Telecom Italia's presence and that of its main domestic competitors. The system allows Telecom Italia to be positioned quantitatively (number of hits and visibility) and qualitatively (positive or negative arguments, sentiment, image profile) in the competitive context, highlighting the positive and negative areas in the individual media. An alerting system has also been activated on subjects that may potentially have an impact on the Group's reputation.

As part of the rebranding project, in Italy, a monitoring system was activated which annually assesses the impact over time of the evolution of the new single TIM commercial brand in the domestic market.

Services to OLOs

The Telecom Italia National Wholesale Service (NWS) Department, which, as of November 2015, has been hierarchically subordinate to the Wholesale Department, is the point of contact for OLOs and ISPs regarding the provision of network infrastructure and services for subsequent marketing by the said OLOs of electronic communication services to their own customers. NWS is responsible for pre- and after-sales design, identifying requirements and drawing up offers and contracts, sales, support and billing for products/services supplied. Organisational and administrative separation between the retail departments of Telecom Italia and NWS, which is verified every year by an external body, ensures compliance with the principles of equal treatment and non-discrimination established by current regulatory provisions and in particular Resolution 152/02/CONS.

On an annual basis, NWS draws up and submits the reference offers (RO) for the various regulated wholesale services. The process of approval of each reference offer involves joint examinations and reviews designed to provide the clarifications requested by AGCOM, which approves its contents and monitors the work of the NWS in order to ensure that competition is safeguarded. AGCOM also acts as the guarantor and relevant authority in cases brought by OLOs/ISPs and end users on regulatory matters.

In addition to the regulated services, NWS offers infrastructure and transmission capacity, data access and transmission, TLC equipment hosting, outsourcing and all the added value services that allow operator networks to be "virtualised".

Each OLO has a direct relationship with its own account manager in the sales department of NWS, who receives the customer's requests and customises the respective supply contracts in accordance with current regulatory requirements. In particular contracts relating to regulated services include clauses which provide for constant monitoring of the various stages of the supply of the service, ensuring that a number of the main indicators are subject to periodic notification to AGCOM. The interests of the client are safeguarded on a continuous basis, formalised through a process of conference calls, video conferencing and meetings involving all the company departments concerned.

For further information regarding dialogue and involvement initiatives (Wholesale Working Together, Focus Days Wholesale Portal), caring initiatives and the actions taken to measure OLO satisfaction go to the Telecom Italia Wholesale websites: wholesale.telecomitalia.com and widedigitalspace.wholesale.telecomitalia.com

The Italian Communications Authority (AGCOM)

Telecom Italia interacts with AGCOM in order to contribute to the administration of the regulatory process on matters considered concrete to the growth in value of the Company. For this purpose, Telecom Italia pursues an honest dialogue and ongoing discussion with the Authorities and institutions with the aim of achieving a simple, effective and symmetrical



regulatory framework. Furthermore, the Group makes its own knowledge available by participating in public consultations, institutional hearings, conventions, public meetings and by presenting appropriate testimony and petitions. The constant discussions with AGCOM and the institutions ensure that Telecom Italia gathers their opinions, supplying transparent, reliable responses, and anticipates events, creating and exploiting the best opportunities for the Company. For further information on legal provisions that regulate public consultations, market analyses, fact-finding surveys and dispute resolution among operators see the sustainability section of the website telecomitalia.com.

Telecom Italia provides the answers required (e.g. public consultations, defensive testimony, supply of data and information of various kinds, etc.) and always ensures the completeness and reliability of the contribution.

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

The Italian Competition and Market Authority (AGCM)

As part of the protection of competition and the consumer, the Group interacts with the Competition Authority both in a preventative way and during proceedings launched by it.

In addition to responding to the requests regularly sent by the Authority in the performance of its duties pursuant to Law 287/90 and the Consumer Code, in order to ensure transparency, the company's departments preventively organise information meetings aimed at providing a clearer understanding of the evolution of the market and its effects on the Authority's areas of responsibility.

The areas in which prior information is provided include the development of the Group's offer, the company's position on strategic issues such as the development of the access network and net neutrality, the development of pricing criteria adopted in the markets in which the Company is in a dominant position, and the technical and economic characteristics of certain offers disputed by competitors.

