



2018 REPORT ON CORPORATE GOVERNANCE
AND SHARE OWNERSHIP
OF TIM S.P.A.

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Pursuant to art. 123-bis CLF

*(Report approved by the Board of Directors at its meeting of February 20, 2019 available on the website
www.telecomitalia.com)*

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Registered Office in Milan at Via Gaetano Negri 1
General Administration and Secondary Office in Rome at Corso d'Italia 41
Certified e-mail box (PEC): telecomitalia@pec.telecomitalia.it
Share capital 11,677,002,855.10 euros fully paid up
Tax Code/VAT and Registration Number
at the Milan Monza-Brianza Lodi Business Register 00488410010

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GLOSSARY

Sustainability Report: the document approved annually by the Board of Directors of the Company and based on the *Sustainability Reporting Guidelines* of the *Global Reporting Initiative*, containing – from the 2017 edition – the consolidated non-financial statement of TIM S.p.A., pursuant to legislative decree no. 254/2016.

Corporate Governance Code: the Corporate Governance Code of listed companies approved in July 2018 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, accessible to the public on the Italian Corporate Governance Committee website via the link <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>.

Italian civil code: The Italian civil code

Corporate Governance Principles: the document setting out the rules on corporate governance established by the Board of Directors of the Issuer, to supplement and complement the provisions of the Borsa Code to which the Company adheres

Consob Issuers' Regulation: the issuer's Regulation issued by Consob through resolution no. 11971 of 1999 (as subsequently amended).

Consob Related Party Regulations: the related party Regulation issued by Consob through resolution no. 17221 of March 12, 2010 (as subsequently amended).

Report: The report on corporate governance and share ownership which companies are required to draw up pursuant to Art. 123-bis CLF.

Remuneration Report: The remuneration report drawn up pursuant to Art. 123-ter CLF.

Consolidated Law on Finance/CLF: Legislative Decree no. 58 of February 24, 1998

TIM, Telecom Italia, Issuer or Company: Telecom Italia S.p.A., also called TIM S.p.A, an Italian joint stock company, with registered office in Milan at Via Gaetano Negri 1, and General Administration and Secondary Office in Rome at Corso d'Italia 41 – Corporate Website www.telecomitalia.com Commercial Website www.telecomitalia.it

1. INTRODUCTION

Following the renewal of the Board of Directors by the Shareholders' Meeting of May 4, 2018, the Company implemented an important review and general reorganization of its governance rules. The Corporate Governance Principles have been updated, an internal Board committee has been introduced, specialized in supervising related party transactions (on the basis of a totally new procedure), the Board has adopted an internal regulation and the Insider Information and Insider Dealing Procedure underwent evolutionary maintenance, in accordance of Consob guidelines and suggestions. The various updated documents can be consulted on the website www.telecomitalia.com, "About us" section, Governance System channel.

The information contained in the Report refers to the 2018 financial year or, where indicated, to the date of the Board of Directors' meeting that approved it (February 20, 2019); for details on remuneration, please see the Remuneration Report; for social responsibility matters, please see the Sustainability Report.

Non-alignment or partial alignment with specific provisions of the Corporate Governance Code, to which Telecom Italia adheres, is justified in the section of the Report which deals with the governance practice otherwise applied by the Company, as per the comparison table in the appendix.

2. INFORMATION ON SHARE OWNERSHIP

a) Share capital structure

The structure of the subscribed and paid-up share capital, amounting to 11,677,002,855.10 euros at December 31, 2018, is set out in Table 1 – Information on share ownership.

In relation to the share-based incentive plan called the "2014-2016 Stock Option Plan", and the increase in capital to service it, see the note "Remuneration plans in the form of shareholdings in the capital" in the separate financial statements of the Company as at December 31, 2018 and the corresponding disclosure document that may be consulted in About Us section, Remuneration channel on the website www.telecomitalia.com

The issuance documentation of the convertible bond entitled "€2,000,000,000 1.125 per cent. Equity-Linked Bonds due 2022" can be consulted on the website www.telecomitalia.com, Investors section, Financial Profile channel.

b) Restrictions on transfer of securities

There are no limitations under the Company Bylaws on the transfer of securities issued by the Company. For a description of the special powers of the State pursuant to legislative decree no. 21/2012, converted with amendments by the law no. 56/2012, please refer to the following letter k) ("Special powers of the State").

c) Significant shareholdings

Significant holdings in the ordinary capital of TIM are shown in Table 1 – Information on share ownership.

d) Securities that confer special rights

The Bylaws do not envisage shares with multiple or enhanced voting rights, and the Company does not issue securities that confer special control rights.

For a description of the special powers of the State pursuant to legislative decree no. 21/2012, converted with amendments by the law no. 56/2012, please refer to the following letter k) ("Special powers of the State").

e) Employee shareholdings: mechanism for exercising voting rights

There are no specific procedures or limits to the exercise of voting rights for shares arising from employee share plans.

f) Restrictions on voting rights

There are no restrictions on voting rights of shares constituting the ordinary share capital of TIM. Savings shares are granted the right to vote only at the special shareholders' meetings for that class of shares. For a description of the special powers of the State pursuant to legislative decree no. 21/2012, converted with amendments by the law no. 56/2012, please refer to the following letter k) ("Special powers of the State").

g) Shareholders' Agreements

The Company is not aware of any shareholders' agreements pursuant to article 122 of the CLF.

h) Change of control clauses and statutory provisions on Tender Offers

In a series of agreements to which TIM and/or its subsidiaries are party, a change of control means an amendment or extinction of the relationship. The situations not subject to contractual confidentiality constraints in which the change of control is significant are reported below.



Regarding the financing relationships set out below:

- The Revolving Credit Facility taken out with a syndicate of banks on 16 January 2018 for 5 billion euros, expiring on 16 January 2023, currently not used;
- The Facility Agreement signed with ICBC - Industrial & Commercial Bank of China on July 6, 2015 for 120 million euros, expiring on July 6, 2020 (this Agreement was amended on June 15, 2018, by increasing the amount of the loan to 160 million euros and extending the expiry date to June 15, 2021),
- Facility Agreement signed with Intesa Sanpaolo S.p.A. on July 10, 2018, for 500 million euros expiring on July 10, 2021,
- Facility Agreement finalized with Commerzbank AG on July 11, 2018, for the amount of 100 million expiring on July 11, 2021,
- Facility Agreement signed with Banca Nazionale del Lavoro S.p.A. on August 1, 2018, for 100 million euros expiring on August 1, 2021,
- Facility Agreement signed with Sumitomo Mitsui Banking Corporation Europe Ltd on December 21, 2018 for 200 million euros expiring on February 28, 2022,

in the event of change of control, the bank (or the agent, on behalf of the financing banks) will negotiate in good faith the terms for continuing the relationship within a period of 30 days, at the end of which a bank with which agreement has not been reached may ask for reimbursement for the quota of financing it provided, and/or the cancellation of the quota relating to its commitment. No *change of control* arises should the control be acquired (i) by shareholders that, at the date of signing the agreement, directly or indirectly, held the percentage of voting rights at the shareholder's meeting that is specified in the individual contracts, or (ii) by the direct or indirect majority shareholder, or by any entity that is an investee or a subsidiary of said shareholder as at the signing date, or (iii) by a combination of subjects belonging to these two categories.



Compliance with the following ISDA Master Agreements signed by TIM and/or its subsidiaries:

- Merrill Lynch International, whose underlying contracts expire on November 15, 2033 and a total notional amount of 172 million euros,
 - Natixis, whose underlying contracts expire on July 18, 2036 and a total notional amount of 656 million euros,
 - SMBC (Sumitomo Mitsui Banking Corporation), whose underlying contracts expire on September 30, 2034 and a total notional amount of 180 million euros and
 - UniCredit, whose underlying contracts expire on July 18, 2036 and a total notional amount of 2.8 billion euros,
- if a change of control event occurs, giving rise to a substantial worsening of the Company's credit rating, the counterparty is entitled to terminate the contracts with twenty day notice.



The regulations of the fixed rate equity-linked loan, optionally convertible into ordinary TIM shares (Equity linked Bond - Convertible), issued by TIM in 2015, for 2 billion euros, with maturity 2022, envisage that the bond-holders have the right to request, within the 60 days following the communication of the change of control, alternatively,

(i) the conversion, or (ii) the repayment in cash of the par value of the loan and the accrued interest. No change of control arises if control is acquired (i) by shareholders who, at the date of signing the loan, held more than 13% of voting rights at the shareholder's meeting, directly or indirectly, or (ii) by the parties to the Telco shareholder's agreement (now no longer in force: Generali Group, Mediobanca S.p.A., Intesa Sanpaolo S.p.A. and Telefónica S.A.), or (iii) by a combination of parties belonging to these two categories.



With respect to relations with the European Investment Bank (EIB), in contracts entered into in 2013, 2014 and 2015, for a total amount of 1.35 billion euros, the obligation was specified for TIM to notify the EIB immediately of any substantial alteration regarding the Company Bylaws or its share ownership. Failure to provide this notification, after a notice to comply, entails the termination of the contract. In the contracts signed in 2013 and 2014 a change of control is not brought about if control is acquired (i) by any shareholder who at the date of the contract holds directly or indirectly at least 13% of the voting rights in the ordinary shareholders' meeting or (ii) by the investors Telefonica S.A., Assicurazioni Generali S.p.A., Intesa San Paolo S.p.A. or Mediobanca S.p.A. or their subsidiaries. In the contract signed in 2015 there is no change of control if control is acquired directly or indirectly by: (i) any shareholder of TIM who at the date of the contract, directly or indirectly holds at least 13% of the rights to vote in an ordinary shareholders' meeting, or (ii) any shareholder who at the date of the contract, directly or indirectly, holds the majority of the rights to vote in the ordinary shareholders' meeting as specified in the point above.

If a change of control should occur, in all the contracts in question the EIB is entitled to request early repayment of the loan after the expiry of a period within which any consultations that might be requested by the EIB are to be held.



In the contract with Havas Media s.r.l. for activities in support of the negotiation and acquisition of advertising spaces, and the planning, programming, implementation and control of the advertising campaigns of TIM and/or the Group Companies (expected term until December 31, 2019, with an indicative value in excess of 75 million euros per year), each party has the right to withdraw, in the event of a change in the company's control structure, to be exercised within 60 days.



The duty to communicate the change of control, provided for by Italian law on licenses, is contained in the general authorization certificates granted to TIM for operating and providing the network and for offering electronic communications services as well as in the general concession/authorization certificates granted to the subsidiary Persidera for the network operator business.

A similar obligation is regulated by local legislation and in the concession/license certificates for telecommunication services held by the foreign subsidiaries of the Group, to which is added, in some countries, the obligation for specific approval by the competent authorities.



The Bylaws do not contain derogations of the regulations on the passivity rule, nor of the so-called neutralization rules in the case of public offerings to purchase or exchange securities issued by TIM.

i) Powers to increase share capital and authorizations of share buy-backs

There are no authorizations to increase the share capital, nor to purchase treasury shares. The Board of Directors cannot issue equity instruments.

TIM owns 37,672,014 ordinary treasury shares; Telecom Italia Finance owns 126,082,374 TIM ordinary shares.

j) Direction and coordination

Based on evidence from the shareholders' meeting of May 4, 2018, the Board of Directors acknowledged that the reasons for considering the relative majority shareholder Vivendi SA as the entity exercising direction and coordination activities over TIM no longer applied; it therefore ascertained the termination of the aforementioned direction and coordination activity (declared on July 27, 2017).

On June 25, 2018 the Board of Directors also ascertained that the conditions for qualifying the relationship between Vivendi and TIM as de facto control were no longer satisfied.

k) Special powers of the State

Furthermore, as ascertained with the Order of the Presidency of the Council of Ministers made on September 28, 2017, the Company is subject to the obligations set out in decree law no. 21/2012 (the "Golden Power" decree) as it:

- performs "activities of strategic importance for the national security and defense system" (as per article 1 of the Golden Power Decree) and
- possesses networks and equipment "necessary to ensure the minimal supply and operation of essential public services" and goods and relationships of "strategic relevance for the national interest" in the communications sector (as specified in art. 2 of the Golden Power Decree).

This means that TIM is subject to the Government's special powers regarding both the circulation of shareholdings of more than 3% of its capital with voting rights in ordinary shareholders' meetings, and the acts and resolutions of the Company regarding mergers or demergers, the transfer of the business or branches of the business (of TIM and its subsidiaries), transfer of the registered offices abroad, changes to the company purpose, winding up of the company, sales of real rights to dispose of or use tangible or intangible assets, or the assumption of constraints that condition their use. With respect to both of them, the Government has the power to impose conditions or prescriptions, in various ways according to whether the reference is to the national security and defense sector or the communications sectors.

With an Order made on October 16, 2017 the Presidency of the Council of Ministers exercised the special powers prescribed in article 1 of the Golden Power Decree through the imposition of specific prescriptions and conditions on TIM and its wholly owned subsidiaries Sparkle and Telsy. They are measures in the area of governance and organization: In particular, the Presidency of the Council of Ministers imposes the presence on the Board of Directors of each company of a Director with powers over the security organization (an Italian citizen, with a security clearance, deemed suitable for the role by the Government). The organizational unit that undertakes activities that are relevant for national security, to be involved in all decision-making processes relating to strategic activities and the network, must be run by a security officer chosen from a trio of names proposed by the Department of Information for Security at the Presidency of the Council of Ministers. TIM, Sparkle and Telsy will also have to provide prior information on every decision that might, inter alia, reduce or transfer technological, operational or industrial capacity in strategic activities.

With an Order made on November 2, 2017 the Presidency of the Council of Ministers also exercised the special powers prescribed in article 2 of the Golden Power Decree through the imposition of specific prescriptions and conditions. These measures essentially regard the plans for the development, investment and maintenance of the networks and equipment, in order to preserve their functionality and integrity, and the obligation to notify every action of the company that could have an impact on their security, availability and functioning.

Proceeding to the appointments and attribution of powers following the renewal approved by the Shareholders' Meeting of May 4, 2018, the following May 7, the Board of Directors appointed the Head of Security, Stefano Grassi, as Security Officer, pending a "final" definition of the matter; Mr. Grassi was given a temporary mandate for the management of all of TIM's assets and activities that are strategically relevant for the national security and defense or which require a security clearance and Italian citizenship. This ended on February 20, 2019 when Luigi Gubitosi, the Chief Executive Officer in office, saw his mandate extended to also include this area of powers.

3. COMPLIANCE

TIM is a limited company with registered office in Italy, subject to Italian and European Community law. In relation to the listing on the stock exchange of some of the financial instruments issued, TIM is required to comply with the relevant regulations. Solely in its capacity as a foreign issuer, registered at the U.S. Securities and Exchange Commission and listed on the New York Stock Exchange, it is subject to U.S. law.

As stated in the introduction, TIM adheres to the Corporate Governance Code of Borsa Italiana, as updated to July 2018.

TIM does not fall within the definition of SMEs pursuant to art. 1, paragraph 1, letter w-quater) of the CLF and art. 2-ter of the Consob Issuers' Regulation.



