

**Sustainability Report 2016/2017**  
**Vodafone Italy**

**Listening to the  
future, to improve the  
present**



# Highlights



**€ 5.1 Bn**

Direct and indirect contribution to the national system

**32 K**

People employed directly and indirectly

**€ 2.3 Bn**

Net contribution to the Italian GDP



**25.4 M**

Vodafone Italy customers

**€ 3.7 Bn**

Purchased goods and services

**9 M**

4G customers



**6,768**

People employed directly

**48,706**

Days of training

**€ 5.1 M**

Invested in social projects by Vodafone Italy Foundation



around **170 GWh**  
Saving thanks to the Single Ran standard's initiatives

**69%**  
Electrical energy from renewable sources

**112 K/** tons of **CO<sub>2</sub>**  
Non emitted through energy saving interventions



**€ 6.2 Bn**

Revenues from sales and service provision

**€ 2.2 Bn**

EBITDA  
(in accordance with international accounting standards)

**€ 6.7 Bn**

Production value

# The contribution of Vodafone Italy to the country

## The great digital change

The digital revolution has increasingly become part of our real lives. Watching a film, purchasing a gift, checking bank statements and calling a friend abroad for free are different actions, but all with one thing in common: we can do all these things without leaving the comfort of our homes, directly from our mobile devices.

This is not a technological event limited to the world of research, but a phenomenon that is guiding the transformation of society in every form. It is changing relationships between people, communication between institutions and citizens, and the labour market. After those driven by steam, electricity and electronics, this fourth industrial revolution is bringing about an epochal change: the speed of transformation.

Telecommunications is one of the sectors most heavily influenced by this change. In recent years, the sector has been dedicated to developing digital technologies and business models, rethinking the value proposition of products and services. The technological development of telecommunication systems results in major benefits for citizens, companies and the public administration through increasingly widespread Broadband and Ultra Broadband connections, with the speed of data transmission exceeding a gigabyte per second.

Today, we often talk about a 'Gigabit Society', in which networks faster than a gigabyte per second make way for applications targeted at companies and consumers in the fields of virtual and non-virtual reality, telemedicine as well

as entertainment, and with advanced applications for 'connected cars' and 'advanced home automation'. They also make possible to manage large numbers of users simultaneously, accessing high-definition content, experiencing "immersive reality" applications, giving shape to digital realities and using advanced smart working solutions that are fully integrated with company applications. These innovations lead to major benefits, both direct and indirect, for the national economy and personal wellbeing.

However, the development of a Gigabit Society is impossible without the joint development of fully symmetrical national and EU strategies for digitalisation and ultra-broadband networks, to meet the new needs of businesses and families. In terms of development strategies, the European Digital Agenda, with national transposition in the Italian Digital Agenda, has proved to be an essential instrument over the years for overcoming digital "barriers", developing broadband and ultra-broadband infrastructure, improving the digital proficiency of citizens and companies and creating opportunities for achieving economic, social and environmental benefits.

In this context, Vodafone Italia has made a precious contribution to the concrete development of the Gigabit Society through its investments in the expansion of fixed fibre-optic networks and the development of new mobile connections. This commitment has enabled solutions that bring fibre-optics to the homes of customers (FttH) with a speed of 1Gbps, which reach 12.4 million families in 4 Italian cities, and mobile connections with 4G technology, available across 97% of the national territory, and 4.5G at 800Mbps, available in the cities of Florence, Palermo and Milan.

## Effects of our investment in broadband and ultra-broadband networks

Investments in the development of fixed ultra-fast connections, such as Vodafone fibre-optics at 1Gbps, and mobile, with 4G

and 4.5G technologies, have a major impact on the country's wellbeing.

In particular, studies published in recent years have demonstrated a correlation between the use of digital infrastructure and the growth of GDP and employment in a country. In fact, the coexistence of available infrastructure and the widespread use of the same offers the possibility to develop new services, increase process productivity, also through the spread of new Machine-to-Machine and Internet of Things technologies, and ease the transition of entire economic sectors towards more efficient models<sup>1</sup>.

These studies point out that the creation of a latest generation telecommunications network not only produces network construction effects, but also enables the spread of new technologies, which in turn create spillover effects across the country. First of all, the impact on national GDP and employment is linked to the capital invested and the creation of new jobs necessary for the design, construction and subsequent management of the new network. At the same time, these investments create new economic opportunities for companies and organisations, obtainable in particular following the diffusion of new technologies and devices for their use. A high-speed network offers users the possibility of distance learning and communication, access to new public and private services, and allows businesses to access new markets, modernise the organisation, invent new services, be more competitive thanks to Smart Working solutions, IT systems, and traceability and security systems. Broadband and ultra-broadband connections also allow the Public Administration to offer online services and information to citizens and to set up Smart City and Smart Health management models. These new opportunities thus translate into new businesses that generate economic wealth and additional jobs.

