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**Corporate shared value:  
TIM's strategic approach  
to sustainability**



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

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

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

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

During 2015, in order to complete the move to Shared Value undertaken in 2014, the CSV department devised the TIM Corporate Shared Value Model, which was validated by PricewaterhouseCooper in 2016, as described at the beginning of this report. In fact, in addition to increasing the range of indicators to measure and record the risks and performance of the company, in order to allow more informed decisions to be taken, both internally and externally, the Company decided to validate its CSV reporting and measurement system, submitting the TIM Shared Value Model to validation by PricewaterhouseCooper Advisory S.p.A. (PwC), already the Group's auditor.

More generally, the TIM model identified three areas of action to respond to the country's needs, through technologies, skills and specific projects. The three areas identified are:

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

Considering in particular the close association between Corporate Shared Value and business, reflecting the over-arching nature of the CSV model, TIM defined a new enhanced structure by involving the company's main departments and drawing up a CSV organisational procedure.

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

This approach allows us to achieve major benefits, including:

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



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

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

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## MONITORING THE CORPORATE SHARED VALUE

From 2014 to 2016, Ipsos has carried out a survey for TIM, focussed on monitoring Corporate Shared Value, with a view to measuring:

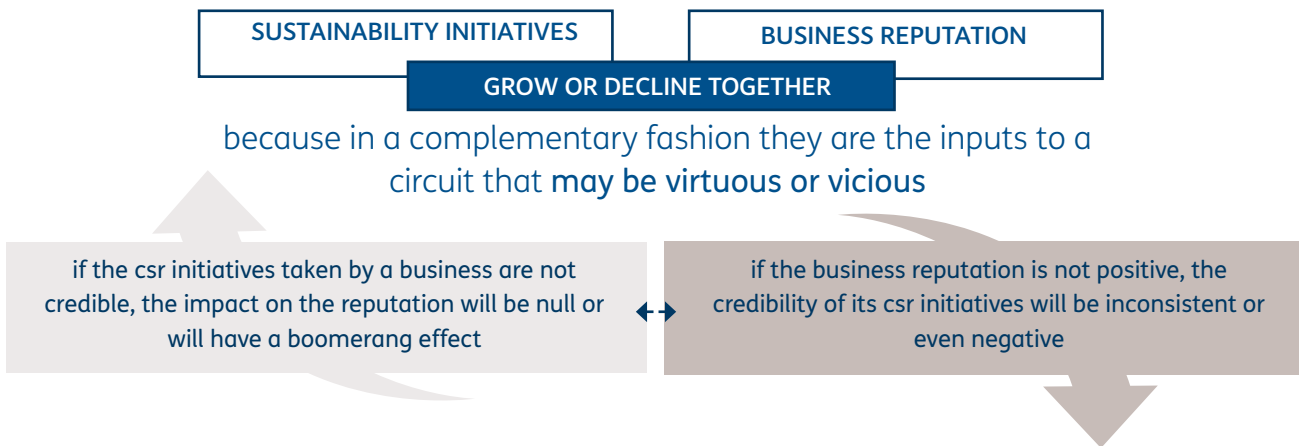
- the level of awareness and value attributed to CSV;
- the opinion on TIM and other major Italian businesses;
- the opinion on the foundations and knowledge of the link with the major Italian businesses;
- the knowledge and assessment of the individual projects promoted by TIM and Fondazione TIM.

The survey recorded the opinion of various stakeholders<sup>1</sup>, reporting the following results:

- for 2016, a different, more evolved reference scenario for matters of Corporate Social Responsibility. Both from the viewpoint of the population and the opinion leaders, increasingly high expectations are recorded with regards to businesses, in terms of undertakings in this specific area. It is considered, in fact, that there is growing attention and awareness of sustainability matters by consumers, facilitated by an increasingly rapid dissemination of information that, in turn, progressively exposes the action taken by businesses with regards to consumers. Thus a further evolutionary dynamic is seen, which more closely connects sustainability as a central element of reputation.

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<sup>1</sup> namely: population aged between 18 and 64 years old; teachers at primary, secondary schools and colleges; students aged between 14 and 19 years old; managerial class (freelance professionals, managers, entrepreneurs, etc.) and opinion leaders, i.e. representatives of the voluntary sector, the academic world, the economic-financial world and journalists.



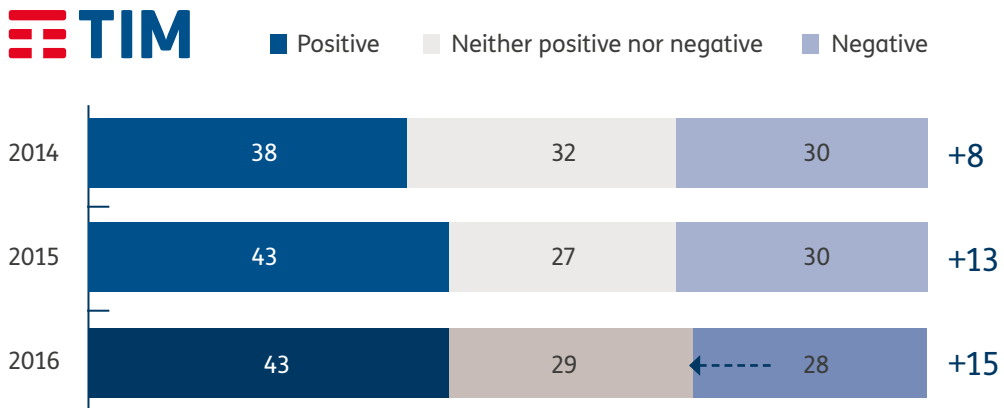
- the evolution route of the paradigm of responsibility linked to the maturation of a new awareness on its fundamental role for the enterprise:





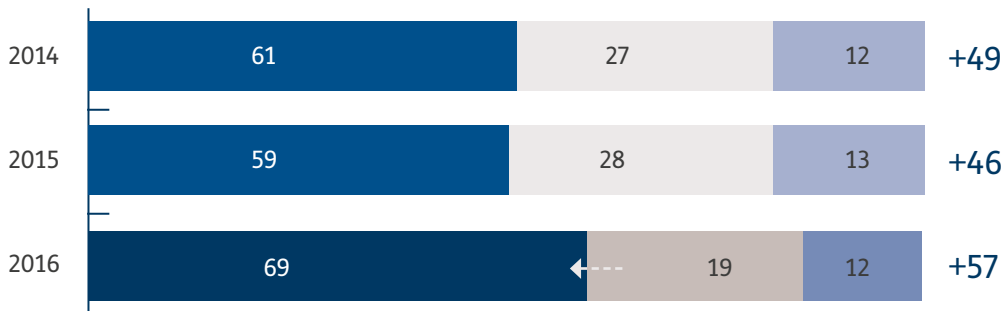
In the specific case of TIM, a positive opinion is confirmed on the undertaking in terms of Corporate Shared Value: the percentage of those expressing a positive judgement grows from 38% in 2014 to 43% in 2016.

### Assessment of the Group's social responsibility



Fondazione TIM has also recorded a positive trend as expressed in the graph below.

### Opinion on Fondazione TIM



The results achieved in 2016 are even better because they are recorded in a context where stakeholder expectations are more challenging, in a more timely, aware, circular framework of analysis.



## SUSTAINABILITY GOVERNANCE

**[G4-34], [G4-42]** Responsibility for monitoring the Group's socio-environmental issues and identifying CSV projects and initiatives rests with the Corporate Shared Value department, which:

- reports directly to the Chairman of the Board of Directors;
- periodically reports to the Control and Risk Committee.

The latter acts as a corporate sustainability overseer, ensuring the consistency of actions carried out with the principles of the Group's Code of Ethics and Conduct and with the values adopted by the Group.

**[G4-48]** The sustainability report, including the materiality analysis, is the responsibility of the Chairman of the Board of Directors and is submitted for approval to the Board of Directors.

**[G4-47]** During 2016, the Board of Directors met the representatives of the CSV department one time.

**[G4-35]** Socio-environmental responsibilities are delegated, in the same way as all other powers delegated by the company, by applying the procedure Granting and Revoking powers. In particular **[G4-36]** responsibility for monitoring and communicating environmental and social issues rests with the CSV department, which draws up the sustainability report, manages relations with rating agencies and also oversees the implementation of particular projects. Responsibility for managing particular socio-environmental themes remains with the departments that directly manage operations related to these themes. For example: the Human Resources & Organizational Development department is responsible, among other things, for ensuring the health and safety of employees, liaising with employee representatives, guaranteeing compliance with employment legislation, etc.; the Open Access/Wholesale department ensure compliance with environmental legislation, etc.; the BSO Engineering and Energy Management department plans initiatives for reducing energy consumption, etc.

**[G4-42]** The latter two departments, in particular, identify specific strategies and direct targets for improving socio-environmental performance, each department operating within its area of responsibility. The strategies, activities and socio-environmental targets of the various departments are stated in the Sustainability Report.

**[G4-37]** Just as the responsibility for dealing with each socio-environmental issue is assigned to the department that is operationally responsible for dealing with that issue, stakeholder consultation is delegated to the departments that are operationally responsible for dealing with the company's stakeholders. The various involvement initiatives are listed in the Stakeholder Engagement section of this report.



## POSITION IN INDEXES AND OTHER AWARDS

Sustainability indexes are stock indexes in which securities are selected on the basis of economic-financial parameters as well as social and environmental criteria. The selection process is carried out by specialised agencies that assess companies on the basis of publicly available information or questionnaires, taking account of opinions expressed by the media and stakeholders. Inclusion in these indexes is an important achievement for companies because of the positive effects on their reputation and because, in addition to the pension funds and ethical funds, an ever increasing number of investors favour these sustainable companies, considering them to be less risky and more promising in the medium to long term. Taking part in the process of evaluation is, moreover, a timely moment for reflection within the Company on the results achieved. In fact, the suggestions of the rating agencies at the end of the process are taken into careful consideration when planning improvement actions in the future.

In 2016 TIM, was included for the thirteenth year running in both the sustainability index categories of the Dow Jones (Dow Jones Sustainability Index World and Europe) and is industry leader in its sector, the only Italian company to receive this recognition. TIM has been included in the Financial Times Stock Exchange for Good (FTSE4Good) Global and Europe series since its inception.

TIM is also included in the following indexes:

- **Euronext Vigeo Eiris:**
  - Europe 120
  - Eurozone 120
- **STOXX® Global ESG Leaders Indexes:**
  - ESG Leaders
  - ESG Environmental Leaders
  - ESG Governance Leaders
  - ESG Social Leaders
- **Ethibel Sustainability Indexes (ESI):**
  - Excellence Europe
  - Excellence Global
- **ECPI Indexes:**
  - ECPI Euro Ethical Equity
  - ECPI EMU Ethical Equity
  - ECPI Euro ESG Equity
  - ECPI Global Developed ESG Best in Class Equity
  - ECPI World ESG Equity

TIM, finally, is classified as “prime” in the OEKOM rating and “industry leader” by the Sustainability report, and ‘qualified’ in rating.

Finally, TIM has for many years been among the most proactive Italian companies in the Carbon Disclosure Project (CDP).