In the event of dispute proceedings being launched, the Group presents its case in the appropriate forums, in some cases presenting the Authority with undertakings that will reduce the alleged anti-competitive aspects at the centre of the proceedings. After having assessed these undertakings, the Authority may make them compulsory and end the proceedings without imposing any financial penalty.

Within the Company there are preventive controls on processes with potentially significant impacts in Antitrust terms such as, for example, the drawing-up of marketing plans, the development of contracts, conditions for the provision of telecommunication services, the development of the company's information systems. The controls are aimed at ensuring that the operational management of the processes take into consideration these potential impacts. In order to raise awareness and disseminate a correct approach to the subject, as a follow-up to the online training programme launched in 2010, in 2013, management were offered a specific classroom training course on the application of competition law. In 2014, training activities continued for staff belonging to the National Wholesale Services function. Between the end of 2015 and the beginning of 2016, a new edition of the online course was published, provided and used by about 3,000 employees. In 2016 the same employees will be given classroom training.

[G4-DMA Anti-competitive Behavior] During 2015, the Company launched a Compliance Antitrust activity with the help of an external law firm specialised in competition law. The initiative is part of the constant training activity being carried out on competition law, which has until now been organised and implemented by the internal Antitrust department.

The activity, which ended in December, was split into the following stages:

- interviews with previously identified senior staff;
- checking of documents contained on the personal computers of a specific number of managers previously selected in order to perform an objective collection of such documents;
- competition training;
- review/writing of an competition code of conduct;
- internal competition procedure;
- establishment of the specific competition compliance programme



With this activity, Telecom Italia wants to strengthen the values of transparency and fairness that are the basis of its actions, in accordance with the Group's Code of Ethics and Conduct.

[G4-S07] the Group's main disputes in this respect are listed and described in Note 24 (Contingent liabilities, other information, commitments and guarantees) of the Consolidated Financial Statements, particularly in the Significant disputes and pending legal actions section. **[G4-S08]** The same Note contains a description of all the Group's other disputes.

Undertakings regarding the access network

In December 2008, AGCOM approved the voluntary undertakings presented by Telecom Italia with Resolution 718/08/CONS, subdivided into 14 groups (plus three additional groups of a methodological nature: variation, expiry, modulation). The impact of the undertakings on stakeholders, both internal (shareholders) and external (customers, institutions, competitors, community) can be broken down into different aspects. Specifically:

- greater satisfaction of wholesale and retail customers, achievable by promoting innovation in internal processes, the qualitative development and improvement of the fixed access network and respective services, the reduction of disputes;
- development of fair competition among competitors, which is considered to be in the interests of the Group, the market, the customers and stakeholders in general, promoting equality of technical and economic treatment among the marketing departments of Telecom Italia and the other operators;
- maintenance of competitive conditions in the transition to new generation networks, in order to ensure the creation of an open network able to offer the Community high quality services;
- more transparency in the evolution of fixed access network for competitors and institutions through communication of the technical plans for quality and development of the infrastructure;
- fulfilment of requests received from AGCOM, consumer associations and alternative operators, contributing to the development of a relationship and problem resolution model based on constructive relationships founded on a climate of trust and continuous discussion

A fundamental requirement for the fulfilment of these undertakings is the development of a new culture centred on the concept of Equivalence¹ and the role of Open Access, the structure set up to provide access services to the Retail sales department of Telecom Italia and other alternative operators through NWS (for further information see *Services to OLOs* section). The access network is an infrastructure of primary importance for the whole country and is used by alternative operators in the market to connect their infrastructures and offer services to the community. The Open Access and NWS activities for the production and sale of access services are separate and managed independently from the other commercial departments of the Telecom Italia Group. Also in 2008, the Supervisory Body was set up, a supervisory committee that verifies the proper fulfilment of the undertakings, the equality of access by other operators to the fixed network infrastructure and the achievement of service quality objectives.

In November 2011 AGCOM, with Resolution 600/11/CONS, acknowledged the full implementation of the undertakings by Telecom Italia while continuing monitoring activities with special reference to some particularly important aspects concerning guarantees of Equivalence (new provisioning system, information databases and equality of treatment indicators).

