

OUR COMMITMENT TO THE COMMUNITY

Telecom Italia Group's guidelines for voluntary contributions to the community

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I. Premise

The Telecom Italia Group conducts its activities with the awareness of the importance that a large telecommunications corporation has in the economic and social development of the countries in which it operates. Therefore, the Group, when carrying out its activities, always considers the expectations of its various stakeholders and aligns itself with the highest international standards in matters of sustainability. Its commitment toward the community is rendered explicit in the main corporate charter, the Code of Ethics:

The companies belonging to the Telecom Italia Group intend to contribute to the economic well-being and growth of the communities in which they operate by providing efficient and technologically advanced services.

Consistent with this objective and with their responsibilities toward the various stakeholders, the Group companies shall consider research and innovation as essential to their growth and success. Compatibly with the nature of their commercial enterprise and the consequent need for operations to be economically efficient, in their choices Group companies shall consider the social importance of telecommunications services, and endeavor to meet the needs of the entire community, including its weakest members.

Aware of the importance of the services they provide and the consequent responsibilities toward the society, Group companies shall maintain relations with public Authorities at the local, national and international levels, based on full and active cooperation and transparency, in conformity with their respective roles and the economic objectives and the values set out in this Code.

Group companies shall be well disposed towards, and where appropriate, provide support for social, cultural and educational initiatives aimed at developing the person and the improving living standards.¹

In extreme summary, the Group contributes to the community in two principal ways:

- by conducting typical business activities, for example, providing everyone access to communications services (extending and fortifying the network infrastructures the Group contributes to bridging the geographic digital divide) and understanding the community's needs in the development of commercial activities (such as telemedicine services, e-government etc.);
- through actions that are not directly aimed at the creation of economic value for the company but, consistent with the medium and long-term objectives of sustainability, strive to satisfy the specific needs of the community.

The guidelines for activities of voluntary contributions² to the community here refer to the latter mode; for purposes of brevity they will be referred to as “contributions to the community”.

II. What we mean by “contributions to the community”

¹ 1 Another clause in the Code of Ethics forbids Group companies to give “contributions of any kind to political parties or to trade unions or to their representatives or candidates, subject to applicable laws and regulations”.

² Corporate contributions are called “voluntary” when not aimed at the immediate creation of economic efficiency or value.

To define the contributions to the community, Telecom Italia follows the London Benchmarking Group model, according to which voluntary contributions may be classified in three categories:

Charity

Support to a wide range of good causes in response to the needs and appeals of social³, environmental or community-based organisations⁴. For example:

- Contributions⁵ not based on a specific medium/long term program,
- Sponsorship⁶ of causes or events, not part of a marketing strategy,
- Company matching of employee giving and fund-raising,
- Promotion and support of employee involvement in social or environmental activities.

Community Investment

Long-term strategic commitment to activities that address “social” causes, chosen by the company to improve its own reputation and economic sustainability. For example:

- Donations included in medium/long-term programs,
- Membership dues and enrolment in associations for social, environment and community development purposes.

Initiatives in the Community

Activities that benefit the community by direct support of the corporation’s success, autonomously or in partnership with local social or environmental organisations, such as

- Sponsorship of events, publications and other activities that benefit the community, in order to promote the brand and the corporate identity
- Cause-related marketing
- Support of scientific and university research with commercial implications
- Support of communities of people with specific needs with commercial implications.

A fourth category of community contributions provided for by the London Benchmarking Group is Business Basics, though circumscribing activities that have a positive impact for the community, we have not included it in voluntary contributions in that it is strictly tied to immediate economic return:

Business Basics

1. Activities realised in order to obtain immediate economic return, to produce socially useful goods and services in a manner that is ethically, socially and environmentally responsible.
2. Contributions and donations mandatory by law.

³ Trade unions and political associations are excluded

⁴ By the term “community based” we mean also to include organisations that are not geographically nearby, but based on networks whose members communicate with one another from afar. The term is sometimes translated into Italian as “organizzazione comunitaria” (community organisation), which, however is used more to denote organisations that refer to the European Community, hence we decided not to adopt this translation in this text.

⁵ By “contribution” we mean any donation, either monetary or in-kind, for which the visibility of the Telecom Italia brand is not required.

⁶ By “sponsorship” we mean any contribution, either monetary or in-kind, for which the visibility of the Telecom Italia brand is not required.

III. Areas in which the Group concentrates its contributions to the community

Though it pays heed to all the requests that come from the various stakeholders, Telecom Italia has indentified two principal lines of intervention upon which it concentrates its initiatives.

The first groups together voluntary activities that are consistent with the Group's core business (ICT services offers), the second is aimed at the general development of the community and consists mainly of Telecom Italia Foundation's⁷ activities.

The interventions consistent with the core business have as objectives:

- To reduce the social digital divide through the dissemination of the knowledge and use of communications technologies among all segments of civil society with special attention on those segments that are discriminated against for socio-cultural reasons.