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

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

- first place in Italy and Europe, in the TLC sector, in the 2016 Webranking by Comprend, which assesses and rewards the quality of online financial and corporate communication.



- The survey, carried out every year by Comprend, working with Lundquist, considered the 70 biggest Italian companies and the 500 biggest European companies by capitalisation;
- National Innovation Award 2016 assigned by the Presidency of the Council of Ministers. TIM's ability to innovate its portfolio of solutions and services, the innovation management process, the innovation-driven corporate culture and the ability effectively to transform innovation projects into services that support citizens, businesses and public organisations, were all assessed;
  - Top Employers 2016 certification (for the fourth year running), awarded annually to the best companies in the field of HR management. The research, conducted by the Top Employers Institute, verified and certified the excellence achieved by TIM in the field of Human Resources based on several criteria, including talent strategy, workforce planning, performance management, leadership development, remuneration and benefits;
  - recognition of TIM as the only Italian company in the top 25 European multinationals interested in partnerships with young businesses. The research conducted by Fondazione Nesta and Startup Europe Partnership;
  - second place for the best online section dedicated to Career/Work with us content in the Online Talent Communication 2016 ranking by Swedish research institute Potentialpark. The research looked at the best Employer Branding communication in Italy via four contact channels: the site dedicated to company career opportunities; Social Media, mobile communication, including apps; the online application system;
  - Best Performer in the Best Employer of Choice 2016 ranking conducted by Cesop, which every year assesses the most sought after companies by new graduates based on a statistically representative sample;
  - third place in the "international best online report" category for the Company Profile 2016 "Digital life and society" at the Corporate & Financial Awards 2016 organised by Communicate Magazine

## STAKEHOLDER ENGAGEMENT

TIM believes it is fundamentally important to consider the opinions and expectations of its stakeholders, namely the parties who for various reasons have an interest in the company's activities.

**[G4-24]** The stakeholders with whom the Group comes into contact in the conduct of its business are many and very varied. For ease of management they were grouped into eight categories:

- customers
- institutions
- competitors
- environment
- community (including associations, universities, world of education, media, start-ups)
- suppliers
- shareholders
- human resources

For TIM, listening to its stakeholders means improving its understanding of their demands and priorities regarding key aspects of its strategy, and gathering contributions on the potential areas of development of the strategy itself, with a view to improving the ability to create shared value between the Company and its stakeholders.

This is the purpose of the multi-stakeholder forum 2016, organised for the second year running, on 18 October 2016, at the TIM Space in Milan.





## Multi-stakeholder Forum

The forum is a listening and involvement tool that promotes integration between the demands of the various stakeholders involved, allowing the company to receive contributions that consider the various perspectives while at the same time providing an integrated vision of the various expectations and priorities.

The 2016 forum focused on three objectives:

- strengthening understanding of the demands and priorities of stakeholders on matters relevant to the Group's strategy;
- gathering the assessments and opinions of stakeholders about potential future scenarios regarding the matters discussed during the meetings;
- gathering actual suggestions and proposals about what the Group - and all the relevant actors - can do to contribute to these matters with a view to creating shared value.

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

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

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

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

The participants were identified by involving the internal departments of TIM. In particular, stakeholders from the customers<sup>1</sup>, institutions, suppliers, communities and the environment categories were involved.

Furthermore, in order to ensure the full representation of the various interests involved, stakeholders with different points of view on the issues were identified:

- directly impacted stakeholders, such as customers and suppliers to the Group; community representatives with a direct interest in TIM's activities, e.g. local institutions, schools and associations;
- stakeholders with technical and scientific knowledge about the topics, such as universities, research centres, opinion leaders.

## Selection of topics for discussion

The first point of reference for determining the topics to be dealt with by the forum was the 2015 materiality matrix, which was revised in 2016 in light of the most significant Sustainable Development Goals (SDGs) for TIM.

The materiality matrix is where the demands, objectives and expectations of the external reference context on the one hand meet with the strategies and commitments of TIM on the other. Every year, this leads to the key issues on which further work is needed being identified,

<sup>1</sup> The employees category was not involved because the reference standard AA1000SES adopted when organising the forum excludes the presence of people who have been employed by the Group or have had any kind of professional relationship with it. The investors and competitors categories were instead involved by the Group using alternative listening tools to the forum, as described in the respective paragraphs.



both to ensure consistency with internal objectives and to fulfil the needs of the external context and the Company's stakeholders.

With regard to the external context, consideration was given in 2016 to the SDGs where TIM can contribute to providing a concrete response with its ICT solutions, including in the fields of "Good Health" (n°3), "Quality Education" (n° 4), "Decent Work and Economic Growth" (n°8), "Innovation and Infrastructure" (n°9), "Sustainable Cities and Communities" (n°11).

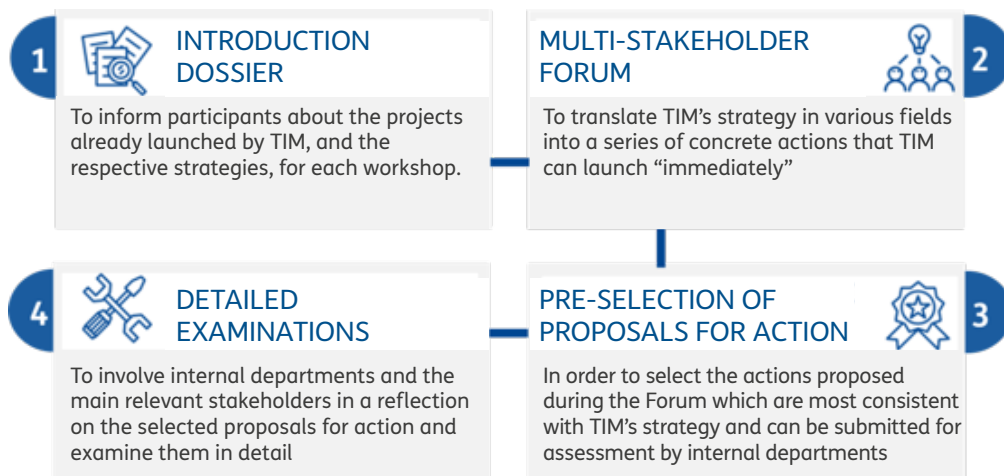
The key issues thus identified were grouped by similarity and assessed in the following workshops:

- competitiveness and innovation
- quality of services
- smart living
- technology for the environment
- digital culture
- informed use of the internet

## Proposals for action

During the forum, the process used by TIM to consult stakeholders, gather their proposals and translate them into concrete actions to create shared value is shown in the image below.

The process for gathering proposals for action



The stages of the process are described below:

1. Each forum participant was sent a dossier introducing the topic of their workshop, also containing the projects carried out by TIM on the specific topic, with the aim of facilitating active and informed involvement.
2. After having envisaged some future scenarios for each of the topics considered to be most significant by each workshop, the stakeholders suggested concrete actions that TIM could promote and undertake as a national company together with other relevant parties. 17 proposals for action emerged from these workshops.
3. After the forum, 17 proposals for action were analysed and assessed according to three criteria:
  - business potential;
  - potential for stakeholder engagement, with particular reference to the ability to generate systemic projects with key players;



- potential to create shared value.

Nine proposals were found to be most relevant for TIM, as shown in the diagram below.

4. With regard to the proposals for action judged to be most relevant, TIM undertakes to engage in detailed analysis with the main stakeholders in order to concretely determine the subsequent action plans.

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## THE SELECTED PROPOSALS FOR ACTIONS

**Sensoristica IoT** per le situazioni d'emergenza [IoT sensors for emergency situations] is a research and development plan for natural disaster prevention, knowledge and management. The aim is to "add" intelligence and connectivity wherever people live, using a widespread system of sensors.

**Modelli predittivi per le situazioni di emergenza** [Predictive models for emergency situations] is concerned with promoting a dialogue with the relevant stakeholders on the joint development of models that are able to study and extract meaning from historic information, acting as predictive models to manage emergency situations in advance.

**Quartiere connesso** [Connected district] is concerned with establishing a set of common standards for the uniform reporting of data from each individual home, with a view to creating "home networks", allowing each individual user to communicate with household appliances and other users for security, energy efficiency and reducing food waste.

**Dispositivi indossabili per la salute** [Wearable devices for health] is a platform for the interconnected management and real time monitoring of people's vital signs (e.g. body temperature, blood pressure, respiratory rate), establishing communication between (wearable) accessories, patients and health care facilities.

**Sensoristica IoT per ottimizzare i flussi di traffico** [IoT sensor systems to optimise traffic flows] is a programme to develop a system of sensors and an integrated platform for monitoring and checking the data collected, to be installed across cities in order to ensure the efficient management of traffic flows based on various parameters (e.g. the behaviour of citizens, environmental conditions, car park occupancy).

**Laboratorio per la realtà aumentata** [Laboratory for augmented reality] aims to test learning (in terms of content and meta-cognition) through Augmented Reality, in order to test new models of teaching and create a network of "ambassadors" who can transfer results to the "more peripheral" schools.

**Bottone SOS** [SOS Button] aims to develop an App to allow under-18s to call a specific "switchboard" to report events and risks including cyber-bullying, child pornography and the sharing of intimate video images. The App will allow the information provided by the user to be recorded and mapped (personal details, geographic area...) and sent to the relevant body.

**StaySafe Community** is a community of teachers and students involved in continuous education and training on Net security. The information material is developed directly within Italian schools, working with teachers and students, and is then published on the platform. The families of students can access a dedicated space to find the latest information on this subject.



**Accademia per lo sviluppo delle competenze digitali degli insegnanti** [Academy for developing the digital skills of teachers] is a centre of excellence for training teachers, consisting of significant players in the Italian educational system, for testing new models of teaching enabled by the new technologies now available, using research-action methods, aimed at creating and testing new forms of teaching in the field.

**[G4-25], [G4-26]** Aside from the forum, the stakeholder engagement process takes place regularly during implementation of the company's projects. For each project, the affected stakeholders are identified and priorities are assigned based on the importance of the stakeholder for the business objectives or its relevance in specific fields which are considered strategic by the Company (i.e. Contributing to the economic or cultural growth of the country with projects not strictly connected with business).

Once the relevant stakeholders have been identified for the project, the most suitable strategies for building relations are studied, which can include individual and group meetings, information sessions, shared projects, surveys, focus groups, etc.

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

At the end of the feasibility analysis and verification process, TIM decides which solutions to offer and which projects and initiatives to undertake. Stakeholder involvement continues beyond this to monitor and adjust the initiatives.

TIM has drawn up general guidelines for group stakeholder engagement and a set of policies associated with different kinds of stakeholders, including customer service charters, a policy on relations with suppliers in purchasing processes, the code of conduct for protecting the data of other local operators, guidelines for relations with local authorities and other organisations, guidelines for voluntary contributions to the Community.

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

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

The Investor Relations department develops and manages, on daily base, relationships with all types of investor: both institutional and retail investors (including individual shareholders associations), bondholders, socially responsible investors and equity and credit analysts. In 2016 TIM organized quarterly conference calls, road shows abroad, meetings at the Company's main offices, participation to industry-related conferences. More details are available on TIM Group 2016 Annual Report, (see Information for Investors).