At December 31, 2018 the subsidiaries of TIM included the Tim Brasil Group companies, of which Tim Participações S.A. is a company registered and listed in Brazil, and also registered with the US Securities and Exchange Commission and listed on the New York Stock Exchange. The corporate governance structure of TIM is not affected by the legal provisions governing Tim Participações.

4. BOARD OF DIRECTORS

4.1 Appointment and replacement

In accordance with Article 9 of the Bylaws, the Board of Directors (composed of a minimum of 7 to a maximum of 19 Directors) is appointed on the basis of slates submitted by shareholders holding a total of at least 0.5% of the ordinary share capital, regardless of the shareholding annually set by Consob (which in 2018 and 2019 was 1% of voting capital).

Two thirds of the directors to be elected shall be chosen from the slate which has obtained the greatest number of votes (the "Majority Slate"), in the order in which they are listed on said slate, rounding any fractions down. The remaining Directors shall be chosen from the other slates according to the "quotients" method.

At least half of the directors chosen from each slate (with rounding up) must fulfill the requirements of independence specified in art. 148 of the CLF and/or the Corporate Governance Code. If necessary, the last candidates elected from a slate that do not fulfill these requirements will be replaced, in order, by the first of those not elected from the same slate who fulfill said requirements; in the absence of a sufficient number of independent candidates in a slate to be able to make the replacements, the Shareholders' Meeting shall complete the board by resolution passed with the legal majorities, ensuring that the requirement is fulfilled.

If the composition of the board resulting from the slate voting system does not reflect gender balance (ratio of not less than 1:3), the necessary number of the last candidates of the more represented gender elected from the Majority Slate shall forfeit their post to ensure compliance with this requirement, and shall be replaced by the first candidates not elected from the same slate who are of the less represented gender. In the absence of candidates of the less represented gender on the Majority Slate in sufficient number to proceed with the replacement, the Shareholders' Meeting shall supplement the board with the majorities required by law, thus ensuring that the requirement is met.

For the appointment of Directors, for any reason not appointed pursuant to the procedure described above, the Shareholders' meeting shall vote on the basis of the majorities required by law.

For a description of the special powers of the State pursuant to decree law no. 21/2012, relevant for the composition of the Board of Directors, please refer to paragraph 3, (k) ("Special powers of the State").

Succession Plans

The Board of Directors has had a procedure for Executive Director succession planning since December 2011.

The Board of Directors has assigned the content, updating and monitoring of the succession plan to the Nomination and Remuneration Committee, which utilizes the support of the company structure responsible for human resource management. This is a cyclical activity, with no pre-defined frequency, on which the Committee reports to the Board on an annual basis. Specifically, the Committee in charge of the work postponed the report, in light of the most recent organizational and governance changes, promising to provide a report as soon as possible.

If an Executive Director must be replaced early, the Nomination and Remuneration Committee formulates a non-binding recommendation which it passes on to the Board. Moreover, it has been established that, when the Chief Executive Officer ceases to hold office, his or her powers are as a rule temporarily assigned to the Chairman until the new Chief Executive Officer takes office; where it is the Chairman who ceases to hold office, his or her replacement as chairman of the board is regulated by the Bylaws (which provide for the Vice Chairman, if appointed, to take the role), while any management powers will as a rule be assigned to the Chief Executive Officer until the new Chairman takes office.

4.2 Composition

Table 2 provides information on the Directors in office during 2018.

The Board of Directors was entirely renewed by the Shareholders' Meeting of May 4, 2018, following the resignation tendered by the majority of the members already in office at January 1. In particular, the following directors resigned:

- with effect from March 22, 2018, the Executive Deputy Chairman (as well as Chairman of the Strategic Committee) Giuseppe Recchi;
- with effect from April 24, 2018, before the Ordinary Shareholders' Meeting called for that date: the Executive Chairman (ex officio member of the Strategic Committee) Arnaud de Puyfontaine, the Directors Camilla Antonini (independent member of the Control and Risk Committee), Frédéric Crépin (member of the Strategic Committee and of the Nomination and Remuneration Committee), Felicité Herzog (independent member of the Control and Risk Committee), Marella Moretti (independent member of the Control and Risk Committee), Hervé Philippe (member of the Nomination and Remuneration Committee) and Anna Jones (Chairman of the

Nomination and Remuneration Committee, Independent).

On the same day, April 24, the director Amos Genish (then Chief Executive Officer), already co-opted on September 28, 2017, ceased from office and was immediately reappointed.

At the shareholders' meeting on May 4, 2018, the number of board members was determined at 15 and their term of office was determined in three financial years (until the shareholders' meeting called to approve the financial statements for the year ended December 31, 2020). Of the two slates submitted pursuant to the Bylaws, respectively by the relative majority shareholder Vivendi S.A. and by Elliott International LP, Elliott Associates LP and The Liverpool Limited Partnership, the latter obtained the highest number of votes (48.94% of voting capital in the Shareholders' Meeting). Therefore, the 10 candidates listed on the slate were appointed as members of the Board: Fulvio Conti, Alfredo Altavilla, Paola Bonomo, Maria Elena Cappello, Massimo Ferrari, Paola Giannotti de Ponti, Luigi Gubitosi, Lucia Morselli, Dante Roscini and Rocco Sabelli, all of them declared their independent status. From the slate presented by Vivendi, in application of the statutory principle that at least half of the candidates drawn from each slate (rounded up) must meet the independence requirements, the following candidates were appointed as Board Members: Amos Genish Arnaud de Puyfontaine, Marella Moretti, Michele Valensise and Giuseppina Capaldo (the last three qualified as independent).

Ascertainment that the board as a whole and the individual newly appointed Directors satisfied the requirements was undertaken by the Board of Directors in its first meeting after appointment.

The *curricula vitae* of all the members of the administrative body in office are available on the website www.telecomitalia.com, About Us Section - Corporate Bodies/Board of Directors channel.

Diversity criteria and policies

In May 2012, the Company amended the Bylaws provisions concerning the appointment of collective bodies to ensure compliance with the legislation on gender differences. Since TIM was persuaded that the diversity of professional *background*, managerial experience, as well as gender in the composition of its bodies was an opportunity and a value, the amended composition requirements for the Board of Directors and the Board of Statutory Auditors was introduced on a permanent basis rather than for three mandatory mandates only.

The concept was further reiterated in the guidelines expressed by the Board of Directors before its renewal, recommending to the shareholders - in view of the exercise of the right to submit candidatures - that the personal characteristics of the candidates included in the slate be presented in a complete and transparent manner. Currently, the gender ratio within the Board is 2:3.

Although the Group does not have formalized policies on diversity regarding age, qualifications and the training / professional path of its members, the Group's attention to the issues of diversity and inclusion as part of the overall corporate organization clearly appears from the Sustainability Report, to which reference is made.

Maximum accumulation of offices held in other companies

According to Telecom Italia's Corporate Governance Principles, acting as a director of the Issuer is not - as a rule - considered compatible with being a director or statutory auditor in more than five companies, other than those subject to the direction and coordination of TIM or its subsidiaries or affiliates, which are listed companies included in the FTSE/MIB index and/or companies operating principally in the financial sector dealing with the public and/or companies that perform banking or insurance activities. In the case of executive directors in companies with the characteristics listed above, the limit is reduced to three.

No diversified thresholds are envisaged to take account of the Directors' participation in the internal board committees. If a Director holds office in more than one company belonging to the same group, only one appointment held within that group shall be taken into account when calculating the number of appointments.

The current Board composition respects the aforementioned limits.

Induction Program

Following the Board renewal, in 2018 the Directors were involved in two formal induction meetings on the sidelines of as many Board meetings and in a "Strategy Day", aimed at presenting the industry, the market, the company, its vision and outlook as well as its management team. Personalized *induction* opportunities were also organized for those Directors who requested them.

It is company practice to facilitate participation in external training initiatives by the members of its collective bodies.

4.3 Role of the Board of Directors

In 2018, the Board of Directors met 21 times (13 meetings following its renewal, which took place on May 4, 2018), for an average duration of each meeting of approximately 4 hours. As per the Bylaws and internal regulations, remote participation was permitted, favoring a higher participation rate which reached 97% overall (98% for the independent Directors).

Pre-meeting information was provided through a specific IT platform and made available - as a rule - within the ordinary deadline for convening the meeting, and in any case with such advance as the circumstances allowed (as a rule, on Friday of the week prior to the day of the meeting). The information thus distributed was supplemented by the explanations provided during the meetings, with the support of the management of the Company and/or its main subsidiaries and, if necessary, of consultants, who ensured the necessary technical and professional support. The 2019 calendar, defined in 2018 and including also a tentative planning for the internal committees, called to support the Board with their preliminary activities, provided for eight board meetings according to operational needs, subject to any further meetings. The meeting for the approval of the Report is the third meeting of the year. Without prejudice to the application of the Borsa Code regarding matters reserved to the full board, pursuant to the Corporate Governance Principles (updated as at September 2018), the following matters are deemed to have a notable effect on the business of the Company and the Group, and as such are subject to prior resolutions of the board:

- a) agreements with competitors which, considering the subject, commitments, conditions, or limits that they may produce, have long-term effects on the freedom of strategic entrepreneurial decisions (for example, partnerships, joint ventures, etc.);
- b) investments and divestments exceeding 250 million euros, and in any event purchases or sales of shareholdings, or businesses or business units that are of strategic significance in the overall framework of the business; transactions that, in their execution or upon their completion, can create commitments and/or purchases and/or sales of this nature and scale;
- c) the acceptance of loans for amounts exceeding 500 million euros and the granting of loans and guarantees in favor of non-subsidiary companies for amounts exceeding 250 million euros; transactions that, in their execution or upon their completion, can create commitments and/or deeds of this nature and scale;
- d) any transaction, even if not included in the assumptions referred to in the preceding sub-paragraphs, for an equivalent value equal to or higher than 5% of the net assets or (if higher) of the Company's capitalization as measured at the close of the last open market day comprised in the reporting period of the most recent published periodical accounting document;
- e) the listing and delisting of financial instruments issued by the Company or Group companies in regulated markets inside or outside Europe;

TIM Board of Directors, as per the Group Regulation, which is available on the website www.telecomitalia.com, About us section, *Governance System* channel:

- exercises, at the top level, direction, coordination, monitoring and verification activity in relation to the strategy and governance of the Group as a whole;
- is the recipient of appropriate information flows on the Group's operating performance and on the organizational, administrative and accounting structure of TIM (including through transmission of changes in the organizational chart, up to the second reporting level of the Executive Directors) and of the strategically relevant subsidiaries;
- directly resolves on extraordinary transactions of the subsidiaries that have a significant strategic, economic, equity or financial relevance for the Parent Company, as identified above, and any other comparable transaction in terms of relevance and effects.

The general performance was assessed from time to time in the various meetings and, specifically, also when examining financial reports, with a detailed comparison of the results obtained and the budget targets. The assessment of the adequacy of the general organizational, administrative and accounting structure of the company is performed as a matter of priority during the business planning process, through the identification and/or confirmation, inter alia, of the scope of the company's strategic management. The flow of information to the Board, according to the responsibilities and sphere of competence of the governing body, concerns, in addition to the topics under examination at the meeting and the follow-up of the decisions taken, the general operating performance and its outlook; the market consensus and analyst evaluations; the activity carried out, especially with respect to transactions with significant earnings, financial and capital impact or particularly sensitive (for example, with regard to 2018, through daily monitoring of the participation in the tender for 5G frequencies); as a preventive measure, directly and / or through the Nomination and Remuneration Committee, the appointment of managers reporting directly to the Executive Directors and the appointment of the Chief Executive Officers of the most important subsidiaries; any further activity, transaction or event that the Chairman or the Chief Executive Officer deem it appropriate to bring to the attention of the Directors.

As regards the internal control and risk management system, the Board avails itself of the investigation undertaken by the Control and Risk Committee, which reports on this matter during the exam of the annual financial statements and the half-yearly report.

During 2018 there were no circumstances that were problematic in terms of the specific law on competition and directors' interests. Moreover, when updating the Corporate Governance Principles and through internal regulation, the Board has adopted a specific regulation in this regard, regulating in detail the disclosure due by the Directors of any interest they hold outside the Company with respect to the transactions submitted to their examination for

resolution, proposal, investigation, advisory or supervisory purposes, so that the individual directors and the bodies, collectively, can always act in a conscious and informed manner. In TIM, the decision to take part in the discussion and resolution on matters with respect to which the Directors have declared an interest is left to the Director's discretion. For its part, the Shareholders' Meeting of May 4, 2018 did not authorize the Directors to carry out activities in competition with those of the Company, and the Board of Directors is committed to monitoring them and - should any critical situation arise - it will assess its merit and report to the shareholders' meeting.

Self-assessment

The self-assessment relating to the size, composition and operations of the Board and its Committees was carried out for 2018, as for every year since 2005. Taking into account that 2018 was the start of the term in office of the current Board, a consultant was appointed also to establish a structured work process. Five consultants were interviewed, among whom Egon Zehnder was selected, which at the time was not performing any other tasks for TIM, having in the three previous years been engaged in executive search activities, governance model & candidate benchmark and assessment in the context of the previous CEO's succession, remuneration surveys, and the Board review in 2016. Given the high professional standing of the company, it was found that this was not prejudicial to the independence and objectivity required by the task at hand.

The self-assessment took place in the months of January and February 2019, relating to the financial year ended December 31, 2018, and was carried out in line with the most advanced methodology at international level. The advisor prepared a questionnaire, shared it with the Nomination and Remuneration Committee and sent it to all the Directors (as well as to the Chairman of the Board of Statutory Auditors), prior to the individual interviews. A few moments were spent sharing and discussing the results during the Board meeting of February 20, 2019 as summarized in an ad-hoc summary report.

The areas specifically covered were:

1. Structure, size and composition of the Board of Directors
2. Integration and training
3. Meetings of the Board of Directors and Decision-Making Processes
4. The role of the Chairman of the Board of Directors
5. Relations between Directors and Management
6. Information and presentations
7. Strategy and objectives
8. Risks and related controls
9. Structure, People, Succession Plans
10. Board Committees
11. Board of Statutory Auditors
12. Board dynamics
13. Summary and Benchmarking

In summary, the directors expressed their appreciation for the Board's strengths in this first segment of the year in office. Overall, areas considered to be strong were:

- the qualitative profile of the Board in terms of skills, professionalism and experience and the diversity of board members;
- the balance between independent and non-independent directors, which allows Committees to work effectively, any conflicts of interest to be managed and Shareholders to be protected;
- the motivation of the directors, who favor lively and wide-ranging debate in their meetings;
- meetings, which were good in terms of their number and the attendance and participation of directors;
- the Board's knowledge of the organization and of the managers holding key roles, associated with the trust and belief that the current structure is appropriate for the achievement of the Company's objectives;
- the quality and continuity of the directors' relations with the Chairman, Chief Executive Officer and senior management who attend board meetings;
- the current structure of the board committees and their composition in relation to their skills and experience; The substantial, proactive and timely contributions from the Committees are also appreciated;
- the effectiveness of the existing risk management and governance system in ensuring that the relevant internal controls are performed;
- the contribution made to the Board by the Board of Statutory Auditors and, in terms of leadership, by its Chairman.