Following AGCOM Resolution 1/12/CONS, with which Telecom Italia was named as an operator with significant market power in NGAN access services as well, as of July 2012 the equivalence model was extended to these services as well.

The equivalence model, which is constantly monitored by AGCOM and the Supervisory Body, has evolved, transposing and adapting itself to the provisions recently defined by the Authority regarding the development of new generation networks,

¹ The concept of Equivalence, introduced by Resolution 718 of 2008, exceeds the concept of equality of treatment referred to in Resolution 152 of 2002. Essentially, "being equivalent" means:

- behaving in a way that does not discriminate against competitors; or serving the customers of other operators as if they were retail customers of Telecom Italia, which means providing the same services, under the same conditions and above all an identical standard of quality;
- ensuring the transparency of the market, making technical, economic and commercial information public, including the terms and conditions for the supply and the use of services, and the characteristics and development plans for the access network;
- guaranteeing access to and use of network resources, accepting all reasonable requests from OLOs;
- setting cost-driven prices and having specific accounting information regarding these prices



particularly in respect of the methods for fulfilling co-location and cabinet access obligations (Resolutions 747/13/CONS and 155/14/CONS).

Further to the EU Recommendation of 2013 on non-discrimination¹, which identifies Equivalence of Input (Eoi) as the most appropriate model for ensuring full equality of internal and external treatment in respect of NGA services, and the EU Recommendation on new relevant markets of 2014², in its resolution 42/15/CONS the Authority updated the public consultation regarding the identification and analysis of fixed network access service markets, carrying out a detailed assessment of the proportionality of the Eoi obligation applied to the Italian context, in order to define a more suitable equivalence model for the regulatory period in question. In view of the results of the consultation, the Authority drew up a draft resolution which was submitted for examination to the European Commission and is now awaiting final publication. The Authority found that the application of the Eoi principle is not proportionate, neither for services on the copper network nor for services on the NGA network AGCOM has asked Telecom Italia to strengthen its Equivalence of Output model (EoO) in respect of the following areas in particular:

- key performance indicators and quality targets;
- governance of the EoO;
- SLAs³ and penalties;
- databases available to alternative operators;
- unbundling of ancillary services.

On November 5, 2015, the Group board approved a new equivalence model, aimed at further strengthening the efficiency and effectiveness of the processes for activating and maintaining the Telecom Italia fixed network wholesale access services supplied to its own commercial divisions and OLOs, which reflects the recent regulatory guidance.

The new equivalence model places Telecom Italia's commercial divisions and the OLOs on an equal footing, strengthening the internal and external equality of treatment and ensuring greater transparency in the management of line activation requests.

In order to implement the above, a change to the Company's organisational structure has been introduced which has made Open Access and NWS hierarchically answerable to the same head of the Wholesale department, as described in the Services to OLOs section.

Relations with the regulation and competition authorities in Brazil

TIM Brasil maintains participatory and collaborative relations with ANATEL (Agência Nacional de Telecomunicações) and CADE (Conselho Administrativo de Defesa Econômica), the authorities involved in regulating the telecommunication sector and the competition and markets respectively.

TIM Brasil has been working with ANATEL on developing the debate around a regulatory framework for telecommunications that will facilitate growth in the sector and the economy as a whole. The dialogue is primarily aimed at identifying the most relevant issues and reducing the typical barriers in the sector, particularly in order to develop important regulatory texts on issues such as managing the frequency spectrum, network sharing and interconnection, coverage of rural areas.

TIM Brasil has a transparent and collaborative relationship with CADE, which it has a duty to notify of mergers, acquisitions and agreements, and to provide timely disclosure thereof. Furthermore, the Company promotes debates and studies and cooperates with academic institutions to support research on market and competition policies.

¹ European Commission Recommendation of September 11, 2013 (2013/466/EU) on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment.

² European Commission Recommendation of October 9, 2014 (2014/710/JE) on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services.

³ Service Level Agreements.



Organisations and Institutions

[G4-DMA Public Policy] Telecom Italia 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.