TIM financial communications activities also consider the needs of investors linked to socially responsible investing which are interested in environmental protection, Human Rights respect and corporate governance issues. Investor Relations supports Corporate Shared Value department during dedicated meetings and conference calls with socially responsible investors.



As regards relations with individual (retail) shareholders - more than 480,000 holders of ordinary shares - TIM developed specific communication strategy. In 2006, the “TI Alw@ys ON” ([www.telecomitalia.com/individuali](http://www.telecomitalia.com/individuali)) Shareholders’ Club was launched as a virtual meeting place between the Company and its individual investors. Access to the Club is completely free of charge and allow to receive financial news (weekly stock market report, sms alert,...)

On line communication is the main way to update financial community: Investor channel ([www.telecomitalia.com/investor](http://www.telecomitalia.com/investor)) is constantly updated with quarterly financial presentations, Semi-Annual and Annual Reports, AgM documents and financial investor calendar.

**[G4-26], [G4-27]** The Group’s main stakeholder engagement initiatives taken in 2016 are summarised below. In the diagram:

- the “information” column refers to one-way communications by the Company with stakeholders;
- the “consultation” column refers to the occasions when stakeholders are asked for their opinion through surveys or similar tools;
- the “dialogues” column refers to the discussions and ongoing and stable cooperation between the Group and stakeholders;
- the “partnership” column refers to the specific projects that are managed together.

Each initiative mentioned in the table is accompanied by reference to the relevant chapter and section of this report in which the initiative is discussed in detail.




## INITIATIVES

	INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
ENVIRONMENT	<p>Product environmental declarations for customers-TIM eco-friendly (<i>Safeguarding the environment /TIM eco-friendly</i>)</p>	<p>Once again, in 2016 TIM organized the multistakeholder forum aimed at strengthening the understanding of demands and priorities and mustering innovative contributions (<i>Corporate Shared Value/ Stakeholder Engagement</i>)</p>	<p>Collaboration with other telecommunications operators on issues of environmental relevance within the framework of industry associations and initiatives, including GeSI and ETNO) (<i>TIM Group/The Corporate Governance System</i>)</p>	<p>Active participation in the Peer Learning Group on Business and Human Rights, set up within the Global Compact Network Germany (<i>Human rights/TIM's commitment</i>)</p>
COMMUNITY	<p>In 2016 information and training activities continued in order to spread computational thought in schools with the Programme the Future project implemented by CINI. (<i>Digital Culture/Digital Culture projects</i>)</p> <p>In 2016, to inform an ever broader and heterogeneous audience about the positive impacts of digital innovation in daily life, TIM produced Start!, a television programme on Rai 2 with 10 episodes with an average share of 6.4% (<i>Digital Culture/Digital Culture projects</i>)</p> <p>Navigare Sicuri [Surf safely], a digital platform (app and website) to raise awareness on the risks of the web providing children, parents and educators with recommendations on 3 respective macro areas. (<i>Digital Culture/Digital Culture projects</i>)</p>	<p>Once again, in 2016 TIM organized the multistakeholder forum aimed at strengthening the understanding of demands and priorities and mustering innovative contributions (<i>Corporate Shared Value/ Stakeholder Engagement</i>)</p>		<p>TIM develops numerous co-design partnerships with the main global players, innovative start-ups, important universities and European and North American research centres, non-governmental organizations and civil society, many in accordance with Open Innovation principles. The initiatives include: Joint Open Lab (JOL), collaborative environments of Open Innovation with some Italian universities of excellence; the URBeLOG project funded by MIUR relating to the Smart City; the WithYouWeDo collaboration with unaiutosubito.org to raise funds for earthquake victims (<i>Digitisation, Connectivity and Social Innovation/ Research and development and innovative services</i>)</p>
	<p>TIM Netbook: the interactive and open data publication to improve transparency in the development of network infrastructure and encourage the development of digital projects. (<i>Digitisation, Connectivity and Social Innovation/A group with strategic value</i>)</p>			<p>Active participation in the Peer Learning Group on Business and Human Rights, set up within the Global Compact Network Germany (<i>Human rights/TIM's commitment</i>)</p>




INITIATIVES

	INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
HUMAN RESOURCES	<p> The first half of 2016 saw the launch of the TIM Academy, an innovative approach to learning and the sharing of knowledge within the company.</p> <p>2016 also saw the launch of the video series “5 domande a” [5 questions for], video interviews with the top managers to disseminate the Company’s commercial strategy; TIM People APP, the app version of the Intranet. <i>(People of TIM/Internal communication)</i></p>	<p>“Idea sharing”, the internal crowdsourcing contest allowing colleagues to propose projects and win the opportunity to implement it with new resources and dedicated time. <i>(People of TIM/Internal communication)</i></p>	<p>Mailboxes, Intranet, blogs, virtual communities, multimedia conventions to communicate with employees. 2016 also saw the launch of TIM Smart Corners to encourage learning and networking within the company through informal short meetings with expert colleagues <i>(People of TIM/Internal communication)</i></p>	<p>Selection and training programmes implemented with research centres, universities, associations and foundations in the voluntary sector, including collaboration in post-university study courses through 4 master’s programmes related to TIM’s business <i>(TIM People/Training)</i></p>
	<p>In 2016, training activities on Respect for Human Rights continued with the supplement of an online course (Being sustainable at TIM/Human Rights and TIM People/Training). The Company continued with its significant commitment to provide safety training to all company staff with different programmes based on the risks to which workers are exposed <i>(TIM People/Health and safety)</i></p>	<p>Initiatives to improve the management of diversity in the Company <i>(People of TIM/People Caring)</i></p>	<p>Information and discussion sessions with trade unions on matters of interest which have led in some cases to the signing of specific agreements <i>(TIM People/Industrial Relations)</i>.</p>	<p>Sponsorship of the Tim Chair in Market Innovation at the Bocconi University of Milan, as part of the Master’s Degree in Economics and Management of Innovation and Technology (EMIT). <i>(TIM People/Training)</i></p>
	<p>Internal communication activities <i>(TIM People / Internal communication)</i></p>		<p>Counselling service for dealing with personal difficulties or problems at work experienced by employees <i>(TIM People/People Caring)</i></p>	<p>Volunteering initiatives with the involvement of employees and external partners <i>(TIM People/People Caring)</i></p>
	<p>In 2016, an online and in the classroom training course was provided on Antitrust regulations for around 3,000 employees selected from the various company departments, mainly technical and commercial departments. <i>(TIM Group/The reference context)</i></p>			<p>“Network Scuola Impresa” project in collaboration with some secondary schools. In particular, with regard to the School-Work Alternation theme, TIM signed up for the Assolombarda “Alternanza Licei – Imprese TLC” pilot project <i>(TIM People/Collaboration with Universities)</i></p>
				<p>Active participation in the Peer Learning Group on Business and Human Rights, set up within the Global Compact Network Germany <i>(Human rights/TIM’s commitment)</i></p>