There are also some points for further consideration and improvement, which can be attributed to a physical period of adjustment and "running-in" of the Board in the first year of office, partly because of the complexity that the Company has experienced in recent months. Briefly, the summary document of work carried out shows that:

- the Board must work to build a more constructive and open internal atmosphere. To this end, the Chairman plays a key role in terms of establishing board dynamics and effective management of meetings.
- while recognizing the improvements made in structuring agendas, a need emerged to ensure meeting agendas are more carefully balanced between the subjects of compliance and regulation and in addressing

- strategic issues, business management, succession planning and enhancement of human capital;
- the quantity and quality of the training received by directors could be better structured through ad hoc sessions on key subjects for the Company;
- the quality of the information shared by top management could be better structured and standardized, including through the use of executive summaries;
- lastly, it would be advisable to further intensify benchmarking of the industry and analysis of major trends for the Company.

Based on the findings, an action plan will be drawn up with specific follow-up initiatives.

4.4 Delegated bodies

Chief Executive Officers

In the course of FY2018, we moved from a model of delegated powers with a Chief Executive Officer alongside an Executive Chairman, to the current model (introduced after the renewal of the governing body by the shareholders' meeting of May 4, 2018) that sees a non-executive (and independent: see below) Chairman and a Chief Executive Officer.

In particular in 2018, the Chief Executive Officer and General Manager (as of November 18, 2018: Luigi Gubitosi) was assigned all the powers necessary to accomplish acts pertaining to the company's activities, except for those powers which the law and the Bylaws reserve to the Board of Directors, and excluding the matters specified in the corporate governance documentation (described in paragraph 4.3) and security organization (see paragraph 3, (k): "Special powers of the State"). With a board resolution of February 20, 2019, the Chief Executive Officer's mandate has therefore been extended to include security organization, and therefore the management of all TIM's assets and activities which are of strategic importance for the national security and defense system.

Mr. Gubitosi does not hold offices as director in another issuer of which the Chief Executive Officer is another Director of TIM.

Chairman of the board of directors

As specified above, starting from the appointment of the current Board of Directors, the Chairman (Fulvio Conti) has no management powers, and is considered independent.

Following the end of the appointment as Chief Executive Officer of the director Genish (November 13, 2018) and until his replacement with the Director Gubitosi (November 18, 2018), the interim management was assigned to the Chairman as per the succession procedure.

As per the Corporate Governance Principles, the Chairman of the Board of Directors is assigned a liaison role between the Managers of the Control Functions and the Board of Directors, as well as the ordinary management of their work relationship with the Company.

Reporting to the Board

Given the frequency of meetings (and subject to the additional occasional and/or ongoing information flows, as per Board Regulation), the Chief Executive Officer ordinarily reports on the activity carried out during Board meetings, as a rule after prior transmission of appropriate documentation information.

4.5 Other Executive Directors

As at December 31, 2018, there were no TIM Directors, other than the Chief Executive, to be considered executive.

4.6 Independent directors

TIM has adopted the criteria established by the Corporate Governance Code for the qualification of Directors as independent. According to these criteria and based on the elements provided by the concerned parties pursuant to Borsa Italiana Code and as per the Consob Issuers' Regulations, or in any case in the Company's availability, the requirements were assessed at the first Board meeting following the appointment, then again on February 20, 2019. Out of the current 15 Directors in office, 12 meet the independence requirements: the Directors Altavilla, Bonomo, Capaldo, Cappello, Ferrari, Giannotti, Moretti, Morselli, Roscini, Sabelli and Valensise and the Chairman of the Board of Directors, Conti. With respect to the latter, the Board of Directors has expressly ruled out that his prominent position within the Issuer may, given the governance structure adopted, affect of his independence of judgment, thereby undermining his independence as director. The same conclusion was reached by the Board with regard to the initial appointment, subsequent allocation of a remuneration and again during the replacement process of the Chief Executive Officer (which led to Mr. Conti acting as interim director for a few days).

During the year, the Director Gubitosi ceased to qualify as independent as a result of his appointment as Chief Executive Officer, and simultaneous employment with the Company as General Manager.

None of the serving independent Directors committed to maintaining their independence for the entire duration of their mandate, when they became candidates; However, all of them committed to promptly inform the Company of any changes in the information from time to time supplied.

As of the date of reference of this document (February 20, 2019) the check by the Board of Statutory Auditors that the Directors satisfy the requirements, including the application of the independence criteria, has not yet been made.

4.7 Lead Independent Director

After the initial decision not to proceed with the appointment of a Lead Independent Director (having also taken into account the qualification of the same Chairman of the Board of Directors as Independent Director), at the meeting of July 24, 2018 the current Board of Directors appointed the Director Dante Roscini as Lead Independent Director, with the powers and prerogatives referred to in the Borsa Code.

The role (introduced into TIM in 2004 and confirmed in the last version of the Corporate Governance Principles, regardless of the conditions laid down in the Borsa Code) is a point of reference and coordination for the issues raised and the contributions made by the independent Directors and the non-executive Directors in general. The Lead Independent Director is acknowledged to have the right to use the company structures to perform the tasks assigned to him and to convene special meetings of only the independent Directors to discuss issues affecting the functioning of the Board of Directors or the management of the business, and he or she may invite representatives of the management of the Group to these meetings.

In the course of 2018 there were two meetings (one after the board renewal); attention was focused on the analysis of organizational and governance issues, according to the topics that were discussed by the board. The independent directors have not yet met in 2019.

5. PROCESSING OF CORPORATE INFORMATION

Over time TIM has adopted a structured set of rules and procedures for the management of the information processed in the company, in compliance with the laws applicable to the various types of data; These rules act on the organizational and technical level and on operating procedures.

The handling of information, in particular, is supported by information systems and processes linked to their development, maintenance and use, which are governed by specific company rules and requirements, are the object of dedicated organizational oversight carried out by the Security department for ICT Risk Management and information protection aspects, and by the IT & Security Compliance department for policy and compliance control aspects.

As regards the procedure for internal management and external disclosure of inside information, which the Company has adopted (called the "Insider Information and Insider Dealing Procedure", available on the website www.telecomitalia.com, "About us" section, System of Governance channel), on September 24, 2018 the Board updated it on the basis of Consob's "Guidelines" for the management of inside information dated October 2017. The update entailed the explicit requirement of monitoring potentially sensitive information, but not yet qualifiable as inside information (relevant information), by mapping the processes that generate it (still in progress) and the creation of a special register to store evidence of those who have access to it (so-called RIL: relevant information list).



In its meeting on January 17, 2013, the Board of Directors resolved to avail itself of the right to waive the obligations to publish information documents in case of significant merger or de-merger, purchase or sale operations, or operations to increase the share capital by investment in kind.

6. INTERNAL BOARD COMMITTEES

Within the Board, committees are set up with advisory, proposing or investigative functions that are described in the Corporate Governance Principles and in the relevant regulations (available on the website www.telecomitalia.com, "About us" section, Governance System channel), which also contain the respective operating rules. For any matters not regulated therein, the operating rules of the Board of Directors apply to the Board's committees, as far as they are compatible.

All the Committees (Nomination and Remuneration Committee, Control and Risk Committee, Strategic Committee and Related Party Committee) stipulate the presence of a Chairman who coordinates the meetings (which must be

reported in minutes) and, at the Board's subsequent meeting, informs the Board of Directors of the topics discussed.

7. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises non-executive Directors, all of whom are currently independent directors, with at least one from a minority slate submitted pursuant to the Bylaws; for details see Table 2. The members of the Committee must possess adequate skills for the tasks they are called on to carry out; at least one member shall possess adequate skills in financial matters or pay policies.

The Committee (whose meetings are attended by the Chair of the Board of Statutory Auditors or any other Auditor delegated by said Chair, without prejudice to the possibility for all Statutory Auditors to attend) can access the information and company departments necessary to carry out its tasks, inviting the managers responsible for the areas being discussed in each case to provide support. The Committee was not assigned financial resources of a predetermined amount, but was able autonomously to bring in external consultants. The Committee appointed Mercer Italia as its general consultant, after having ascertained its independence from the Company.

The Committee, which combines – on the basis of operational efficiency considerations – the duties and the responsibilities attributed to the nomination committee and the remuneration committee by the Borsa Code, also, pursuant to the governance documents in force:

- oversees the succession plan for Executive Directors, and monitors the updating of the company management replacement lists, prepared by the Executive directors;
- shares with the Executive Directors, on a preliminary basis, the decisions under their purview regarding the appointment of managers directly reporting to them and the appointment of the Chief Executive Officers of the major subsidiaries;
- establishes the procedure and period for the annual evaluation of the Board of Directors;
- proposes the criteria for allocating the total annual compensation established by the Shareholders' Meeting for the whole Board of Directors;
- expresses opinions on the allocation of the remuneration to the Directors, Statutory Auditors and strategic executives, which do not constitute excluded related party transactions;
- performs other duties assigned to it by the Board of Directors.

In FY 2018 the Committee defined the planning of its activities for the execution of the tasks assigned to it; 14 meetings were held (of which 10 after the renewal of the Board of Directors) for an average length of 1 hour, with an overall attendance rate of 97%. In 2019 two Committee meetings have been held so far, with the participation of all its members; According to the current timetable, 7 meetings are scheduled for the entire year.

In 2018 the Committee, inter alia: defined the allocation of the remuneration of the Board of Directors as established by the Shareholders' Meeting of May 4, 2018; it gave instructions regarding the remuneration of the Chairman of the Board of Directors; it managed the succession process of the CEO, Amos Genish, and the remuneration proposal for his replacement, Luigi Gubitosi; it defined the implementation procedures and the selection of the external consultant for the 2018 board evaluation.

For further information on the work of the Committee, with particular reference to compensation expertise, see the Remuneration Report.

8. REMUNERATION OF DIRECTORS, GENERAL MANAGERS AND KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES

Information on the general remuneration policy, share-based remuneration plans, as well as the pay of directors, general managers, managers with strategic responsibilities and heads of the control functions is provided in the Remuneration Report (see the comparison table).

9. CONTROL AND RISK COMMITTEE

The Control and Risk Committee comprises non-executive Directors, all of whom are currently independent directors, with at least one from a minority slate submitted pursuant to the Bylaws; for details see Table 2. The members of the Committee must have adequate skills for the tasks they are called on to carry out and at least one member shall possess adequate skills in accounting and finance or risk management, as assessed by the Board of Directors at the time of appointment.

The Committee (whose meetings are attended by the Chair of the Board of Statutory Auditors or any other Auditor

delegated by said Chair, without prejudice to the possibility for all Statutory Auditors to attend and/or the organization of joint meetings of the Committee and the Board of Statutory Auditors) can access the information and company departments necessary to carry out its tasks, inviting the managers responsible for the areas being discussed in each case to provide support. The Committee was not assigned financial resources of a predetermined amount, but was able autonomously to bring in external consultants.

Without prejudice to the duties attributed by the Borsa Code and the internal corporate rules, the Committee:

- exercises a supervisory function in the field of sustainability in the performance of business activities;
- monitors observance of the Company's corporate governance rules, the evolution of rules and best practice in the field of controls, corporate governance and corporate social responsibility, also with a view to proposing updates to the internal practices and rules of the Company and the Group;
- prepares the financial and non-financial communication for the period, in view of its examination by the Board of Directors;
- performs other duties assigned to it by the Board of Directors.

In FY 2018 the Committee defined the planning of its activities for the execution of the tasks assigned to it; 21 meetings were held (of which 13 after the renewal of the Board of Directors) with an average length of 3.5 hour, with an overall attendance rate of 95%. In 2019, three Committee meetings were held; according to the current timetable, 11 meetings are scheduled for the entire year.

In 2018 the Committee, inter alia: expressed its opinion on governance issues (including the establishment of the Related-Party Committee, the new version of the Insider Information and Insider Dealing Procedure and the updating of the Corporate Governance Principles); verified the status of the management and coordination of the shareholder Vivendi; oversaw the impairment test on the carrying amount of goodwill; discussed the PricewaterhouseCoopers audit plan and the related emphasis of matter; prepared the Enterprise Risk Management issues, supporting the Board of Directors in defining the risk appetite statement and monitoring the progress of risk tolerance indicators over time; expressed, until the establishment of the specific committee, the opinions envisaged by the previous version of the related party transaction procedure; expressed its opinion on the planning of control functions' activities, monitoring their progress and requesting specific actions - when deemed necessary; analyzed the reports of the control functions, obtaining the assessment on the internal control and risk management system, which it shared and adopted; participated in the definition of the materiality matrix for the purposes of non-financial reporting (sustainability report).

10. RELATED PARTY COMMITTEE

The Committee is made up of independent directors, with at least one (or respectively 2 or 3 if the Committee is made of 5 or 7 or more members) from the slate ranking second by number of votes in the Shareholders' Meeting that appointed the Board of Directors in office: for details see Table 2.

The Committee (whose meetings are attended by the Chair of the Board of Statutory Auditors or any other Auditor delegated by said Chair, without prejudice to the possibility for all Statutory Auditors to attend) can access the information and company departments necessary to carry out its tasks, making use of the Company units; in accordance with the Related Party Procedure in force, it is supported by the Group Compliance Officer who governs its responsibilities and activities. The Committee was not assigned financial resources of a predetermined amount, but was able autonomously to bring in external consultants.

The Committee is responsible for issuing an opinion on minor and major related party transactions.

Following its constitution (May 16, 2018), it met 9 times: the first time for internal organizational and planning purposes, 6 times as per the predefined calendar (for an average meeting duration of about 1 hour and 45 minutes) and twice for unforeseen events / needs, for the regular operation of the company (for an average meeting duration of about 30 minutes), with an attendance rate of 100%. In 2019, one Committee meeting was held, which was attended by all its members; according to the current timetable, 9 meetings are scheduled for the entire year.

In its early months of activity, the Committee examined and expressed a favorable opinion on the related party procedure; it monitored its implementation status, following approval by the Board of Directors; it examined and issued an opinion on specific related party transactions; it verified the quarterly reports prepared by the Group Compliance Officer, as per the procedure.

11. STRATEGIC COMMITTEE

The Committee is composed of the Chair of the Board of Directors and the Chief Executive Officer at the time (who ensure its coordination with the management of the Group), as well as non-executive directors with expertise in technology, organizational strategies and corporate finance: for details see Table 2.

The Committee (whose meetings can be attended by the Statutory Auditors) can access the information and company departments necessary to carry out its tasks, inviting the managers responsible for the areas being discussed in each case to provide support.

The Committee carries out the duties of a fact-finding and consulting nature attributed to it by the Corporate Governance Principles. In particular:

- assure support on matters of strategic importance;
- at the request of the Chairman of the Board of Directors and the Chief Executive Officer, and in coordination with the prerogatives of their respective offices and powers, carry out preliminary assessments on the strategic choices of the Group;
- provide opinions and formulate recommendations on strategic plan proposals to bring to the Board of Directors.