Examples of the Group's activities targeting this goal are Internet courses for the elderly, initiatives in the schools on technological innovation, technology shows, science festivals, etc.

- To respond to the needs demonstrated by the community through the use of the corporation's specific know-how. In this classification are "solidarity SMS messages" and other fund-raising initiatives in which the Group makes infrastructures, customer care and other operative sectors available, the initiatives for the development of solutions to disabilities (the Group has developed and offers software and services for the hearing and visually impaired), to the sick (Telecom Italia offers broadband connections and services in paediatric hospitals so that children can stay in contact with relatives and schools), the elderly (the Group offers its network infrastructures to associations that assist the elderly), informative and awareness campaigns on the conscious use of new technologies and the protection of minors.

The general community development interventions, in terms of charity, are carried out primarily by the Telecom Italia Foundation and are focussed on the following areas:

- social welfare: initiatives aimed at improving people's quality of life to offer real support and the tools for intervening effectively on situations of social, cultural and physical hardship, difficulty and exclusion. In an increasingly complex and varied social context, aware that it cannot resolve the large problems that afflict humanity nor replace the institutions, the Foundation concentrates its activities and resources on initiatives that have an effective and measurable impact on people's well-being and on social integration, also by way of interventions within the territory, however, which are replicable on a national scale
- education, training and scientific research: initiatives and projects aimed at improving access to quality training, contributing to form more active and responsible citizens. The Foundation concentrates its attention mainly on schools and youth, to whom it intends to offer the tools to develop a critical and independent spirit for interpreting situations, aimed at sharing opinions, the valorisation of ideas, the possibility to realise one's life ambitions in a free and mindful manner.

⁷ These lines of intervention consist of projects that are classifiable in the categories indentified by the London Benchmarking Group.

• protection of Italy's artistic and historic heritage and the environment: projects and initiatives aimed at developing new methods and ways to use and disseminate knowledge of Italy's artistic and historic heritage and environmental protection. To that end, the Telecom Italia Foundation intends to encourage creativity and innovation in spreading artistic culture, Italian urban and landscape architecture, promote environmental protection and sustainability.

In the second line of intervention are additional initiatives that involve the public that tend toward the valorisation local and/or national communities and that at the same time serve as the identity and values vehicles that the Telecom Italia Group represents for the country both from a technological and infrastructural point of view as well as institutional and strategic standpoint.

IV. Methods of intervention and impact measurement

The selection processes of projects and associations, such as those of definition and review of the specific activities, are carried out with fairness and transparency.

Initiatives carried out by the Telecom Italia Foundation

Planning unfolds in the following way: a scientific committee, with the assistance of the Foundation secretary, identifies the specific areas of intervention and the annual operative programs. The choices of the scientific committee, having been informed, where opportune, by the indications provided by stakeholders through various forms of stakeholder engagement, are submitted for approval by the Foundation Board of Directors.

The selection of the initiatives is made in part by competitions and in part based on needs that can come about in an unforeseeable way (for example, due to a natural disaster). Even in the latter case, the final decision remains with the Foundation Board of Directors. With the highest transparency, the Foundation makes available to the relevant stakeholders the reasons behind the choices made following the public competitions.

Reporting takes place at the end of every financial year with the publication of the balance sheet of the Foundation's activities, the Sustainability Report and on the Group's and Foundation's Web site.

Monitoring the effectiveness of interventions undertaken is based on measurements that consider social and/or environmental impacts and evaluates corporate return in terms of reputation or other parameters deemed relevant. The Internal Control and Corporate Governance Committee, a committee comprised only of Telecom Italia board members and presided over by an independent advisor, performs an ex-post supervision of the Foundation's activities and, more in general, the Sustainability of the Group.

Initiatives undertaken by other departments of the Group

Planning the general lines of intervention is conducted taking into account, where appropriate, the relevant stakeholders' opinions and suggestions. The goal pursued is to find a balance among the needs expressed by the community, the effectiveness of the potential results that the Group can start favouring its own sector competencies, the cost/benefit ratio and the impacts in terms of the sustainability of the interventions.

The selection of the initiatives takes into account the indications provided by the general lines of intervention and other factors, evaluated case by case. In particular, from a long-term sustainability viewpoint, where appropriate, the social or environmental setbacks can weigh upon the project selection in a prevalent way in comparison to exclusively economic considerations.

Reporting is done by way of the Sustainability Report and the Group's Web site.

Monitoring the effectiveness of the interventions undertaken is based on measurements that consider social and/or environmental impacts and evaluates corporate return in terms of reputation or other parameters deemed relevant.

The Internal Control and Corporate Governance Committee performs an ex-post supervision of the activities.

Partner relations

In relations with the associations that take part in the management of initiatives, the respective roles of Telecom Italia and the associations are clarified and agreed upon with the associations themselves prior to starting an initiative. At the same time the methods of measurement and intermediate and final evaluation are defined, with the relevant parameter details adopted.