## INITIATIVES

	INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
CUSTOMERS	 <p>Information on the Service Charters and General Conditions of Subscription via the Group's websites (<i>The TIM Group/TIM's System of corporate governance</i>)</p>	Customer satisfaction is systematically measured ( <i>Digitisation, connectivity and social innovation/Customers</i> )	Collaboration with consumer protection associations ( <i>Digitisation, connectivity and social innovation/Customers</i> )	Participation in national and international working groups, in partnership with UN agencies, non-governmental organisations, and organisations in the sector, on the issue of protecting children from potential abuses carried out via the Internet ( <i>Digitisation, connectivity and social innovation/Customers</i> )
	Information regarding tools for the safe use of the Internet and for combating computer abuse ( <i>Digitisation, connectivity and social innovation/Customers</i> )	Once again, in 2016 TIM organized the multistakeholder forum aimed at strengthening the understanding of demands and priorities and mustering innovative contributions ( <i>Corporate Shared Value/ Stakeholder Engagement</i> )	Use of web-based tools on social networks by customer care operators to talk to customers and share their knowledge ( <i>Digitisation, connectivity and social innovation/Customers</i> )	Partnership projects with institutions and other companies to test and create innovative services ( <i>Digitisation, connectivity and social innovation/Customers</i> )
	TIM Netbook: the interactive and open data publication to improve transparency in the development of network infrastructure and encourage the development of digital projects. ( <i>Digitisation, Connectivity and Social Innovation/A group with strategic value</i> )			Active participation in the Peer Learning Group on Business and Human Rights, set up within the Global Compact Network Germany ( <i>Human rights/TIM's commitment</i> )
	Exchange of information and documentation with suppliers via the "Vendors hub" portal, which in 2016 had around 3900 enabled sellers ( <i>Digitisation, connectivity and social innovation/Suppliers</i> )	Tenth survey of satisfaction with the Purchasing department, and more generally with TIM, conducted among the Group's main suppliers ( <i>Digitisation, connectivity and social innovation/Suppliers</i> )	Collaboration areas dedicated to the main suppliers available on the Vendors Hub portal, which in 2016 had around 3900 enabled sellers ( <i>Digitisation, connectivity and social innovation/Suppliers</i> )	Joint Audit Cooperation, an initiative which provides for sustainability audit activities conducted in the production plants of common suppliers and sub-suppliers based on an agreement signed with another 12 telecommunications operators ( <i>Digitisation, connectivity and social innovation/Suppliers</i> )
	Specific focus on the principles expressed in the Group's Code of Ethics and Conduct and recalled in the contract clauses and specific undertakings to observe them that suppliers are made to sign ( <i>Digitisation, connectivity and social innovation/Suppliers</i> )	Self-assessment questionnaire sent to the most risky suppliers, in terms of sustainability, during the qualification stage and, periodically, to qualified suppliers ( <i>Digitisation, connectivity and social innovation/Suppliers</i> )		Active participation in the Peer Learning Group on Business and Human Rights, set up within the Global Compact Network Germany ( <i>Human rights/TIM's commitment</i> )
	TIM Netbook: the interactive and open data publication to improve transparency in the development of network infrastructure and encourage the development of digital projects. ( <i>Digitisation, Connectivity and Social Innovation/A group with strategic value</i> )	Once again, in 2016 TIM organized the multistakeholder forum aimed at strengthening the understanding of demands and priorities and mustering innovative contributions ( <i>Corporate Shared Value/ Stakeholder Engagement</i> )		Signing of the agreement with Ericsson to launch the "5G for Italy" programme to implement innovative projects enabled by 5G technology. ( <i>Digitisation, Connectivity and Social Innovation/A group with strategic value</i> )