Meetings are called at the request of the Chairman of the Board of Directors or the Chief Executive Officer. In FY 2018, there were three meetings, all focused on the strategic planning activity of the Company, with an average duration of 2 hours and 40 minutes, with an overall attendance rate of around 94%. In 2019, three Committee meetings were held, with an attendance of 90%; According to the current timetable, 7 meetings are scheduled for the entire year.

12. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

12.1 Introduction

Internal control and risk management system (henceforth the internal control system) is organized and operates according to the principles and criteria set out in the Corporate Governance Code. It is an integral part of the general organizational structure of the Company and the Group, and involves several components that act in a coordinated way according to their respective responsibilities.

In particular, the internal control system consists of the set of rules, procedures and organizational structures that, through a process of identifying, measuring, managing and monitoring the principal risks, allows the sound, fair and consistent operation of the company in line with the pre-established objectives. As such this process is aimed at pursuing the values of both procedural and substantial fairness, transparency and accountability, which are considered key factors for managing TIM's business, in compliance with the Code of Ethics and Conduct of the Group (available on the website www.telecomitalia.com, About Us section - Governance system/Codes channel) and the Corporate Governance Principles. This process, constantly monitored with a view to progressive improvement, is intended to ensure, in particular, the efficiency of company operations and entrepreneurial conduct, its transparency and verifiability, the reliability of management and accounting information, and compliance with applicable laws and regulations as well as the safeguarding of company integrity and its assets, in order to prevent fraud against the Company and the financial markets.

The Board of Directors (which is responsible for approving annually the work plans of the control departments that report directly to it) defines the guidelines for the Internal Control System, verifying its adequacy, effectiveness and proper functioning, so that the main corporate risks (including, among others, operational, compliance-related, economic and financial risks) are properly identified and managed over time. In carrying out its assessment, the Board endorsed the judgment expressed by Audit Department (already shared by the Control and Risk Committee), according to which, with reference to the specific operational contexts analyzed during the year, considering the analysis evidence from the internal control and risk management system, having assessed the process of implementation of the improvement initiatives undertaken by the owner functions, taking into account the assessments provided by the other control functions and also considering the assessment expressed by the Audit functions of the listed Group companies (TIM Part and Inwit), in the course of 2018 no significant factors emerged that could adversely affect the overall adequacy and operation of the Group's Internal Control System.

12.2 Enterprise Risk Management

The TIM Group has adopted an Enterprise Risk Model (or ERM) which enables risks to be identified, assessed and managed in a homogeneous way within the Group companies, highlighting potential synergies between the players involved in the assessment of the Internal Control System. There is particular focus on the relationship between the ERM process and the business planning process, particularly in proposing the acceptable level of risk for the Group (Risk Appetite), as well as its distribution in levels of acceptable deviation on the principal corporate objectives (Risk Tolerance).

The process is directed by the ERM Steering Committee. This ensures the governance of the Group's risk management, aimed at containing the level of exposure to risk within acceptable limits and at ensuring business continuity, monitoring the progress and effectiveness of the countermeasures adopted. The ERM process is designed to identify potential events that may impact on business activity, to bring the risk back within acceptable limits and to provide reasonable assurance of the achievement of the corporate objectives.

The process is cyclical and consists of the following output:

1. *Definition of Risk Appetite and Risk Tolerance*

- *Risk Appetite* is the amount and type of risk that a company is willing to take, overall, to create value, that is in order to meet their strategic objectives (the *Committee of Sponsoring Organizations of the Treadway Commission* definition, CoSO 2013). It is defined annually by the Board of Directors when it approves the Strategic Plan, after evaluation by the Control and Risk Committee. If the *Risk Appetite* level is exceeded, the Board assesses the reasons for this, and the adequacy of the *recovery* plans.
- *Risk Tolerances* represents the level of risk that the Company is willing to take, with reference to the single categories of objectives (strategic, operational, compliance and financial: according to the CoSO classification). Within each category of objectives, the relevant KPIs in the Strategic Plan are identified, on which the Risk Tolerance thresholds that are coherent with the definition of Risk Appetite are expressed.

Monitoring of compliance with Risk Appetite and Risk Tolerances is quarterly, and is reported to the Control and Risk Committee.

2. *Identification of the Risk Profile*

The Risk Profile is defined through a process of identifying and assessing all risks, and involves the whole company. The risks are positioned on a specific matrix, the dimensions of which are inherent risk level, linked to the potential deviation from the Strategic Plan that might derive from the occurrence of a risk event, and the level of oversight. The matrix enables intervention priorities for the mapped risks to be directed.

3. *Mitigation Actions*

The risks that present incomplete levels of oversight are dealt with through specific mitigation actions with associated projects overseen by the process owner, with the support of the ERM function.

4. *Reporting*

Periodic reporting to the ERM Steering Committee, the Corporate Bodies involved, and the Executive Directors, on the outputs mentioned above.

12.3 Financial risks and financial reporting

Regarding financial risks, the Group is exposed to:

- market risk: arising from variations in interest and exchange rates related to financial assets and financial liabilities incurred;
- credit risk: representing the risk of non-fulfillment of obligations assumed by a counterparty in relation to the utilization of liquidity;
- liquidity risk: related to the need to meet short-term financial liabilities.

These risks are faced through (i) the definition of guidelines which must motivate the operations, (ii) the operation of a management committee which monitors the level of risk exposure in line with the pre-set objectives, (iii) monitoring the results achieved. In particular, management policies include:

- for market risk: fully hedging the exchange risk and minimizing exposure to interest rates through appropriate diversification of the portfolio, including through derivative financial instruments;
- for credit risk: liquidity management based on prudential criteria and articulated primarily in money market management activities (investment of temporary cash surplus) and bond portfolio management (investment of a permanent level of liquidity). In both situations, in order to reduce the risk of non-fulfillment of the obligations assumed by a counterparty, the counterparties and selected issuers have a credit rating within the limits established by the guidelines, and a careful policy is pursued to diversify the use of liquidity and allocate credit positions among the different banks;
- for liquidity risk: an adequate level of financial flexibility obtained by maintaining a Treasury margin that allows the refinancing requirements to be covered for at least the next twelve months.



Financial information plays a central role in maintaining positive relationships between the company and those it interacts with, contributing to both the company *performance* and the creation of value for the shareholders.

The internal control system for financial reporting is aimed at supplying reasonable assurance of the trustworthiness, accuracy, reliability and promptness of the financial reporting. For that purpose, TIM has prepared and constantly updates a regulatory/documentary system including accounting principles of the Group, administrative and accounting procedures, guidelines, operation instructions, accounting manuals and a chart of accounts, intended to guarantee an efficient coordination and exchange of information between the Parent company and the subsidiaries as well as the correct drafting of the financial statements. In order to guarantee

compliance with the Italian and U.S. laws, the Company operates a structured and documented model of detection and monitoring of risks connected to the financial information, which refers to the 2013 CoSo framework. This model, managed with a specific piece of software, brings together the internal controls associated with the risks identified on the financial reporting and the consequent assessment activities, with precise attributions of responsibility.

TIM's system for internal control over financial reporting is a process that operates continuously, for which periodic assessment phases are prescribed, intended to document and assess its planning and operational effectiveness. The process starts with the identification and assessment of the risks regarding financial reporting. For that purpose, TIM defines identification criteria of the organization limits and of the "significant" processes in terms of potential impact on the financial reporting, as well as on the risks resulting from non-achievement of the control objectives, due to potential non-intentional errors or frauds, if capable of having a significant impact on the financial reporting. In particular, the annual process starts with the identification of the items and disclosures in the financial statements that are deemed significant, whether in terms of their quality value or with reference to updated materiality parameters. The reporting units that contribute significantly to the composition of the selected items are then identified. In parallel, the processes associated with these items are identified, and, for each process, the inherent risks are assessed, contextualizing the risk of non-achievement of the general control objectives, phase by phase. The frequency of this assessment, at least once a year, allows the new risks inherent in the financial reporting, deriving from the evolution of exogenous or endogenous factors. The process continues with a more operational phase that consists in identifying the controls carried out in the company which are able to mitigate the identified risks.

TIM uses different types of controls in its model, in order to assess all the components of the control system relating to the objective of trustworthy financial reporting. The Entity Level Controls are defined at Group/Company/Organizational Unit level, and have a pervasive impact on the effectiveness of the controls defined at process, transaction or application level; This set of controls therefore provides a representation of how sensitive the organization is on topics such as corporate governance, risk management, responsibilities for the internal control system, the attribution of powers and responsibilities. The IT General Controls are controls that are applicable to all the systems, processes and data of the IT organizations, and they meet specific objectives⁽¹⁾. The Process Controls are the controls to protect the company processes and are carried out through human intervention and/or by IT applications.

The assessment phase of the controls against the risks identified is carried out through test activities, managed by a methodology guide and a strategy that are updated annually. Using top-down and risk-based logic, the test activities are differentiated by timing and depth, in relation to the type, classification and other characteristics of the controls. The test activities are designed to check both the efficacy of the design and the operational effectiveness of the control. If there is a negative outcome, due to a lack of efficacy in the design and/or operation of a control, the risk of error is then assessed in terms of probability and impact; the risk is then managed through the opening of a formal control shortcoming and with the definition, scheduling, and assignment of responsibilities for specific remedial plans.

The certification process is guided by an organizational procedure that identifies the roles and responsibilities for the different phases of its execution. The *Chief Financial Officer* retains the final responsibility for the whole process, and has a direct responsibility in the periodic definition of the perimeter of application of the reference standards, in the final and overall assessment of the *financial reporting* internal control system and in the management of relations with the Independent Auditor, assisted by his own specialist departments. The *management*, with the support of resources who coordinate the activities planned in the certification calendar in each business function/company, is responsible for identifying, implementing and assessing the controls against the risks identified, and consequently for the assessment and management of the control shortcomings, as well as for the execution of the remedial plans needed to overcome them. The *Group Compliance Officers* units are responsible for defining and updating the methodology and for monitoring the *end-to-end* process; together with the *IT& Security Compliance* function for the technological area, they supervise the designing of the controls and are responsible for the *assurance* activities (*independent testing*, *follow-ups* to check the assessment of the overcoming of the control shortcomings) to strengthen the *management* certification, and they provide support to the *management* and the *Chief Financial Officer* in all phases of the process. The *Chief Financial Officer* receives periodic reports from the *Group Compliance Officer* on the progress of the activities and the results of the certification process.

Furthermore, the *Group Compliance Officer*, in coordination with the *Chief Financial Officer*, assures the necessary information flows with the Control and Risk Committee and the Board of Statutory Auditors on the findings of the above (and in particular, any control shortcomings deemed significant/material in terms of potential impact of error/fraud on the *financial reporting*), as well as a summary of the evolution of control shortcomings for the current certification year.

⁽¹⁾ Such as the integrity of programs, files and data, the correct development and production of applications, the correct management of changes to applications.

12.4 Director in charge of the Internal control and risk management system

The establishment and maintenance of the internal control system are assigned to the Chief Executive Officer and to the Executive responsible for preparing the corporate accounting documents (*i.e.* Piergiorgio Peluso) for his area of responsibility, so as to ensure the overall adequacy of the system and its practical functioning, in a *risk-based* perspective.

The Chief Executive Officer oversees, in the context of the ERM process, the identification of major company risks in the operational areas covered by his mandate. He implements the guidelines defined by the Board, overseeing the design, creation and management of the Internal Control System and constantly checking the system's adequacy and efficacy. He reports on issues and critical points that emerge during the execution of his activities to the Board of Directors. He may also ask the *Internal Audit* department to carry out audits on specific operational areas and on compliance with the internal rules and procedures in the execution of the company operations, giving notice to the Chairman of the Board of Directors, and the Chairs of the Control and Risk Committee and the Board of Statutory Auditors.

12.5 Head of Audit Department

Pursuant to the Corporate Governance Principles, in exercising its responsibilities for the Internal Control System, the Board, in addition to the Control and risk Committee, also utilizes the Head of the *Audit* Department.

The Head of the *Audit* Department of TIM S.p.A. is Daniele Gulinatti, appointed, after having obtained the favorable opinion of the Control and Risk Committee, and having consulted the Board of Statutory Auditors, by the Board of Directors on July 26, 2016. Mr Gulinatti has organizational independence such as to ensure that he fully meets his responsibilities, without undue influence in the definition of his sphere of activity, in the performance of his duties and in reporting the results. He is responsible for supporting the management and control bodies in assessing the adequacy, full functioning and effectiveness of the internal control and risk management system and, consequently, for proposing corrective measures in case of anomalies and/or deficiencies.

In accordance with the provisions of the Corporate Governance Code, the Head of the *Audit* Department:

1. verifies, both on a continuous basis and in relation to specific needs and in conformity with international *standards*, the adequacy and effective functioning of the internal control and risk management system, through an *audit* plan based on a process of structured analysis and prioritization of the principal risks; on a yearly basis, this plan is approved by the Board of Directors, upon presentation and discussion with the Control and Risk Committee and illustration to the Board of Statutory Auditors. During the year, *extra-audit* interventions may also be activated, according to specific requests or needs;
2. is not responsible for any operational area and reports directly to the Board of Directors;
3. has direct access to all information useful for the performance of his or her duties;
4. drafts periodic reports containing adequate information on their own activity, and on the methods used to manage risks, as well as on compliance with the plans defined to mitigate them; these reports contain an assessment on the adequacy of the internal control system;
5. report to the Control and Risk Committee and to the Board of Statutory Auditors on the periodic reports referred to in the preceding paragraph;
6. prepares timely reports on events of particular importance and oversees their transmission to the Chairmen of the Control and Risk Committee and of the Board of Statutory Auditors, as well as to the Chairman of the Board of Directors and the Chief Executive Officer, in relation to its respective areas of competence;
7. tests the reliability of the information systems, including the accounting system, as part of the *audit* plan.

The Head of the *Audit* Department also carries out their activities in the subsidiary companies without corresponding *audit* structures, acting in their interests and reporting to their governing bodies. If subsidiary companies have their own *audit* departments, the TIM *Audit* Department interfaces and collaborates with them, for coordination, homogeneity and methodological approach, compatible with respect for the applicable regulations and the responsibilities of said structures. In this regard, in application and in compliance with the Group Regulations, in 2018 the *Audit* Department defined a specific protocol with the *Audit* Function of TIM Participações to regulate their mutual relations and a similar protocol is being defined with the *Audit* Function of Inwit.

On the basis of the annual *risk-based* Plan and the specific *extra-Plan* requests received during the period, the *Audit* Department carries out its mandate by providing *assurance* and advisory services:

- *Assurance*: these are *internal audit* services that, through an objective assessment of evidence, are intended to formulate opinions or conclusions on activities, functions, processes, organization and systems. The *Audit* Department defines the nature and scope of the *assurance* appointment;
- *Advisory*: this activity is generally carried out upon a specific request of an internal client to support the company functions and improve processes. The nature and scope of the assignment are defined and carried

out in agreement with the client; the *Audit* Department assumes no managerial responsibility for the assessment and implementation of the actions.

