--------------------------------------------------------------------------------------------------Telecom Italia 2013

Telecom Italia has confirmed its commitment to Corporate Social Responsibility in a challenging domestic macroeconomic scenario, with continuing difficulties in the labour market, benefiting from a growth in Brazil, albeit slower than in the previous year, in the belief that sustainable businesses are the ones most able to react in times of crisis.

The industrial nature of Telecom Italia is strongly interconnected with the contexts in which it operates. Our Group has a clear positive effect on the economy, which stems from the investments made in infrastructure and services. Maintaining leadership in innovation is one of the priorities of the 2014-2016 Business Plan, a commitment supported by the mix of investments, where spending on innovation has doubled compared to the previous Business Plan. This will allow us to relaunch investments in new generation networks in Brazil and to hook into the recovery in Italy, improving the competitiveness of the production system.

Focus on technological innovation is combined with environmental protection and, in particular, energy efficiency. Constant improvement on this front remains one of the most challenging goals for Telecom Italia, the second biggest electricity user in the country. Over the past three years, we have introduced constant monitoring of Energy Efficiency Certificates (so-called White Certificates) application activities for the benefit of investment projects, with major impacts on energy efficiency. A strong focus on this specific area has allowed revenue of 16 million euros to be earned in White Certificates. These figures make Telecom Italia the absolute leader among Italian telecommunication companies in terms of introducing innovative high energy performance technologies and solutions. In 2013, we also achieved the ISO 50001 certification, which is the most widely recognised international best practice in energy management.

Telecom Italia can contribute to the European Digital Agenda objectives not only by achieving internal efficiencies but also by aiming to transfer technologies to its customers that have positive environmental, social and economic impacts. Our laboratories have long been engaged in researching and developing these technologies, many of which are already being tested on the market. Thus customers already have a wide range of solutions available to them to reduce energy consumption, lower CO2 emissions and improve quality of life for citizens. This is one of the reasons why a significant portion of our investments goes towards strengthening services which are fundamental for developing and meeting the demand for ultrabroadband: cloud computing with Nuvola Italiana, Data Centres, ICT platforms for small and medium-sized enterprises.

Mindful of the fact that the success of Telecom Italia depends on our skills and expertise, in December 2013 the People Value function launched the new three-year People Strategy for 2014-2016, aimed at developing the skills of the people who work in the Group. For this purpose, several areas of action have been identified with the aim of enhancing and developing core skills and the abilities required to excel in the various competitive scenarios, improving the standard of care and motivation among people and renewing the individual performance management model.

Telecom Italia has always been very attentive to the Supply Chain. Through the Joint Audit Cooperation (JAC), work continued in 2013 to verify the standard of CSR performance among suppliers and sub-suppliers with production plants located in geographical areas with a significant level of socio-environmental risk. Launched at the end of 2009, the initiative currently brings together ten of the biggest operators in the telecommunications sector. Furthermore, the new process implemented to assess the sustainability of suppliers has allowed us to improve further performance monitoring throughout all stages of the relationship with the supply chain.

In view of the current economic crisis, we have increased our support for the community, both directly and through the Telecom Italia Foundation. In 2013, the Foundation in fact doubled the number of projects delivered, thus confirming the Group’s commitment to the community. Among the various initiatives based on the use of social technologies, our commitment focused on countering communication difficulties among young people through the Volis, SI DO RE MI and Cinque Petali projects, while not forgetting our commitment to protect the historic and artistic heritage and supporting the development of education, training and scientific research. The Group also continued to work with major Italian artistic and cultural organisations to develop projects aimed at combining excellent cultural content with digital language, making the most of the interaction opportunities offered by the Internet, as in the case of the Academy of Saint Cecilia.

Furthermore, in the context of the “Changemakers for Expo Milano 2015”, an enterprise acceleration programme linked to the challenges presented by Expo Milano 2015, Telecom Italia has selected ten projects that are strongly focused on digital technologies, such as smart cities, opendata, web 2.0 and sustainability in terms of access, inclusion, fairness, justice, participation and reducing environmental impact.

Our commitment to supporting the values of sustainability and the initiatives carried out have won us major national and international recognition, which includes confirmation of our presence in the major international sustainability indexes, including the Dow Jones Sustainability and FTSE4Good indexes.

Support continued for the United Nations Global Compact: the progress achieved in applying the ten principles is reported in the Communication On Progress (COP). Telecom Italia is also a Founding Promoter of the Global Compact Network Italia Foundation, set up in June 2013, which aims to contribute to the development of the United Nations Global Compact (UNGC) in Italy, disseminating knowledge about it throughout the country and promoting corporate sustainability through member companies and organisations.

2013 was a very important year for our Group. We achieved greater financial flexibility and refocused on Italy and Brazil. We can now redouble our efforts to develop more industrial projects, including digital networks and services that are increasingly interconnected with our social and economic context. We are committed not to miss this opportunity to be ever more present and incisive in pursuing more ambitious objectives including increasingly integrating sustainability in our business model. We believe all these efforts are an essential prerequisite for continuing growth and success for the Group, now and in the future.