## INITIATIVES

	INFORMATION	CONSULTATION	DIALOGUE	PARTNERSHIP
 SHAREHOLDERS	The “TI Alw@ys ON” shareholders’ club (telecomitaliaclub.it) provides important information to individual investors and the general public ( <i>Corporate Shared Value/Stakeholder Engagement</i> )		Three monthly conference calls, meetings at institutional offices of the Group (reverse road shows), participation in sector conferences ( <i>Corporate Shared Value/Stakeholder Engagement</i> )	
	Online financial communication through the Group’s website ( <i>Corporate Shared Value/Stakeholder Engagement</i> )		Meetings with stakeholders on corporate governance issues ( <i>Corporate Shared Value/Stakeholder Engagement</i> )	
 INSTITUTIONS				Agreements and partnerships with Municipalities for TIM’s digital inclusion projects and initiatives, for the dissemination of the digital culture and collaborative projects as part of the smart city initiative. ( <i>TIM Group/The reference context</i> )
 COMPETITORS	TIM Netbook: the interactive and open data publication to improve transparency in the development of network infrastructure and encourage the development of digital projects. ( <i>Digitisation, Connectivity and Social Innovation/A group with strategic value</i> )	Periodic qualitative-quantitative researches to analyse the strength of the Group brands, the image of the providers of telecommunications services and mobile telephony, the reputation of the providers ( <i>The TIM Group/ The reference context</i> )	Dialogue with the OLOs on commercial issues and regarding implementation of the Undertakings ( <i>The TIM Group/The reference context</i> )	“Dono per...” a limited liability consortium company founded by TIM, Vodafone Italia and Wind, that deals with all initiatives for the raising and distribution of funds for charity as well as loans to political parties or movements. ( <i>Digitisation, connectivity and social innovation/R&amp;D and innovative services</i> )
			Constant dialogue with the Authorities (AGCM and AGCOM) ( <i>The TIM Group/ The reference context</i> )	“Manifesto for the timely deployment of 5G in Europe” for the development of 5G technology from 2018. ( <i>Digitisation, Connectivity and Social Innovation/A group with strategic value</i> )
			The Group is a member of numerous federations, associations and organisations, both nationally and internationally ( <i>TIM Group/The reference context</i> )	



## MATERIALITY ANALYSIS

### MATERIALITY MATRIX

**[G4-18a], [G4-18b]** In 2016 as well, the materiality analysis process was conducted according to the GRI G4 requirements, in order to identify topics that are most relevant to the socio-environmental and economic impacts generated by business activities both inside and outside the organisation.

### Identification of relevant topics

As stated in the “Guidelines for updating the TIM materiality analysis” and in the Review section of 2015 Sustainability Report<sup>1</sup>, preparatory activity was carried out regarding the validity of the issues that emerged the previous year. This activity involved a specific comparison with various national and international sources of information, both public and private, inside and outside the Group<sup>2</sup> and a comparison with sector practice benchmarks.

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

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

### Assignment of priorities

The assignment of priorities among the topics emerged, led to the identification of the material issues to be disclosed.

During this phase, TIM assessed the importance of the topics identified from an external and internal viewpoint. The latter was provided by the main departments of the company following a specific assessment of the topics for analysis.

**[G4-26]** The updated assessment of relevance from an external point of view was produced by a specific stakeholder listening activity aimed at gathering the perceptions of authoritative Group stakeholder representatives. At the 2016 multi-stakeholder forum, which involved nearly 40 representatives of the main external stakeholder categories, participants were

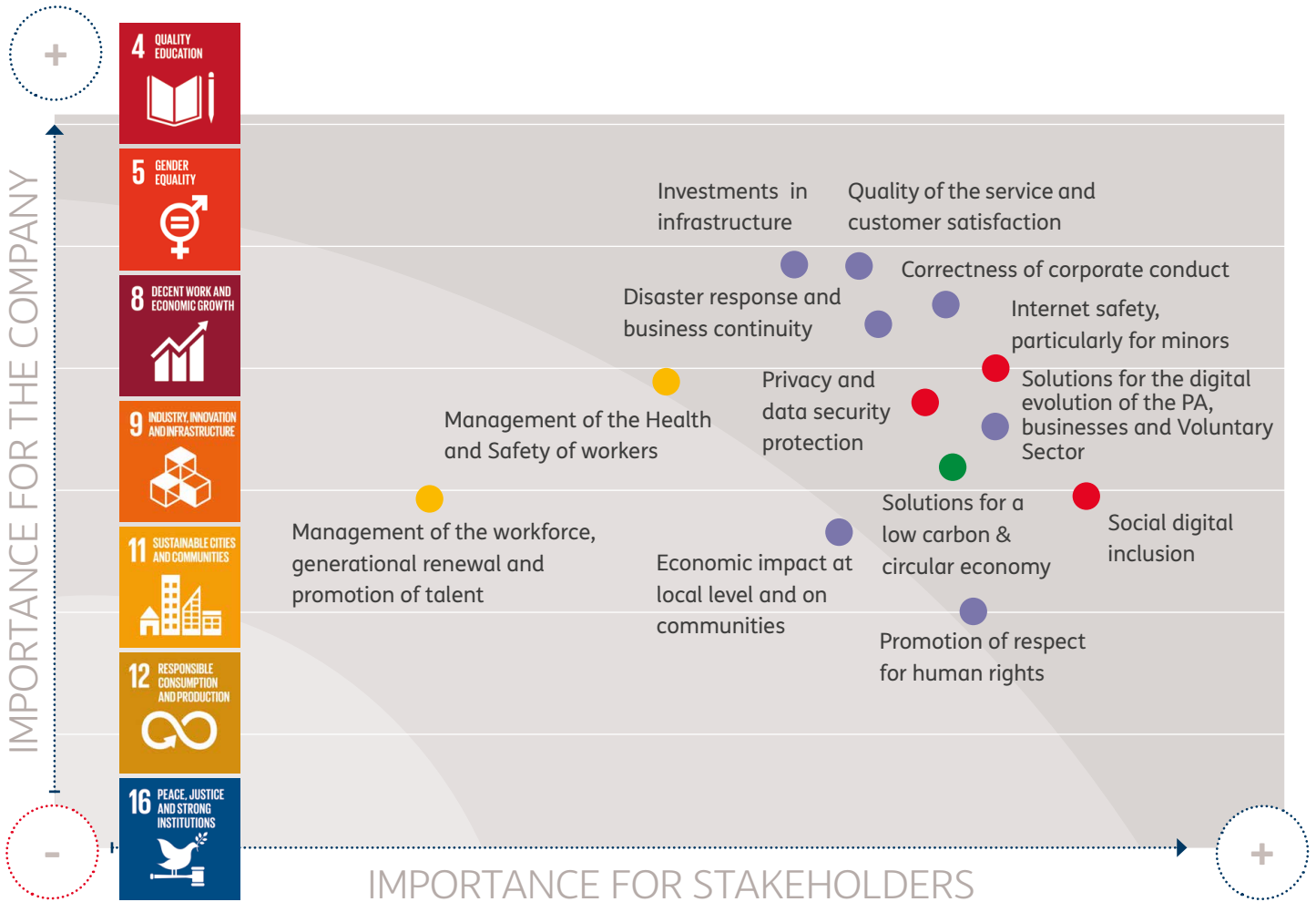
<sup>1</sup> Sustainability Report 2015: “The review phase is due to take place as a preparatory stage prior to the next reporting cycle, with the aim of submitting the results of the analyses carried out, updated in the following year, to specific stakeholder engagement activities. The Group has drawn up the “Guidelines for updating the materiality analysis of TIM” pursuant to the GRI G4 in order to establish a transparent structure for the analysis process. The document provides guidelines for the activities to be carried out, establishing timetables and the roles involved in the process.”