<sup>1</sup> Specific reference is made to the following studies: "L'impatto degli investimenti in NGN sullo sviluppo economico del Paese", AGCOM – Autorità per le Garanzie nelle Comunicazioni ["How investments in NGN impact the economic development of the country", Italian Communications Regulator] (2010); "Wireless Broadband infrastructure: a catalyst for GDP and job growth 2013-2017", PCIA-The Wireless Broadband Infrastructure (2013); "The impact of Broadband on Jobs and the German Economy", Dr. Raul L. Katz – Adjunct Professor, Columbia Business School, Director of Business Strategy Research, Columbia Institute for Tele-Information (2010).

# Investments in Vodafone fixed and mobile network

Impact of fixed and mobile network construction

Impact of the construction of new technologies enabled by the fixed and mobile network

+ GDP and employment generated by spending for network construction

+ GDP and employment generated by suppliers of goods and services required for network construction

+ GDP and employment generated by new job opportunities

+ GDP and employment created by new business opportunities

+ GDP generated thanks to more efficient processes and improved productivity

+ GDP  
+ Employment

for the value chain

+ GDP  
+ Employment

for the community

+ GDP  
+ Employment

**for the country**

# Economic contribution to the national system

## Direct impact on families, businesses and the Public Administration

The activities of Vodafone Italia have an impact first of all on its direct stakeholders. The value created in Italy is distributed among the families of employees, the companies supplying goods and services and the Public Administration, which our Company continuously cooperates with when performing its activities.

## Indirect impact on families, businesses and the Public Administration

In addition to direct impact, the business of Vodafone Italia also contributes to the creation of economic benefits generated by the components of its value chain. Thanks to their activities with Vodafone, employees, suppliers and customers in turn generate financial flows, also in this case benefitting families, businesses and government authorities. With specific reference to the impacts identified and analysed in this study, Vodafone Italia's indirect contribution can be estimated at approximately € 770 million.

Note: only the impact generated on main local suppliers was considered.

**€ 5.1 BN**

**DIRECT AND INDIRECT ECONOMIC CONTRIBUTION**

**€ 2.8 BN**

**TO BUSINESSES**

**€ 1.4 BN**

**TO THE PUBLIC ADMINISTRATION**

**€ 900 M**

**TO FAMILIES**

**€ 4.3 BN**

**DIRECT ECONOMIC CONTRIBUTION**

**€ 2.8 BN**

**to Businesses**

Investments in fixed assets, purchase of goods and services, financial charges and interest, site leasing

**€ 1.2 BN**

**to the Public Administration**

Taxes, investments in 4G frequencies, GSM and UMTS frequency costs, sector contributions, social security contributions, site leasing

**€ 300 M**

**to Families**

Net wages and salaries of Vodafone employees, employee severance payments and advances, medical refunds, supplementary welfare and pension contributions, site leasing, investments made by Fondazione Vodafone Italia in the community

**€ 770 M**

**INDIRECT ECONOMIC CONTRIBUTION**

**€ 130 M**

**to the Public Administration**

Employee income taxes, social security contributions made by Vodafone Italia's employees, income taxes of local suppliers carrying out activities for Vodafone Italia

**€ 640 M**

**to Families**

Net wages and salaries of local suppliers carrying out activities for Vodafone Italia



## Economic contribution to linked industries

The activities carried out by Vodafone Italia affect its own value chain as well as other sectors of the national economy. This impact on linked industries arises from the fact that part of the wealth received by stakeholders thanks to Vodafone's activities is used in

other economic sectors, thus benefitting linked industries. In fact, the value added created and distributed by the company translates into consumption and investments that flow into other economic sectors, contributing to their growth and producing what is called the "spin-off effect". The total impact of the company's activities can thus be estimated in terms of global gross domestic product generation, using macroeconomic studies specific to the European context and telecommunications sector<sup>1</sup>.

The overall net contribution of Vodafone Italia to Italian economic growth in 2016-2017, can thus be estimated at approx. € 2.3 billion, of which € 2.1 billion representing the value added created directly and approx. € 200 million in terms of wealth generated by the spinoff effect.

**€ 2.3 BN**

**NET CONTRIBUTION TO ITALIAN GDP**

<sup>1</sup> (Cebr), Centre for Economics and Business Research. The changing economic impact of the telecommunication sector in the EU, 2008.

## ECONOMIC CONTRIBUTION AND VALUE CREATION

At the end of financial year 2016 – 2017 Vodafone Italia recorded service revenues of € 5,247 million, up 2.3% over the previous year, maintaining the growth trend recorded in recent quarters, especially thanks to the growth in the average data consumption of

customers and accelerated growth in the fixed segment.

The EBITDA has reached € 2,229 million, up 10.6% over the previous year.

The mobile services segment recorded growth during the year, with revenues equal to € 4,366 million, up 1.5% over the previous year, thanks to the positive results of the prepaid consumer segment,

the increase of mobile data consumption (+45%) and the number of 4G customers, which have reached 9 million.