The *whistleblowing* activity completes the range of services provided: this is the process of receiving, processing, analyzing and archiving reports, by whoever sent or transmitted, including anonymously.

To perform these activities, the *Audit* Department is organized into the following areas:

- *Enterprise and Financial* - dealing with commercial, financial and transverse support processes;
- Technical and operational - dealing with processes with technological content (*IT, Network, Cyber security, Services and ICT supplies*) or specialized (*Safety and Infrastructure*).
- *Forensic* - dealing with *forensic audit* activities and managing the *whistleblowing* channel.

The Head of the *Audit* Department promotes, develops and supports a quality improvement and *assurance* program that covers all aspects of *internal audit* activities. The program includes an assessment of compliance with the *International Professional Practices Framework* (IPPF) and the company *internal audit* procedures, and a continual assessment of the effectiveness and efficiency of its work, also with reference to *best practice* for the sector. The Head of the *Audit* Department periodically reports to the Board of Directors, through the Control and Risk Committee, on the results of these assessments.

12.6 Organizational model pursuant to Legislative Decree 231/2001

The Internal Control System is completed with the Organizational Model 231, an organization and management model, intended to prevent offenses that can result in liability for the Company pursuant to legislative decree no. 231/2001 (for which they are considered the predicate offenses, excluding those deemed not of direct pertinence for the Group).

The Organizational Model has also been adopted by domestic subsidiaries of the Group as well as by TIM, and consists of:

- the Code of Ethics and Conduct, 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", aimed at providing a guarantee with regard to the objectives of efficiency and operational effectiveness, reliability of financial and management information, compliance with laws and regulations, safeguarding of assets against possible fraud;
- the "principles of conduct", which consist of specific rules for relations with third parties and for all fulfillments and activities of a corporate nature, and
- the "internal control schemes" that describe business processes at risk of crime, any predicate offenses relating to them, the preventive control activities and the behavioral indications aimed at avoiding the related risks.

The internal control schemes have been prepared in accordance with the following basic principles: (i) separation of roles in the performance of the main corporate process activities; (ii) traceability of choices, to allow the identification of specific responsibilities and the reasons of the choices made; (iii) 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.

The Organizational Model is a dynamic instrument, which affects the corporate operation, which in turn must be checked and updated in the light of feedback, as well as the evolution of the regulatory framework. The amendments were drafted by a managerial committee called 231 *Steering Committee*, briefed by the Supervisory Board (*i.e.* The Board of Statutory Auditors: see *below*) and approved by the Board of Directors when of a significant nature.

The Organizational Model also constitutes an integral component of the reference *compliance program* for the application of anti-corruption legislation. In this context, a foreign version of it has also been defined for adoption by the non-Italian subsidiaries, also taking account of the possible application of similar regulations at local level. In particular, a specific Organizational Model is adopted for TIM Participações, in application of Brazilian anti-corruption law.

The types of offenses envisaged in the 231 Organizational Model of the company mainly refer to offenses against the Public Administration, corporate crimes, child pornography, manslaughter and injury due to accidents at work, crimes of market abuse, stolen goods, money laundering and self-laundering, computer crimes, infringement of trademarks / patents and copyrights, environmental crimes, the employment of illegally staying third-country nationals, organized crime offenses, racism and xenophobia.

The functions of the Supervisory Body are assigned to the Board of Statutory Auditors, which as such oversees the operation and observance of the Organizational Model and reports to the Board on the oversight and examination activities which it has performed and the corresponding outcomes. In this regard, the Board of Statutory Auditors is supported by the *Compliance* Department.

There is a section dedicated to the 231 Organizational Model adopted on the TIM website (www.telecomitalia.com, *About Us* section - *Governance System/231 Organizational Model* channel).

12.7 Independent Auditor

The Shareholders' Meeting on April 29, 2010 appointed PricewaterhouseCoopers S.p.A. to undertake the external audit of the separate and consolidated financial statements of TIM, and the limited audit of the condensed half-yearly consolidated financial statements and the full external audit of TIM's *Annual Report on Form 20-F* pursuant to the *US Securities Laws*, for the nine year period 2010 - 2018. PricewaterhouseCoopers S.p.A. is also the designated sole external auditor for the audit of TIM's "Consolidated Non-Financial Statement", drawn up pursuant to Legislative Decree no. 254/2016.

Given that this mandate is about to expire, the process to select the new Sole External Auditor of the Group for the nine year period from 2019 - 2027 was started in 2017, under the responsibility and supervision of the Board of Statutory Auditors of TIM. At the Shareholders' meeting of April 24, 2018, however, the necessary majority for the appointment was not reached.

The Shareholders' Meeting of March 29, 2019 will be called on to resolve on the new appointment upon the reasoned proposal of the Board of Statutory Auditors in office, and to determine the fee for the Independent Auditors for each of the nine year period 2019-2027 as well as the relevant adjustment criteria.

12.8 Executive responsible for preparing the corporate accounting documents

As per the Bylaws, the Board of Directors appoints the Executive responsible, after hearing the opinion of the Board of Statutory Auditors and – for corporate governance principles – of the Control and Risk Committee. Upon appointment, his/her tasks and powers are defined. These are covered in the specific Regulations, available at the website www.telecomitalia.com, *About Us* Section - *Governance System/Regulations* channel. Following the renewal of the Board of Directors (Shareholders' Meeting of May 4, 2018), the Head of the *Administration Finance and Control* Function, Piergiorgio Peluso, was confirmed in this role.

As the person legally responsible for the preparation of suitable administrative and accounting procedures to draw up the annual accounts and consolidated financial statements as well as any other financial communications, the appointed executive is one of the main subjects involved in the operation of the Internal Control System and the management of risks. The Regulation acknowledges his functional responsibility (organizational and by topics) with regard to the internal controls for *financial reporting*, clarifying that, in this context, he or she is supported by the Executive Director, as well as by the Management of the Company. The Manager reports to the Board of Directors, the Control and Risk Committee and – for those matters within its competence – the Board of Statutory Auditors.

12.9 Coordination of subjects involved in the internal control and risk management system

The main subjects involved in the operation of the Internal Control System are:

1. the Board of Directors, which provides direction and periodic (annual) *assessment* of the system;
2. the Chief Executive Officer, as Director charged with the establishment and maintenance of the system, in accordance with the guidelines defined by the *Board of Directors* (see preceding paragraph 12.4);
3. the Control and Risk Committee, with the role of providing investigative support to the Board in relation to its internal control and risk management duties (see preceding Chapter 9);
4. the Head of the *Audit* Department (the person with sole responsibility for third level controls), who reports directly to the Board of Directors and whose *mission*, briefly, is to test the functioning and adequacy of the system (see preceding paragraph 12.5);
5. the executive responsible for preparing the accounting documents of the Company, appointed by the Board, with the competences provided for by law and rights defined in the specific internal regulations (see preceding paragraph 12.8);
6. the Board of Statutory Auditors which, borrowing the expression used in the Borsa Code, represents the top of the supervisory system. In addition to the responsibilities laid down by law, the Board of Statutory Auditors also has the following functions pursuant to the internal corporate governance system: (i) the *audit committee* functions pursuant to the United States' laws applicable to TIM as a *private foreign issuer registered* with the SEC and listed on the NYSE, and (ii) the functions of supervisory board *pursuant* to Legislative Decree no. 231/2001.

Players other than the "typical" ones are added in TIM, without entailing any contrast with the principles of the Borsa Code, including, the Head of the *Compliance* Department (otherwise known as the *Group Compliance Officer*, currently Giampaolo Leone) and the Head of *IT & Security Compliance* (Roberto Mazzilli), who report directly to the Board of Directors, and who are responsible for Group oversight activities regarding respectively institutional/regulatory and commercial *compliance* (*Compliance* Department) and technological and security

process *compliance* (IT & Security Compliance). In line with the "EU Regulation 2016/679, on data protection and privacy for all individuals" (GDPR), which strengthens the link between data protection issues and the internal control system, the head of the IT & Security Compliance department has also assumed the role of *Data Protection Officer*.

The competences of the figures specified from numbers 1 to 6 correspond to those recommended by the Borsa Code, to which, on this matter, TIM adheres without exceptions. The establishment of the managerial figures in charge of *compliance* meets the specific internal control needs of the Group, and as such is set out in the Corporate Governance Code. The Chairman of the Board of Directors (when non-executive, as the current Chairman, Fulvio Conti) plays a liaison role between the Board of Directors and the control structures that are hierarchically subordinated to the Board: this is an essential guarantee function, which is independent from the operational aspects of controls, but aims to facilitate the board's supervision over the control functions that are hierarchically subordinated to the Board of Directors. The Chairman of the Board of Directors is also in charge of the ordinary management of their working relationship with the Company.

As for the Chairman of the Control and Risk Committee, he exercises a role serving the organization and operation of the meetings of the Committee: the *board* is too broad a body to govern the controls, and the fact that many Internal Control System responsibilities cannot be delegated (and/or the choice of the Board not to delegate them) emphasizes the prominent role of the Committee, given its focused and specialized internal organization.

13. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

In terms of corporate governance, there is no rule in TIM governing departure from meetings and/or compulsory abstention from voting of a Director with a non-shareholding interest, but a *disclosure* regime applies in accordance with the applicable laws. The matter has been regulated by the current version of the Corporate Governance Principles and by the Board's Internal Regulation: see paragraph 4.3.

The corporate procedure for carrying out transactions with related parties, drawn up in accordance with the Related Party Regulations and adopted in November 2010, was most recently updated on July 25, 2018, with small changes made July 24, 2018 and may be consulted on the website www.telecomitalia.com, *About Us* section - *Governance System/Procedures* channel.

Compared to the previous version, the main updates concerned:

- the introduction of a specialized board committee (see paragraph 10), with full inclusion within its *scope* of operation of both TIM and its subsidiaries (subject to certain exclusions, in accordance with the Consob Related Party Regulations);
- the simplification of the classification of transactions with related parties, by fully aligning it with the criteria established by the relevant legislation (the previous taxonomy was affected by the presence of an "intermediate" Managerial Committee);
- the overcoming of presumptions regarding the nature of the conditions applied as market or *standard*, which are in any case subject to an *ad hoc* assessment by the *Group Compliance Officer*, carried out on an actual case-by-case basis and taking into account all the relevant circumstances;
- the introduction of a strict annual limit for small amount transactions, diversified according to the physical or legal nature of the related party (respectively 100,000 and 1,000,000 euros);
- an updated definition of "Related parties", which refers to the accounting principles applied by the Company in preparing its financial statements, as well as, as before, to the Consob Related Party Regulation;
- the allocation to the *Compliance* function of the activity of managing and updating the Related Party List, and more generally, of analyzing and supporting the Related Party Committee, including by being responsible for the specific application. The *Group Compliance Officer* also oversees the reporting to the Board of Directors (through the specific committee) and the Board of Statutory Auditors.

The non-binding opinions of the Committee concern the Company's interests in the execution of the transaction as well as the substantial correctness and suitability of the applicable conditions. In order to express an opinion, a specific analysis is carried out, which is coordinated by the *Group Compliance Officer* and with which the *management* is required to cooperate. If the Committee issues a negative opinion on major transactions, the Board of Directors is entitled to submit the initiative to the Shareholders' Meeting for authorization.

An IT application is used to support the correct application of the procedure; it allows verification of the correlation and the tracing and documentation of the *authorization* process necessary for its completion.

14. APPOINTMENT OF STATUTORY AUDITORS

Pursuant to article 17 of the Bylaws, the Board of Statutory Auditors consists of five standing auditors, including at least two from the less represented gender. The Shareholders' Meeting also appoints four alternate auditors, two of each gender.

Appointments are made based on slates presented by shareholders who together hold shares representing at least 0.5% of the ordinary capital, regardless of the shareholding annually set by Consob (which in 2018 and 2019 was 1% of voting capital). The slates are divided in two sections: one for candidates for the office of standing auditor and the other for candidates for the office of alternate auditor. Sections that contain a number of candidates greater than or equal to three must ensure that both genders are present, in such a way that candidates of the less represented gender are at least one third of the total, rounding any fractions up to the whole number. The first candidate in each section shall be selected from among the independent auditors entered in the appropriate register who have worked on external audits for a period of not less than three years. Three standing and two alternate auditors are chosen from the slate that obtains the majority of the votes (so-called Majority Slate), while the remaining standing and alternate auditors are chosen from other slates (so-called Minority Slates) proportionally (the quotients method). If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected a statutory auditor is elected or, subordinately, there is a tiebreaker vote by the Shareholders' Meeting.

If the composition of the resulting board or category of alternate auditors does not reflect the gender balance, taking into account the ranking order in the respective sections, the necessary number of the last candidates of the more represented gender elected from the Majority Slate shall forfeit their position to ensure compliance with this requirement, and shall be replaced by the first unelected candidates of the less represented gender on the same slate and the same section. In the absence of candidates of the less represented gender in the relevant section of the Majority Slate in sufficient number to proceed with the replacement, the Shareholders' Meeting shall appoint the standing or alternate auditors that are missing with the majorities required by law, ensuring that the requirement is met.

In the event that a statutory auditor chosen from the Majority Slate or one of the Minority Slates should cease to serve, the alternate auditors from the Majority Slate or the Minority Slates shall take his/her place, in order of age, respecting the requirements for the composition of the body. Appointments to fill vacancies on the Board of Statutory Auditors pursuant to Article 2401 of the Italian Civil Code shall be approved by the Shareholders' Meeting with the affirmative vote of the absolute majority of those voting and in compliance with the principle of the necessary representation of the minority shareholders, and of the requirements of the Bylaws regarding gender balance. In the event that a Standing Auditor chosen from the Minority Slates should cease to serve, the principle of necessary representation of the minorities shall be deemed to have been respected if one of the alternate auditors chosen from the Minority Slates takes his/her place.

15. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

The Shareholders' Meeting of April 24, 2018 appointed the serving Board of Statutory Auditors, whose term will expire with the Shareholders' Meeting that will approve the financial statements for financial year 2020.