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



presented with material issues for the Company’s strategy in order to identify an order of importance <sup>1</sup>. The stakeholders, subdivided into theme-based working groups based on their interests and skills, expressed their views regarding the matters discussed by their working group. The use of parametric qualitative and quantitative scales ensured the uniformity of the assessment.

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



- Environmental protection
- Digitisation
- Digital culture
- People

Per completezza di informazione, per l’Azienda sono materiali anche i temi:

- performance economica e finanziaria;
- gestione delle risorse energetiche.

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

<sup>1</sup> Each participant was provided with an information folder prior to the forum for a better understanding of the topics discussed.



## Validation

The issues and the whole materiality analysis process were validated by the CSV department, which, as stated above, availed itself of the support of SCS Consulting to determine perceptions by participating in the working groups and sharing the results among the forum participants. The Governance of the CSV department is explained in the Sustainability Governance section of this report.

## Review

The review phase is due to take place as a preparatory stage prior to the next reporting cycle, with the aim of submitting the results of the analyses carried out, updated in the following year, to specific stakeholder engagement activities.

The Group has drawn up the “Guidelines for updating the materiality analysis of TIM” pursuant to the GRI G4 in order to establish a transparent structure for the analysis process. The document provides guidelines for the activities to be carried out, establishing timetables and the roles involved in the process.

## Boundaries

**[G4-20], [G4-21]** All the topics (and therefore aspects of the GRI G4 standard) that are judged to be material have major implications both inside and outside the Company.

On the one hand there are cross-cutting topics that are relevant to all the companies in the Group’s consolidation scope, wherever they may be, without exception, and which are relevant to all external and internal stakeholders, these being:

- Correctness of corporate conduct
- Promotion of respect for Human Rights inside and outside the Company
- Quality of the service and customer satisfaction
- Solutions for a low carbon & circular economy
- Economic impact at local level and on communities
- Management of the health and safety of workers
- Management of the workforce, generational renewal and promotion of talent

On the other hand there are topics that are mainly relevant to Group companies operating as telephone service operators, which account by far for the main part of the Group in terms of turnover, employees and impact on external stakeholders:

- Internet safety, particularly for minors
- Solutions for the digital evolution of the PA, businesses and Voluntary Sector
- Investments in infrastructure
- Privacy and data security protection
- “Disaster response” and business continuity
- Social digital inclusion

These topics are undoubtedly more relevant to all the stakeholders who live in Italy, where TIM is the biggest operator and therefore the Company on which stakeholders pin their greatest expectations. In Brazil, where the Group is present with one of the country’s biggest mobile operators, the topics are definitely relevant to stakeholders but to a lesser extent than in Italy.



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

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

The materiality matrix, in addition to highlighting TIM's priority areas of commitment, also reflects the SDGs to which the Company believes it can make the biggest contribution.

Specifically, the relevant Goals are:

- No. 4: Education and quality
- No. 5: Gender equality
- No. 8: Decent work and economic growth
- No. 9: Industry, innovation and infrastructure
- No. 11: Sustainable cities and communities
- No. 12: Responsible consumption and production
- No. 16: Peace, Justice and strong Institutions

In addition to No. 3 "Good health" for positive impacts and e-health solutions and No. 13 "Combat climate change and its impacts", for the inevitability and importance of the topic at global level.



## SDGs

## TIM'S TOPICS

 <p><b>4</b> QUALITY EDUCATION</p>	Social digital inclusion
 <p><b>5</b> GENDER EQUALITY</p>	Promotion of respect for human rights Management of the workforce, generational renewal and promotion of talent
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	Promotion of respect for human rights Solutions for the digital evolution of the PA, businesses and Voluntary Sector Economic impact at local level and on communities Management of the Health and Safety of workers Management of the workforce, generational renewal and promotion of talent
 <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Solutions for the digital evolution of the PA, businesses and Voluntary Sector Investments in infrastructure Solutions for a low carbon & circular economy
 <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>	Disaster response and business continuity
 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Solutions for a low carbon & circular economy
 <p><b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Correctness of corporate conduct Solutions for the digital evolution of the PA, businesses and Voluntary Sector Privacy and data security protection

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