Our target audiences in this respect are:

- central national institutions: Parliament, Government, Ministries, Public Administration;
- local institutions and their associations:
- AGCOM, AGCM, the Italian Data Protection Authority; Electricity, Gas and Water System Authority
- European and international institutions: EC, European Council and Parliament, BEREC¹, OECD², UN³, Global Compact, UNEP⁴, UNFCCC⁵, ITU⁶ and other UN agencies.

Central and 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 of Economic Development) regarding the activities of the inspection body (parliamentary questions) directed at the Group.

National legislative activity specifically monitored by Telecom Italia during 2015 mainly concerned draft legislation being examined by the Italian parliament and the law decrees introduced by the Renzi government which might have an impact on the electronic communications sector.

The approval process of the following legislative measures was therefore monitored on a constant basis:

- Law No. 115 of July 29, 2015 "European Law 2014", which contains a provision regarding administrative rights in the communication sector: the provision, which is aimed at ending European Commission infringement proceedings no. 2013/4020, identifies the activities performed by the Ministry of Economic Development (MISE) and AGCOM, to be funded by a contribution levied on operators (confirming the existing contribution mechanism), and introduces the duty for the Ministry of Economic Development and AGCOM to publish an annual report on the costs incurred in performing the activities for which they are respectively responsible.
- Ministry of the Environment Decrees (implementing Decree Law 179/2012 or "Growth Bis Decree") which contain:
 - ◆ guidelines regarding the procedures for the supply of performance data of radio mobile systems by operators and for determining the power reduction factors of the systems themselves;
 - ◆ guidelines on determining the electromagnetic field absorption values of buildings. These guidelines are particularly important for operators, as they are intended to facilitate the effective deployment of LTE/4G networks;
- Draft law to reform Chapter V of the Constitution, currently before Parliament, which abolishes the so-called "concurrent legislative power" of the State and Regions and places communication under the exclusive legislative control of the State. This change to the constitution is intended to overcome the dispute between the State and the Regions over the legislative responsibility for regulating this matter, with particular reference to the installation of fixed and mobile electronic communication infrastructure.
- Law No. 183 of December 10, 2014 on employment policy, known as the "Jobs Act", which provides, among other things, for a powers to be granted to the government to reform the rules on solidarity contracts. Particular focus was

¹ Body of European Regulators for Electronic Communication.

² Organisation for Economic Cooperation and Development.

³ The United Nations Organisation.

⁴ United Nations Environment Programme.

⁵ United Nations Framework Convention on Climate Change.

⁶ International Telecommunication Union.



placed by the Group particularly on the process of approval of the respective implementation decrees, and in particular on the one containing “Provisions for the reorganisation of legislation regarding social safety nets during employment” (Legislative Decree No. 148 of September 14, 2015), which changes the concept of solidarity contracts as the causative factor of extraordinary temporary unemployment compensation and makes them subject to the respective rules. The legislative decree also essentially reintroduces the previous system of so-called “expansive” solidarity contracts.

- 2016 Stability Law (Law 208/2015) which contains several interesting general provisions on tax and welfare, including: extension (introduced by the Stability Law 2015) of the de-contribution in favour of employers, for new permanent staff appointments in 2016; extension of the tax reduction (reduced by 10%), for 2016, on worker productivity salaries, for incomes of up to 50,000 euros; the provision reducing corporate income tax by three percentage points for 2016 and by a further half a point in 2017; provisions aimed at strengthening the centralised purchasing of goods and services by public administrations for certain recurring categories of goods and services, and aimed at rationalising public administration procurement processes for ICT goods and services. The law contains numerous social security provisions, including: measures to protect workers from the increase in requirements for access to the existing pension system; extension to 2016 of an experimental system for women who intend to stop working (applying the contribution system, with 35 years of contributions and 57/58 years of age); introduction of rules aimed at actively supporting the gradual retirement of older private sector workers (through forms of part-time work).
- Annual draft law on competition, currently before Parliament, which contains provisions of specific interest to the company regarding: elimination of restrictions to switching to another electronic communication and audiovisual media supplier; maximum 24-month duration of contracts including promotional offers; duty for telephone service operators to obtain proof of prior consent from customers when charging for subscription services offered by third parties; simplification of the procedures for identifying customers when switching between mobile phone operators.
- Draft law regarding class action, currently before Parliament, aimed at strengthening this protection mechanism, which would introduce new rules for compensatory class action by broadening the objective and subjective scope and establishing financial incentives for the person bringing the action.
- Law No. 124 of August 7, 2015, containing “Delegated powers assigned to the Government to reorganise public administration”, including delegated powers assigned to the Government to issue (within 8 months of the law coming into force) one or more legislative decrees to restructure and rationalise expenditure on telephone tapping services, and expenditure on the use of such services. One of the principles by which the Government must abide in exercising these delegated powers is that the review of the price list of mandatory services must take account of the costs and services, in order to achieve a cost saving of at least 50% on the rates stated in the existing price list. The public administration reform law also introduces, among the guiding principles of the powers delegated to the Government, the one according to which digital and electronic payments made in any form, including the use of phone credit for micropayments, shall be the main form of payment to public administration bodies and public service operators.