At that time two slates were presented within the terms and according to the procedure required by the applicable regulation,

- by the relative majority shareholder Vivendi S.A. and
- by a group of Asset Management Companies and international institutional investors, and specifically: Aberdeen European Equity Enhanced Index Fund, SWUTM European Growth Fund, HBOS European Fund, European (ex UK) Equity Fund, Fundamental Index Global Equity Fund, Aberdeen Capital Trust, Abbey European Fund and HBOS European Fund; Aletti Gestielle SGR S.p.A. fund manager Gestielle Obiettivo Italia e Gestielle Cedola Italy Opportunity; Aletti Gestielle SGR S.p.A. fund management: Gestielle Absolute Return, Gestielle Obiettivo Europa, Gestielle Cedola Multitarget II, Gestielle Cedola Multitarget IV, Gestielle Dualn Brand Equity 30, Gestielle Absolute Return Defensive, Aletti Gestielle SGR S.p.A. and Volterra Absolute Return Fund; Amundi SGR S.p.A. fund management: Amundi Dividendo Italia, Amundi Risparmio Italia and Amundi Obbligazionario Più a Distribuzione; Anima SGR SPA fund manager: Anima Geo Italia and Anima Italia; Arca Fondi S.G.R. S.p.A. fund management Arca Azioni Italia; BancoPosta Fondi S.p.A. SGR fund manager Bancoposta Azionario Eur; Epsilon SGR S.p.A. fund management Epsilon Qvalue; Eurizon Capital SGR SPA fund management Eurizon Progetto Italia 70, Eurizon Azioni Italia, Eurizon PIR Italia Azioni and Eurizon Progetto Italia 40; Eurizon Investment SICAV - PB Equity EUR; Eurizon Capital S.A. fund manager: Eurizon Fund - Equity Italy, Eurizon Fund - Equity Europe LTE, Eurizon Fund - Equity Euro LTE and Eurizon Fund - Flexible Beta Total Return; Fidelity Funds Sicav; Fideuram Asset Management (Ireland) management of Fideuram Fund Equity Italy and Fonditalia Equity Italy funds;

Fideuram Investimenti SGR S.p.A. fund management: Fideuram Italia, Piano Azioni Italia, Piano Bilanciato Italia 50 and Piano Bilanciato Italia 30, Interfund Sicav Interfund Equity Italy; Kairos Partners SGR S.p.A. as Management Company of Kairos International Sicav sub-funds: Italia, Risorgimento, Italia Pir, Target Italy Alpha and Patriot; Legal & General Assurance (Pensions Management) Limited; Mediolanum Gestione Fondi SGR S.p.A. fund management: Mediolanum Flessibile Futuro Italia, Mediolanum Flessibile Strategico and Mediolanum Flessibile Sviluppo Italia and Planetarium Fund Anthilia Silver.

From the Vivendi slate, which obtained more votes (46.09% of the voting capital), three standing auditors and two alternate auditors were appointed: Giulia De Martino (Statutory Auditor), Marco Fazzini (Statutory Auditor), Francesco Schiavone Panni (Statutory Auditor), Antonia Coppola (Alternate Auditor) and Balelli Andrea (Alternate Auditor). The remaining appointees were chosen from the Asset Management Companies slate (which obtained 4.51% of the votes): Roberto Capone (Statutory Auditor), Anna Doro (Statutory Auditor), Franco Dalla Sega (Alternate Auditor) and Laura Fiordelisi (Alternate Auditor). The Shareholders' Meeting appointed Roberto Capone as Chairman of the Board of Statutory Auditors. The annual remuneration was established, as proposed by the shareholder Vivendi, in 95,000 euros for each Standing Auditor and 135,000 euros for the Chairman of the Board of Statutory Auditors; the adequacy of the amount with respect to the commitment requested, the importance of the role and the characteristics of the company has not been assessed.

The verification by the Board of Statutory Auditors of the existence of the requirements of its members, following the appointment by the Shareholders' Meeting, took place at the meeting of May 4, 2018 and was renewed on February 19, 2019, applying - among other things - the criteria indicated in the Borsa Code for the assessment of the independence of directors.

Table 3 presents detailed information on the composition of the Board of Statutory Auditors. The *curricula vitae* of the members of the board of statutory auditors are available on the website www.telecomitalia.com, About Us Section - Corporate Bodies/Board of Statutory Auditors channel.

For the Company's diversity policies, please refer to the considerations made in paragraph 4.2.



The Board of Statutory Auditors undertakes the activities assigned to it by Italian regulations, as well as the duties of an 'audit committee' pursuant to the United States' regulations, applicable to the Company by virtue of its status as a foreign issuer listed on the New York Stock Exchange. The Board of Statutory Auditors is also assigned the functions of supervisory body pursuant to legislative decree no. 231/2001. For detailed information on the activities performed, please refer to the report to the Shareholders' Meeting prepared pursuant to article 153 of the CLF.

The Statutory Auditors attended the meetings with the management (including that of the subsidiaries), to provide the members of the Board of Directors with knowledge of the business sector in which the Company operates, the corporate safeguards and dynamics, and the evolution of the latter. Furthermore, it is company practice to facilitate participation in external training initiatives by the members of its collective bodies.

The Board of Statutory Auditors (whose members report any interests in relation to the matters under discussion) has access to the company information and functions and all its members can take part in the various meetings of the various board committees. The Company provides the control body with secretarial support for the organization of meetings and for keeping the books of meeting, the ability to request the control functions directly reporting to the Board of Directors to perform specific audits and access to external consultants chosen at the discretion of the body, with no predetermined amount limits.

During 2018, 37 meetings were held (20 following the renewal, which took place on April 24, 2018). The average length of the meetings was 2 hours and 20 minutes. The average attendance percentage was around 93%. In 2019 and up to the date of the Report, 11 meetings were held.

16. SHAREHOLDER RELATIONS

Within TIM S.p.A., Carola Barbara Maria Bardelli is the executive appointed to manage relations with the financial community and with all the shareholders (Investor Relations Manager); this role reports directly to the Chief Executive Officer.

The Investor Relations function develops and manages relations with all investors in the TIM Group: funds (including SRI), retail shareholders (including small shareholders' associations), bondholders, equity and credit analysts. In 2018 the financial communication program envisaged numerous events in various countries, as shown in the table below. Conference calls were organized to present the company's results, road shows abroad, meetings at the company's institutional offices and participation in industry conferences with Group investors. Over 500 meetings were held, including direct contacts, through audio or video conferencing, with the aim of expanding our investor base in the major international financial markets.

The meetings held with the financial community in 2018 are listed below:

| | | |
|--|--|--|
| January 2018 | May 2018 (Results 1st Quarter 2018) | September 2018 |
| <ul style="list-style-type: none"> • Offsite Investor Relations in Bolgheri (LI) • Meetings at the Group's institutional offices (reverse roadshow) in Rome | <ul style="list-style-type: none"> • Shareholders' meeting • Industry conferences with investors in London | <ul style="list-style-type: none"> • Industry conferences with investors in London, Milan and New York • Meetings at the Group's institutional offices (reverse roadshow) in Rome • Roadshow in Paris |
| March 2018 (FY17 results and 2018-20 Plan) | June 2018 | October 2018 |
| <ul style="list-style-type: none"> • Roadshows in London and New York for the presentation of the 2017 results and the 2018-2020 business plan • Industry conferences with investors in London <p>Meetings at the Group's institutional offices (reverse roadshow) in Rome and Milan</p> | <ul style="list-style-type: none"> • Industry conferences with investors in London and Milan • Meetings at the Group's institutional offices (reverse roadshow) in Milan | <ul style="list-style-type: none"> • Roadshows in Geneva and Zurich |
| April 2018 | July 2018 (2nd Quarter Results 2018) | November 2018 (3rd quarter results 2018) |
| <ul style="list-style-type: none"> • Shareholders' meeting • Roadshows in Milan, London, Paris, New York, Boston | | <ul style="list-style-type: none"> • Industry conferences with investors in Barcelona |

The topics of greatest interest to the Financial Community included:

- developments in the *Domestic* competitive environment, in the face of new mobile and fixed *wholesale* operators;
- the plan for separation of the fixed access network, and its potential operating and financial impact;
- regulatory developments, in the face of growing infrastructural competition and consequent geographical differentiation of TIM's positioning;
- the 5G auction, its results and *roll-out* of the new technology;
- the growth in FTTx technology customers, convergent services and penetration of *ICT* services in the *business* segment;
- digitization as an element of operational efficiency, service improvement and sales support;
- significant opportunities for total cost savings offered by the *decommissioning* of *legacy* components of the network;
- CAPEX performance;
- the development of TIM Brazil and its positive results;
- potential support to the Group's *deleveraging* from inorganic options;
- *governance* issues.

The contact details for the *Investor Relations* office are the following:

- Institutional investors:
TIM S.p.A. - ref. *Investor Relations*
Via Gaetano Negri, 1
20123 Milan
Telephone: +39 02 85954131
Email: investor_relations@telecomitalia.it
- Individual investors:
TIM S.p.A. - ref. *Investor Relations*
Via Gaetano Negri, 1
20123 Milan
Telephone: +39 02 85954131
Email: investitori.individuali@telecomitalia.it

Important information for shareholders and, in general, for current or potential investors (also with bonds) is available on the website www.telecomitalia.com in the *Investors* section.

17. SHAREHOLDERS' MEETINGS

Pursuant to law, the shareholders entitled to attend the Meeting and to vote are those for whom the reference intermediary sent the Company specific communication certifying such right at the *record date* (seventh working day prior to the meeting first call).

In TIM, the ordinary shareholders may also exercise their voting rights by post, and the Board of Directors has the power to permit electronic voting, specifying the arrangements for this in the call notice. In this regard, it is practice to activate a special platform that can be accessed through the Company website.

The Ordinary Shareholders' Meeting resolves on those matters established by law and authorizes the Company's transactions with related parties that qualify as major transactions and on which the responsible Committee has expressed an unfavorable opinion, where the Board of Directors intends to overrule such opinion. The Bylaws provide that decisions on mergers into TIM or demergers in favor of Telecom Italia of companies of which TIM owns at least 90% of the share capital, the reduction of the share capital in the event of withdrawal of the shareholders, the revision of the Bylaws to conform with statutory provisions, the relocation of the Company's registered office within Italy, and the opening and closing of secondary offices are matters that are remitted to the competence of the Board of Directors.

To ensure the regular conduct of shareholders' meetings, since 2000 the Company has adopted the Regulations for the Shareholders' Meetings, available at the website www.telecomitalia.com, *About Us* section, *Governance System/Regulations* channel.

Six and three of the 7 serving Directors attended the Shareholders' Meeting held on April 24 and May 4, 2018 respectively. When calling the Shareholders' Meeting, the Board of Directors did not consider it opportune to appoint the designated representative of the Company to issue proxies to participate in the Shareholders' Meeting, and instead allowed the shareholders to vote electronically.



During the financial year, the single largest shareholder remained Vivendi S.A., whose percentage of the voting capital is set out in Table 1 "Information on Share Ownership."

18. FURTHER CORPORATE GOVERNANCE PRACTICES

Nothing to indicate.

19. CHANGES SINCE THE END OF THE REFERENCE YEAR

The extension of the Chief Executive Officer's mandate to also include security organization, with a board resolution on February 20, 2019 is noted, as reported in the previous paragraphs 3, letter k ("Special powers of the State") and 4.4 ("Delegated bodies").

20. CONSIDERATIONS ON THE LETTER OF 21 DECEMBER 2018 FROM THE CHAIRMAN OF THE ITALIAN CORPORATE GOVERNANCE COMMITTEE

The letter of the Chairman of the Italian *Corporate Governance* Committee at the Borsa Italiana was circulated to the Control and Risk Committee (responsible for monitoring *best practice* in *governance* issues) in its meeting on January 15, 2019, which reviewed the overall approach of this Report.

With regard to the recommendations contained in the letter, the following should be noted:

- the *Board* considers that the pre-meeting information can be improved, in terms of timeliness and completeness. During 2018 it detected shortcomings and elements of dissatisfaction in this regard, and adopted concrete corrective measures, also in terms of *governance*. We are working with the Chief Executive Officer in office to improve these aspects, in addition to the issue of confidentiality of pre-meeting information, for which TIM has already adopted a specific platform that meets high functional and security requirements. The topic of information in advance of board meetings is the object of special attention also in the *Board* self-assessment;

- the Company rigorously applies the independence criteria defined by the Corporate Governance Code, making sure that an appropriate information framework is obtained from the interested parties (or, otherwise, through *open sources*) to enable the collective bodies to make reasoned, in-depth and timely assessments, which are *disclosed* in the Report. The level of attention on this topic will continue to be high, including by raising the awareness of the members of the corporate bodies;
- with regard to the *board evaluation*, please refer to the appropriate section of paragraph 4.3;
- the Board of Directors agrees with the underlying principle of the recommendations made by the Chairman of the *Corporate Governance* Committee in relation to the consistency of remuneration policies with the sustainability of the company. Taking into account the limits of certain multi-year instruments and the inherent rigidity of remuneration arrangements, the Board intends to pursue a medium-long term sustainability objective through its remuneration policies, including strengthening the link between variable remuneration and related structural and strategic parameters. For the necessary details on the actions undertaken and in progress for this purpose, please refer to the Remuneration Report.

TABLE 1 - INFORMATION ON SHARE OWNERSHIP

Share capital structure up to December 31, 2018

| | no. shares | % respect of S.C. | Listed (indicate markets)/non listed | Rights and obligations |
|-----------------|----------------|-------------------|--------------------------------------|--|
| Ordinary shares | 15,203,122,583 | 71.61% | Listed at Borsa Italiana S.p.A. | Voting rights at the Company Ordinary and Extraordinary Meetings |
| Savings shares | 6,027,791,699 | 28.39% | Listed at Borsa Italiana S.p.A. | Right to vote in special shareholders' meetings; preferential capital rights envisaged in Article 6 of the Bylaws: Preference dividend 5%, biennial carrying over of the right to a preference dividend, dividend 2% higher than the dividend on ordinary shares |

Other financial instruments
(attributing the right to subscribe newly issued shares)

| | Listed (indicate markets)/non listed | Number of instruments in circulation | Category of shares available for conversion/subsorption | Number of shares available for conversion/subsorption |
|----------------------------------|--------------------------------------|--------------------------------------|---|---|
| Convertible Bonds ⁽¹⁾ | Vienna Stock Exchange | 20,000 | TIM ordinary shares | ⁽²⁾ |

(1) Bonds entitled "€2,000,000,000 1.125 per cent. Equity-Linked Bonds due 2022" issued by TIM S.p.A.

(2) Exclusively to service the bond issued by TIM S.p.A., the Company resolved to increase the share capital for payment, for a total maximum amount, including any share premium, of 2.0 billion euros. The maximum number of conversion shares that may be issued shall be determined by the issue price of the shares. Each instrument in circulation is worth 100,000 euros.

Significant shareholdings as at December 31, 2018

| Declarant | Direct shareholder | % of ordinary capital | % of voting capital |
|----------------------------------|-----------------------------------|-----------------------|---------------------|
| Vivendi S.A. | Vivendi S.A. | 23.94% | 23.94% |
| Paul E. Singer | Elliott International LP | 6.02% | |
| | Elliott Associates LP | 1.94% | |
| | The Liverpool Limited Partnership | 0.89% | |
| | | 8.85% | 8.85% (*) |
| Cassa Depositi e Prestiti S.p.A. | Cassa Depositi e Prestiti S.p.A. | 4.93% (**) | 4.93% (**) |

(*) Paul E. Singer is General Partner of Elliott Capital Advisors LP. Its indirect holding is held through the subsidiaries Elliott International LP, Elliott Associates LP and The Liverpool Limited Partnership. Based on shareholding information obtained at Telecom Italia shareholders' meeting of April 24, 2018, the holding has increased to 9.19% of the ordinary share capital. At the shareholders' meeting of May 4, 2018, Elliott International LP, Elliott Associates LP and The Liverpool Limited Partnership participated with a number of shares representing 8.27% of the ordinary capital stock.