Fixed network service revenues are also growing, equal to € 882 million, with 2.2 million fixed broadband customers and 0.7 million fibre-optic customers, with a growth of 0.4 million customers during the financial year.

## Main results

**9 million 4G customers**

**12.4** million families and businesses covered by optic-fibre networks

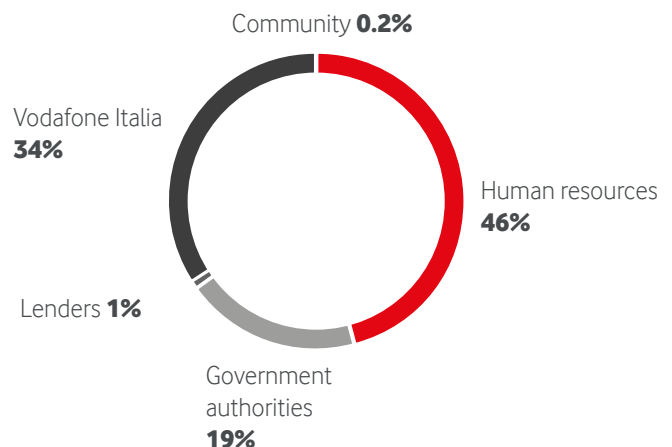
**5,247** million Euro in service revenues

**2,229** million Euro in EBITDA

## CREATION AND DISTRIBUTION OF VALUE ADDED

The calculation of Value Added represents Vodafone Italia's ability to create and distribute wealth among its stakeholders. Value Added, understood as the difference between production value and intermediate production costs, was calculated by reclassifying the consolidated income statement. It increased compared to the previous year, mainly due to the increase in amortisation and depreciation.

### Distribution of Value Added



## Environmental contribution

Also this year, Vodafone Italia launched a number of initiatives aimed at energy saving and reducing polluting emissions. In particular, activities for network modernisation and efficiency continued, with the implementation of cooling technologies at Free Cooling 2.0 sites and the extension of the Single RAN technology to all Vodafone Italia sites. This latest innovation collocates various transmission technologies in a single standard network, generating considerable savings in energy consumption and CO<sub>2</sub> emissions. As regards atmospheric emissions, it should be noted that mobile communication technologies

represent one of the most efficient instruments for mitigating climate change, since they rationalise and increase the efficiency of activities and processes. Vodafone Italia has over 20 years' experience in the field of Machine-to-Machine (M2M) technologies and is one of the first operators to provide innovative Internet of Things solutions, both internationally and nationally. Moreover, according to a study issued by Vodafone Group, in 2020 the contribution of mobile technologies to the reduction of emissions in Europe can be quantified in 110 thousand tonnes of CO<sub>2</sub> equivalent, per millions of wireless connections activated (Vodafone Group Plc Carbon Connections:

quantifying mobile's role in tackling climate change, 2009). By applying these figures to the business mobile connections activated by the Company during the year, we estimate that the business of Vodafone Italia alone can contribute to this target with the reduction of approximately 25 thousand tonnes of CO<sub>2</sub>, allowing the national economy to benefit from most of the opportunities offered by the spread of wireless communication for the reduction of greenhouse gas emissions, such as dematerialisation and efficient process management.

**CO<sub>2</sub> 137 thousand t not emitted**

CO<sub>2</sub> 112 thousand t through direct intervention on network energy savings

CO<sub>2</sub> 25 thousand t indirectly thanks to mobile technology

## Social contribution

Vodafone Italia plays an important role in terms of national employment. As it is part of a network of businesses, it is possible to assess direct and indirect employment creation, by estimating the jobs that suppliers can provide thanks to activities carried out for Vodafone Italia. In this sense, work units employed during the year are calculated in approximately 32 thousand people, corresponding to 28 thousand Full Time Equivalents. Firstly, Vodafone Italia's direct impact on employment is measured on the number of its employees: in Italy, the Com-

pany has a workforce of 6,768 people hired with employment contracts, equal to 6,173 Full Time Equivalents (FTE). All employment data is shown in the section dedicated to people.

In order to globally assess the social impact on the national economy, however, it is necessary to consider the employment offered by suppliers that provide goods and services or that support certain phases of the business process, such as distribution, sales and customer service. Indirect employment is thus estimated as part of the workforce in the supply chain that carries

out activities for Vodafone: approximately 21 thousand Full Time Equivalents are indirectly employed by the company.

## Innovation

We are focused on innovation of products and services for the progress of the country. Our investment policy aims at promoting the modernisation of network infrastructure and the innovation of products and services.

**32 thousand people employed overall**

6,768 people employed directly

25.5 thousand people employed indirectly



# Sustainability Report 2016/2017

## Vodafone Italy

### **Vodafone Italia S.p.A.**

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