Also the subject of specific monitoring was the Government Plan (approved on March 3, 2015 by the Council of Ministers) regarding the Italian Broadband and digital growth strategy 2014-2020. The two strategies aim to bridge the digital divide in the country, in terms of both infrastructure and services, in order to achieve the objectives of the European Digital Agenda. Specifically, the New National Broadband Plan proposes to remedy the infrastructure gap by creating the most favourable conditions for the integrated development of fixed and mobile telecommunication infrastructure, through a series of actions, including a mix of public-private investments, in which the public sector will be involved through the use of several tools and will be calibrated differently according to the area and the commercial attractiveness for private operators.

Finally, the company is also monitoring some parliamentary hearings, including the one which took place in the Transport, Post and Telecommunications Committee on audiovisual and radio broadcasting services. The purpose of these hearings was 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 was also summoned for a hearing on March 10, 2015.



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 2015 we would highlight the following:

- the development of new ultrabroadband networks (NGAN - Next Generation Access Network) and the new LTE (Long Term Evolution) standard; local coverage and increasing the digital inclusion;
- 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, Venice Town Planning Regulation), in order to represent the company's requirements (particularly by submitting comments and amendments and participating in hearings) 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, particularly 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;
- dissemination of digital innovation and culture, particularly by promoting agreements/partnerships with public administrations;
- promotion of Telecom Italia's system of digital services for the creation of smart cities and particularly support for the cities of Genoa, Turin, Milan, Naples and Florence. In this respect, we should mention: our involvement in the activities of the Genoa Smart City association and in the Torino Wireless Foundation (a technological ICT district involving national and local institutions, universities and research centres, businesses and financial institutions), 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 performance of digital teaching test at a number of schools in the Lombardy Region, following the signing of a protocol with l'USR Lombardy;
- the performance of research activities in cooperation with the Bocconi University, aimed at studying urban agendas in eight Italian municipalities: Bergamo, Cuneo, Ferrara, Belluno, Pescara, Ancona, Taranto, Siracusa;
- the drafting of regional policy reports aimed at taking stock of the current situation and the evolution of regional policy regarding digital services, network infrastructure and smart cities. In the third edition, 2015, significant enhancements were introduced with the addition of further information plus a new chapter which summarises regional development programmes of a strategic and economic nature in light of the new 2014-2020 programme of EU funds available. The 2015 edition is currently being prepared and the analysis of all Italian regions is expected to be completed during the first few months of 2016.



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 regulatory framework review, which involves a review of the network access obligations, a reform of the universal service, and a review of the institutional structure of the powers of the Commission and BEREC in implementing the new framework; the review involves a complex process of adoption in which the Parliament and the Council will be required to adopt new rules around 2020. Telecom Italia is actively participating in numerous public consultations launched by the EC and BEREC based on the Single Digital Market strategy (and the Single Market strategy), particularly the consultations on the review of the telecommunication framework, online platforms and the role of intermediaries, the role of Over the Tops (OTTs) and the regulation of Internet of Things (IoT) services. Of particular note are also the new data protection regulation, participation in the stakeholder table for drafting the new rules on online purchases, the procedures for notification of the decisions of National Regulatory Authorities to the Commission pursuant to article 7 of framework directive, 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, involvement in the expert groups on Cloud Computing (C-SIG) with regard to the drafting of Service Level Agreement - SLA -, 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 (Network and Information Security) Platform, the new regulation on electronic identity and trust services and respective implementation measures.