(**) Based on shareholding information obtained at Telecom Italia shareholders' meeting of May 4, 2018. In connection therewith, the disclosure by Cassa Depositi e Prestiti S.p.A to Consob in compliance with article 120 Legislative Decree n. 58/1998 of a shareholding held by the end of December 31, 2018 (transaction date April 10, 2018) contained information regarding an amount of TIM ordinary shares equal to 4.26% of the ordinary share capital.

With regard to significant shareholdings subsequent to December 31, 2018, it should be noted that:

- Canada Pension Plan Investment Board has informed Consob pursuant to art. 120 of Legislative Decree 58/1998 that it holds a direct and indirect shareholding as at January 21, 2019 of 3.13% of the ordinary capital stock.
- Paul E. Singer has informed Consob pursuant to art. 120 of Legislative Decree 58/1998 of the indirect availability on January 31, 2019, through the subsidiaries Elliott International LP, Elliott Associates LP and The Liverpool Limited Partnership, of a quantity of ordinary shares equal to 9.55% of the total ordinary capital stock.
- Cassa Depositi e Prestiti S.p.A. has informed Consob pursuant to art. 120 of Legislative Decree 58/1998 of the direct availability, on February 18, 2019, of a quantity of ordinary shares equal to 5.03% of the total ordinary capital stock.

TABLE 2 – STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES AND OTHER OFFICES HELD

| Position | Members | Year of Birth | Date of first appointment | Serving since | Serving until | Board of Directors | | | | | | | Control and Risk Committee | | Nomination and Remuneration Committee | | Related Party Committee | | Strategy Committee | |
|---|---------------------------|---------------|---------------------------|---------------|---------------|--------------------|-------|-----------|-------------|------------|----------------|------------------------------------|----------------------------|-------|---------------------------------------|-------|-------------------------|------|--------------------|------|
| | | | | | | Slate (*) | Exec. | Non exec. | Indep. Code | Indep. CLF | (**) | Number of other appointments (***) | (****) | (**) | (****) | (**) | (****) | (**) | (****) | (**) |
| Chairman | Fulvio Conti | 1947 | 05/04/2018 | 05/04/2018 | 12/31/2020 | E | = | X | X | X | 13/13 | = | | | | | | C | 3/3 | |
| Director | Luigi Gubitosi | 1961 | 05/04/2018 | 11/18/2018 | 12/31/2020 | E | X | = | = | = | 3/3 | = | | | | | | M | 0/0 | |
| Chief Executive Officer ⁽¹⁾⁽²⁾⁽³⁾ | | | 05/04/2018 | 05/04/2018 | 12/31/2020 | | = | X | X | X | 10/10 | | M | 11/12 | | | | M | 3/3 | |
| Chairman | Arnaud Roy De Puyfontaine | 1964 | 12/15/2015 | 06/01/2017 | 04/24/2018 | VS | X | = | = | = | 7/8 | 1 | | | | | | M | 0/0 | |
| Director | | | 12/15/2015 | 12/15/2015 | 12/31/2020 | | = | X | = | = | 12/13 | | | | | | | M | 2/3 | |
| Chief Executive Officer ⁽⁴⁾⁽⁵⁾⁽⁶⁾ | Amos Genish | 1960 | 09/28/2017 | 09/28/2017 | 11/13/2018 | VS | X | = | = | = | 17/17 | 1 | | | | | | M | 3/3 | |
| Director | | | 09/28/2017 | 09/28/2017 | 12/31/2020 | | = | X | = | = | 4/4 | | | | | | | | | |
| Director | Alfredo Altavilla | 1963 | 05/04/2018 | 05/04/2018 | 12/31/2020 | E | = | X | X | X | 12/13 | 1 | | | C | 10/10 | | | | |
| Director | Paola Bonomo | 1969 | 05/04/2018 | 05/04/2018 | 12/31/2020 | E | = | X | X | X | 13/13 | 3 | | | M | 10/10 | | | | |
| Director ⁽⁷⁾ | Giuseppina Capaldo | 1969 | 05/04/2018 | 05/04/2018 | 12/31/2020 | VS | = | X | X | X | 13/13 | 2 | | | M | 5/6 | M | 9/9 | | |
| Director | Maria Elena Cappello | 1968 | 05/04/2018 | 05/04/2018 | 12/31/2020 | E | = | X | X | X | 13/13 | 2 | | | | | M | 9/9 | | |
| Director | Massimo Ferrari | 1961 | 05/04/2018 | 05/04/2018 | 12/31/2020 | E | = | X | X | X | 13/13 | 2 | M | 13/13 | | | | M | 3/3 | |
| Director | Paola Giannotti | 1962 | 05/04/2018 | 05/04/2018 | 12/31/2020 | E | = | X | X | X | 13/13 | 4 | C | 13/13 | | | | | | |
| Director ⁽⁸⁾ | Marella Moretti | 1965 | 05/04/2017 | 05/04/2017 | 12/31/2020 | VS | = | X | X | X | 21/21 | = | M | 21/21 | | | M | 7/7 | | |
| Director ⁽⁹⁾ | Lucia Morselli | 1956 | 05/04/2018 | 05/04/2018 | 12/31/2020 | E | = | X | X | X | 13/13 | 1 | M | 0/0 | | | P | 9/9 | | |
| Director ⁽¹⁰⁾ | Dante Roscini | 1958 | 05/04/2018 | 05/04/2018 | 12/31/2020 | E | = | X | X | X | 12/13 | = | | | | | M | 9/9 | | |
| Director | Rocco Sabelli | 1954 | 05/04/2018 | 05/04/2018 | 12/31/2020 | E | = | X | X | X | 13/13 | = | | | M | 9/10 | | M | 3/3 | |
| Director ⁽¹¹⁾ | Michele Valensise | 1952 | 05/04/2018 | 05/04/2018 | 12/31/2020 | VS | = | X | X | X | 13/13 | 1 | M | 10/10 | M | 10/10 | | | | |
| Directors who resigned during financial year 2018 | | | | | | | | | | | | | | | | | | | | |
| Deputy Chairman | Giuseppe Recchi | 1964 | 04/16/2014 | 04/16/2014 | 03/22/2018 | VS | X | | | | 4/5 | 2 | | | | | | P | 0/0 | |
| Director | Camilla Antonini | 1966 | 05/04/2017 | 05/04/2017 | 04/24/2018 | VS | = | X | X | X | 8/8 | = | M | 8/8 | | | | | | |
| Deputy Chairman ⁽¹²⁾ | Franco Bernabè | 1948 | 05/04/2017 | 05/04/2017 | 05/04/2018 | VS | = | X | X | X | 5/8 | 1 | | | | | | M | 0/0 | |
| Director | Ferruccio Borsani | 1958 | 05/04/2017 | 05/04/2017 | 05/04/2018 | SGRS | = | X | X | X | 8/8 | = | | | M | 4/4 | | | | |
| Director | Lucia Calvosa | 1961 | 08/04/2011 | 04/16/2014 | 05/04/2018 | SGRS | = | X | X | X | 7/8 | 1 | P | 8/8 | | | | | | |
| Director | Francesca Cornelli | 1962 | 04/16/2014 | 04/16/2014 | 05/04/2018 | SGRS | = | X | X | X | 8/8 | 3 | | 8/8 | | | | | | |
| Director | Frédéric Crépin | 1969 | 05/04/2017 | 05/04/2017 | 04/24/2018 | VS | = | X | = | = | 8/8 | 2 | | | M | 4/4 | | M | 0/0 | |
| Director | Dario Frigerio | 1962 | 05/04/2017 | 05/04/2017 | 05/04/2018 | SGRS | = | X | X | X | 8/8 | 2 | | | | | | M | 0/0 | |
| Director | Felicité Herzog | 1968 | 12/15/2015 | 12/15/2015 | 04/24/2018 | VS | = | X | X | X | 8/8 | = | M | 8/8 | | | | | | |
| Director | Anna Jones | 1975 | 05/04/2017 | 05/04/2017 | 04/24/2018 | VS | = | X | X | X | 7/8 | = | | | P | 4/4 | | | | |
| Director | Hervé Philippe | 1958 | 05/04/2017 | 05/04/2017 | 04/24/2018 | VS | = | X | = | = | 8/8 | 2 | | | M | 4/4 | | | | |
| Director | Danilo Vivarelli | 1964 | 12/15/2015 | 12/15/2015 | 05/04/2018 | SGRS | = | X | X | X | 8/8 | = | | | M | 4/4 | | | | |
| Number of meetings held during the reference year: | | | | | | | | | | | BOD: 21 | | CRC: 21 | | NRC: 14 | | CPC: 9 | | SC: 3 | |
| Quorum required to submit slates by the minorities for the election of one or more members (for the purposes of art. 147-ter of the CLF): 0.5% | | | | | | | | | | | | | | | | | | | | |

NOTES:

* In this column (i) E refers to those Directors appointed by the Shareholders' Meeting of May 4, 2018 if appointed by slate voting and as candidates of the Elliott International LP, Elliott Associates LP e The Liverpool Limited Partnership slate and LV if appointed by slate voting and as candidates of the Vivendi S.A. slate; (ii) LV refers to those directors appointed by the shareholders' meeting of May 4, 2017 and who left office on April 24, 2018 and May 4, 2018, if appointed by slate voting and as candidates of the Vivendi S.A slate and LSGR if appointed by slate voting and as candidates of the SGR and Institutional investors slate.

** This column shows the attendance of the directors respectively at the Board of Directors and Committee meetings (the number of meetings the Director attended is indicated with respect to the total number of meetings he/she could have attended, no. of attendances/no. of meetings held during the actual period of office of the person concerned).

*** This column indicates the number of offices as director or statutory auditor held by the person concerned in other companies listed in regulated markets, including foreign markets, in finance, banking, insurance companies or in companies of substantial dimensions. The offices are detailed below. For further information on offices held, see the curricula vitae available on the website www.telecomitalia.com, About Us section, Corporate Bodies/Board of Directors channel.

**** This column shows the status of the Director within the Committee "P" chairman, "M" member.

- (1) Director in charge of the internal control and risk management system from November 18, 2018
- (2) Person responsible for managing the Issuer from November 18, 2018
- (3) Member of the Control and Risk Committee until November 18, 2018
- (4) Director in charge of the internal control and risk management system until November 13, 2018
- (5) Person responsible for managing the Issuer from November 13, 2018
- (6) Member of the Strategy Committee until November 13, 2018
- (7) Member of the Nomination and Remuneration Committee from June 25, 2018
- (8) Member of the Related Party Committee from June 25, 2018
- (9) Member of the Control and Risk Committee from December 6, 2018
- (10) Lead Independent Director (LID) from July 24, 2018
- (11) Member of the Control and Risk Committee from June 25, 2018
- (12) Deputy Chairman for the period from March 22 to May 4, 2018

The offices held by the Directors are detailed below.

| | |
|-----------------------|---|
| Fulvio Conti | = |
| Luigi Gubitosi | = |
| Alfredo Altavilla | Vice Chairman of the Board of Directors of Recordati S.p.A. |
| Paola Bonomo | Member of the Board of Directors in Axa Assicurazioni, Piquadro and Stefanel |
| Giuseppina Capaldo | Member of the Board of Directors in Salini Impregilo and Ferrari NV |
| Maria Elena Cappello | Member of the Board of Directors in Saipem and Banca Monte dei Paschi |
| Arnaud De Puyfontaine | CEO and Chairman of the Management Board of Vivendi S.A. |
| Massimo Ferrari | Member of the Board of Directors in Equita Group and Cairo Communication |
| Amos Genish | Member of the Board of Directors of Itau Unibanco Holding S.A. |
| Paola Giannotti | Member of the Board of Directors of Terna, Ubi Banco, ICF Group and EPS Equita PEP SPAC 2 |
| Marella Moretti | = |
| Lucia Morselli | Member of the Board of Directors of Snam |
| Dante Roscini | = |
| Rocco Sabelli | = |
| Michele Valensise | Deputy Chairman and Director of Astaldi |

TABLE 3 – STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

| Position | Members | Year of Birth | Date of first appointment * | Serving since | Serving until | Slate ** | Independence as per Code | Attendance at Board meetings *** | Number of other offices **** |
|---|---------------------------|---------------|-----------------------------|---------------|---------------|----------|--------------------------|----------------------------------|------------------------------|
| Chairman | Roberto Capone | 1955 | 09/16/2012 | 05/20/2015 | 12/31/2020 | m | X | 37/37 | 16 |
| Standing auditor | Giulia De Martino | 1978 | 04/24/2018 | 04/24/2018 | 12/31/2020 | M | X | 20/20 | 9 |
| Standing auditor | Anna Doro | 1965 | 04/24/2018 | 04/24/2018 | 12/31/2020 | m | X | 20/20 | 1 |
| Standing auditor | Marco Fazzini | 1974 | 04/24/2018 | 04/24/2018 | 12/31/2020 | M | X | 20/20 | 5 |
| Standing auditor | Francesco Schiavone Panni | 1954 | 04/24/2018 | 04/24/2018 | 12/31/2020 | M | X | 20/20 | 19 |
| Alternate Auditor | Andrea Balelli | 1970 | 04/24/2018 | 04/24/2018 | 12/31/2020 | M | X | = | = |
| Alternate Auditor | Antonia Coppola | 1975 | 04/24/2018 | 04/24/2018 | 12/31/2020 | M | X | = | = |
| Alternate Auditor | Franco Della Sega | 1960 | 04/24/2018 | 04/24/2018 | 12/31/2020 | m | X | = | = |
| Alternate Auditor | Laura Fiordelisi | 1974 | 04/24/2018 | 04/24/2018 | 12/31/2020 | m | X | = | = |
| Statutory auditors who resigned during financial year 2018 | | | | | | | | | |
| Standing auditor | Vincenzo Cariello | 1965 | 05/20/2015 | 05/20/2015 | 12/31/2017 | m | X | 13/17 | 1 |
| Standing auditor | Gabriella Chersica | 1962 | 05/20/2015 | 05/20/2015 | 12/31/2017 | M | X | 15/17 | 7 |
| Standing auditor | Gianluca Ponzellini | 1947 | 04/08/2009 | 05/20/2015 | 12/31/2017 | M | X | 16/17 | 14 |
| Standing auditor | Ugo Rock | 1950 | 04/08/2009 | 05/20/2015 | 12/31/2017 | M | X | 13/17 | 12 |
| Alternate Auditor | Piera Vitali | 1949 | 05/20/2015 | 05/20/2015 | 12/31/2017 | m | X | = | = |
| Alternate Auditor | Francesco Di Carlo | 1969 | 05/20/2015 | 05/20/2015 | 12/31/2017 | M | X | = | = |
| Alternate Auditor | Riccardo Schioppo | 1950 | 05/20/2015 | 05/20/2015 | 12/31/2017 | m | X | = | = |
| Number of meetings held during the relevant year: | | | | | | | | | |
| Quorum required to submit slates by the minorities for the election of one or more members (for the purposes of art. 148 of the CLF): 0.5% | | | | | | | | | |

NOTES

* Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time (overall) to the Board of Statutory Auditors of TIM.