Telecom Italia is also particularly active in European and international discussions 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 (the subject of future European initiatives) and its enforcement; the review of the European directive on satellite radio broadcasting and cable retransmission, 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. With regard to child protection, Telecom Italia is involved in a particularly significant initiative at EU level aimed at improving the safety of children using the Internet: ICT Coalition for Children Online, a discussion group of European ICT industries that organises half-yearly debates with European institutions and the relevant stakeholders (e.g. NGOs). The activities of the "Better Internet for Kids" platform (a discussion group launched by Commissioner Kroes in 2011) in which the Group is involved, will be relaunched in the coming months at the behest of the current DGConnect DG. Furthermore, Telecom Italia is monitoring the development of several trade agreements which Europe is negotiating with other geographical entities (e.g. TTIP, TiSA, etc.).

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 2015, relating to the whole of 2014, grants it "Active" status and the "Advanced" level (compliance with the twenty-one criteria required). For further information see the 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 is a member of the ITU Child Online Protection (COP), the ITU child protection platform. The Company also regularly participates in the 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) and the respective working groups, such as the Working Party (WP) on Communication Infrastructure and Services, the WP for Security and Privacy, the Competitiveness Committee, the Consumer Policy Committee, and the Governance and Anti-Corruption Committee. The issues dealt with during 2015 related to discussions and preparatory work for the OECD Ministerial meeting set for May 2016 in Cancun (Mexico), the review of OECD recommendations regarding electronic commerce, the review of OECD recommendations on International Mobile Roaming, the recommendation on digital security and risk management, digital convergence, as well as the issue of bilateral investment agreements and, in particular, the issue of the investment and investor-State dispute settlement (ISDS) protection clauses.

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

Relations with institutions in Brazil

TIM Brasil has established excellent relations with all the government and parliamentary institutions and regulatory authorities. The frequent and constructive dialogue is based on objective proposals and positions, the purpose of which often goes beyond the interests of the company and involves the entire industry.

At the federal level, relations with the Government are primarily with the Ministry of Communications and also with the relevant departments of the Prime Minister's Office and the ministries that deal with economic development, justice, education, research and local authorities. TIM has also developed a close dialogue with members of the parliamentary committees which are relevant, but not exclusively, to issues of an economic/financial nature, privacy, telecommunications and consumer protection.

Locally, TIM Brasil is in constant contact with institutions and local authorities on issues relating to telecommunications and, in particular, on the development of infrastructure and network coverage, as well as on issues of specific interest to the local communities.

In everyday practice, the engagement activities with the institutions lead to proposals being formulated, debate being stimulated, active participation in public hearings and meetings on specific topics with stakeholders involved.

The main trade associations to which TIM Brasil belongs are:

- ABR Telecom (Brazilian association of telecommunication resources), for the centralised and shared management of telecommunication solutions;
- TelComp (Brazilian association for competitiveness in telecommunication), which represents the interests of 60 operators for competitiveness in the sector;
- SINDITELEBRASIL (national union of telecommunication operators), which works to coordinate, defend and legally represent its member companies, which includes all the fixed and mobile telephone operators;
- GSMA which represents the interests of mobile operators throughout the world. GSMA Latin America is a key partner in discussing the issues affecting the industry, ranging from the management and allocation of the frequencies to consumer protection and activities that can have a positive impact on the reputation of the industry (the Company participates in the We Care initiative);
- ASIET (association of Latin American research centres and telecommunication companies), which, by focusing on studies and research, aims to find a point of convergence between the various challenges in the world of telecommunication in Latin America through dialogue between the public and the private sectors.

In addition, the activities of TIM Brasil, both regionally and locally, are supported by the activities of the Instituto TIM, which aims to achieve social progress in Brazil through activities and projects that maximize the potential of the mobile network. Since 2013, the Instituto TIM has implemented projects in over 350 local organisations in 24 states.