** This column indicates the slate from which each statutory auditor was chosen (“M: majority slate; “m”: minority slate).

*** This column shows the attendance of the statutory auditors at the Board of Statutory Auditors meetings (the number of meetings the statutory auditor attended is indicated with respect to the total number of meetings he/she could have attended, no. of attendances/no. of meetings held during the actual period of office of the person concerned).

**** This column indicates the number of offices as director or statutory auditor held by the person concerned, considered significant pursuant to Article 148 *bis* of the CLF and the relative implementing provisions contained in the Consob Issuers’ Regulation. The complete list of offices held is published by Consob on its website, pursuant to article 144 quinquiesdecies of the Consob Issuers’ Regulation.

COMPARATIVE TABLE

| Article 1 Role of the Board of Directors | Comply or explain |
|--|---|
| Principles | |
| 1.P.1. The issuer is guided by a board of directors that meets regularly and is organized and operates in such a way as to guarantee the effective execution of its functions. | (see Chapter 4 of the Report on Corporate Governance and Share Ownership - RCG) |
| 1.P.2. The directors act and resolve with full knowledge of the facts and autonomously, pursuing the priority objective of creating value for the shareholders with a medium-long term perspective. | (see Chapters 4.3 and 4.4 of the RCG) |
| Application criteria | |
| 1.C.1. The board of directors: | |
| a) examines and approves the strategic, operational and financial plans of both the issuer and the group it heads, monitoring their implementation periodically; it defines the issuer's corporate governance system and the group structure; | (see Chapter 4.3 of the RCG) |
| b) defines the nature and level of risk compatible with the strategic objectives of the issuer, including in its assessments all the risks that can assume importance from a sustainability perspective in the medium-long period of issuer activity; | (see Chapter 4.3 of the RCG) |
| c) evaluate the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control system and risk management; | (see Chapters 4.3 and 12 of the RCG) |
| d) specifies the frequency, in any case no less than once every three months, with which the delegated bodies must report to the Board on the activities performed in the exercise of the powers delegated to them; | (see Chapter 4.4 of the RCG) |
| e) evaluate the general performance of the company, paying particular attention to the information received from the delegated bodies and periodically comparing the results achieved with those planned; | (see Chapters 4.3 and 4.4 of the RCG) |
| f) resolves upon transactions to be carried out by the issuer or its subsidiaries when such transactions have a significant impact on the issuer's strategies, profitability, assets and liabilities or financial position; to this end, the Board shall establish general criteria for identifying significant transactions; | (see Chapter 4.3 of the RCG) |
| g) perform at least annually an evaluation of the performance of the Board of Directors and its Committees, as well as their size and composition, taking into account the professional competence, experience (including managerial experience) and gender of its members, as well as the number of years for which they have served as director, including in relation to diversity criteria referred to in art. 2. Where the board of directors avails itself of external consultants for self-assessment, the report on corporate governance provides information on the identity of such consultants and on other services, if any, supplied by such consultants to the issuer or to companies having a control relationship with the issuer; | (see Chapters 4.2 and 4.3 and Table 2 of the RCG) |
| h) taking into account the outcome of the evaluation mentioned under the previous item g), reports to shareholders its view on the managerial and professional profiles deemed appropriate for the composition of the Board of Directors, prior to the appointment of the new board, also considering the diversity criteria recommended in art. 2; | (see Chapters 4.2 and 4.3 of the RCG) |
| i) provides information in the Report on Corporate Governance on: (1) its composition, indicating for each member their title (executive, non-executive, independent), the role that they perform within the Board of Directors (for example, chairman or <i>chief executive officer</i> , as defined in article 2), their main professional characteristics as well as the length of time since their first appointment; (2) the procedures for applying this article 1 and, in particular, the number and average duration of meetings of the board and of the executive committee, if there is one, held during the fiscal year, as well as the corresponding attendance of each director; (3) the assessment procedures referred to in letter g); (4) the objectives, methods of performance and results from application of the results from applying the gender criteria | (see Chapters 4.3 and 4.4 and Table 2 of the RCG) |

| | |
|--|---|
| recommended by art. 2 and 8; | |
| j) in order to ensure the correct handling of corporate information, adopts, upon proposal of the chief executive officer or the chairman of the Board of Directors, procedures for the internal handling and disclosure to third parties of documents and information concerning the issuer, having special regard to price sensitive information. | (see Chapters 4.4 and 5 of the RCG) |
| 1.C.2. The directors accept office when they consider that they are able to dedicate the necessary time to the diligent execution of their duties, also taking account of the commitment connected to their own work and professional activities, the number of directorships or appointments as statutory auditor they hold in other companies listed in regulated markets (including foreign markets) in finance companies, banks, insurance companies or companies of significant size. Based on the information received from the directors, the board collects annually, and makes known in the report on corporate governance, the directorships or appointments as statutory auditor held by the directors in aforementioned companies. | (see Chapters 4.2 and Note to Table 2 of the RCG) |
| 1.C.3. The board expresses its view of the maximum number of directorships or appointments as statutory auditor in the companies stated in the previous paragraph that can be considered compatible with the effective execution of the role of director of the issuer, taking account of the participation of directors in the internal board committees constituted. For this purpose, it identifies general criteria differentiated according to the commitment required for each role (executive director, non-executive director or independent director), also in relation to the nature and dimensions of the companies in which they hold office as well as their membership of the issuer's group, if applicable. | (see Chapter 4.2 of the RCG) |
| 1.C.4. If the shareholders' meeting, in order to meet organizational requirements, should authorize derogations of the non-competition clause set out in art. 2390 of the Italian Civil Code, the board of directors considers the merits of each issue of this kind and reports any critical aspects to the first useful meeting of the shareholders. For this purpose, each director informs the board, upon acceptance of their appointment, of any activities undertaken in competition with the issuer and, subsequently, of all relevant changes. | (see Chapter 4.3 of the RCG) |
| 1.C.5. The chairman of the board of directors uses his/her best endeavors for the documentation relating to the topics on the agenda to be brought to the knowledge of the directors and statutory auditors sufficiently in advance of the date of the board meeting. In its report on corporate governance, the board provides information on the timeliness and completeness of the pre-board reporting, also providing indications on the notice generally considered sufficient for the dispatch of the documentation and indicating if this period of time has been respected normally. | (see Chapter 4.3 of the RCG) |
| 1.C.6. The chairman of the board of directors, also at the request of one or more directors, may ask the chief executive officers that senior managers of the issuers, and those of the group companies that answer to it, responsible for the competent business functions according to the topic, are in attendance at board meetings to provide suitable in depth information on the items on the agenda. The report on corporate governance provides information on their actual attendance. | (see Chapter 4.3 of the RCG) |
| Article 2 - Composition of the Board of Directors | |
| Principles | |
| 2.P.1. The board of directors is composed of executive and non-executive directors with adequate skills and professional capabilities. | (see Chapters 4.2 and 4.4 of the RCG) |
| 2.P.2. The non-executive directors bring their specific skills to board discussions, contributing to informed decision-making and paying particular attention to those areas in which there may be conflicts of interest. | (see Chapter 4.3 of the RCG) |
| 2.P.3. The number, skills, authority and available time of the non-executive directors shall be such as to guarantee that their opinion can have a significant weight in board decision-making. | (see Chapters 4.2 and 4.3 of the RCG) |
| 2.P.4. The issuer applies diversity criteria, including gender criteria, in the composition of the board of directors, in compliance with the priority objective of ensuring adequate competence and professionalism of its members. | (see Chapter 4.2 of the RCG) |
| 2.P.5. It is advisable to avoid concentrating corporate offices in a single | (see Chapters 4.4 and 4.5 of the |

| | |
|---|--|
| person. | RCG) |
| 2.P.6. Where the board of directors has conferred management powers on the chairman, the board of directors provides an adequate explanation of the reasons for this organizational choice in the report on corporate governance. | (see Chapters 4.4 and 4.5 of the RCG) |
| Application criteria | |
| 2.C.1. The following are qualified as executive directors of the issuer: | |
| <ul style="list-style-type: none"> – the chief executive officers of the issuer or of a company controlled by the issuer with strategic importance, including their chairmen, when individual management powers are granted to them, or when they play a specific role in the development of business strategies; – the directors who hold executive positions in the issuer or in a company controlled by the issuer with strategic importance, or in the parent company when the office also regards the issuer; – the directors who hold executive positions in the issuer or in a company controlled by the issuer with strategic importance, or in the parent company when the office also regards the issuer; – the directors who are members of the executive committee of the issuer, when a chief executive officer has not been identified, or when membership of the executive committee, taking the frequency of meetings and the object of its resolutions into account, means the de facto systematic involvement of its members in the current management of the issuer. <p>The attribution of vicarious powers, or only for cases of urgency, to directors without management powers does not in itself mean that they are executive directors, unless such powers are in fact used with notable frequency.</p> | (see Chapters 4.4 and 4.5 of the RCG) |
| 2.C.2. The directors are obliged to know the tasks and responsibilities inherent to their office. The chair of the board of directors ensures that directors and statutory auditors can participate, after their nomination and during their mandate, in the most opportune ways, in initiatives intended to provide them with adequate knowledge of the business sector in which the issuer operates, of the dynamics of the company and their evolution, and of the principles of correct risk management as well as the legal and self-regulatory framework of reference. In the report on corporate governance the issuer reports on the type and organization of the initiatives that have taken place during the financial year of reference. | (see Chapter 4.2 of the RCG) |
| 2.C.3. At least one third of the board of directors consists of directors of the less represented gender. | (see Chapters 4.2, 4.3 and Table 2 of the RCG) |
| 2.C.4. The board of directors designates an independent director as <i>lead independent director</i> in the following cases: (i) if the chairman of the board of directors is the principal person responsible for running the business (<i>chief executive officer</i>); (ii) if the office of chairman is filled by the person who controls the issuer. The board of directors of issuers who are part of the FTSE-MIB designates a <i>lead independent director</i> if this is requested by a majority of the independent directors, unless the board makes a different and reasoned assessment, to be published in the report on corporate governance. | (Although neither of the eventualities set out in the first part of the application criteria subsist, the BoD - as designated by the independent Directors - has appointed a Lead Independent Director - see Chapter 4.7 of the RCG) |
| 2.C.5. The Lead Independent Director: | |
| <ol style="list-style-type: none"> a) represents a point of reference and coordination for the issues and contributions of the non-executive directors and, in particular, of those that are independent pursuant to article 3 below; b) collaborates with the chairman of the board of directors to guarantee that the directors receive complete and timely flows of information. | (see Chapter 4.7 of the RCG) |
| 2.C.6. The <i>chief executive officer</i> of an issuer (A) may not assume the office of director of another issuer (B) that is not a member of the same group, of which an issuer (A) director is <i>chief executive officer</i> . | (Currently the CEO of TIM does not hold directorships in other companies in which a director of TIM is CEO; see Table of the RCG) |
| Article 3 – Independent Directors | |
| Principles | |
| 3.P.1. An adequate number of non-executive directors are independent, in the sense that they do not have relations such as to currently condition | (see Chapter 4.6 of the RCG) |

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| their independence of judgment, nor have they recently had such relations, even indirectly, with the issuer or subjects linked to the issuer. | |
| 3.P.2. The independence of the directors is assessed by the board of directors after their appointment and subsequently at yearly intervals. The outcome of the board's assessments is communicated to the market. | (see Chapter 4.6 of the RCG) |
| Application criteria | |
| <p>3.C.1. The board of directors assesses the independence of its non-executive members having regard more to the substance than to the form, and bearing in mind the fact that a director does not normally appear independent in the following eventualities, which are not to be considered mandatory:</p> <ul style="list-style-type: none"> a) if they control the issuer directly, indirectly or also through subsidiaries, trustee companies or nominees, or are able to exercise a significant influence over said issuer, or are party to shareholders' agreements through which one or more subjects can exercise significant influence or control over the issuer; b) if they occupy, or have occupied in the three preceding financial years, a prominent position in the issuer, in a company controlled by the issuer with strategic importance or in a company subject to joint control with the issuer, or in a company or body which, also together with others through a shareholders' agreement, controls the issuer or is able to exert significant influence over it; c) if, directly or indirectly (for example, through subsidiaries or companies in which they occupy a prominent position, or as a partner in a professional firm or consultancy company) they have, or have had in the preceding year, a significant commercial, financial or professional relationship: <ul style="list-style-type: none"> – with the issuer, a company controlled by the issuer, or any person holding a prominent position in such a company; – with a subject that, also with others through a shareholders' agreement, controls the issuer, or - in the case of a company or body - with the persons in a prominent position in such a company or body; or is, or has been in the preceding three years, an employee of one of the aforementioned subjects; d) if they receive, or have received in the preceding three years, from the issuer or from a company controlled by or that controls the issuer, a significant additional remuneration (by comparison with the "fixed" fee of a non-executive director of the issuer and the fee paid for participation in the committees recommended in this Code) also in the form of participation in incentive plans linked to company performance, including share-based plans; e) if they have not been a director of the issuer for more than nine of the last twelve years; f) if they have held office as an executive director of another company in which an executive director of the issuer serves as a director; g) if they are a shareholder or director of a company or entity belonging to the network of firms charged with the external audit of the issuer; h) if they have close family ties with a person who is in one of the situations set out in the previous points. | (see Chapter 4.6 of the RCG) |
| 3.C.2. For the above purposes the following are to be considered "persons in a prominent position" in a company or body: The chairman of the body, the chairman of the board of directors, the executive directors or key managers with strategic responsibilities in the company or body considered. | (see Chapter 4.6 of the RCG) |
| <p>3.C.3. The number and skills of the independent directors are consistent with the size of the board and the activity undertaken by the issuer; they are also such as to permit the establishment of internal committees of the board, according to the indications contained in the Code.</p> <p>In issuers that are members of the FTSE-MIB index, at least one third of the board of directors is composed of independent directors. If this quota should not correspond to a whole number, this should be rounded down. In any event there shall be no fewer than two independent directors.</p> | (see Chapter 4.6 of the RCG) |
| 3.C.4. After the appointment of a director who qualifies as an independent, | (see Chapter 4.6 of the RCG) |

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| <p>and subsequently, when circumstances relevant to their independence arise and in any event at least once a year, the board of directors assesses the relations that might be or appear to be such as to compromise the independence of judgment of said director, based on the information provided by the person concerned or available to the issuer.</p> <p>The board of directors makes the outcome of its assessments known, after the appointment, by means of a press release to the market and, subsequently, in its report on corporate governance.</p> <p>In these documents the board of directors:</p> <ul style="list-style-type: none"> – will report if assessment parameters different to those indicated in the Code, also with reference to individual directors, have been adopted, and if so, for what reason – will illustrate the quantitative and/or qualitative criteria that might be used to evaluate the significance of the relationships assessed. | |
| <p>3.C.5. The board of statutory auditors, as part of the duties assigned to it by law, checks that the criteria and procedures of ascertainment adopted by the board to assess the independence of its members have been correctly applied. The outcome of these controls is made known to the market in the report on corporate governance or the statutory auditors' report to the shareholders' meeting.</p> | (see Chapter 4.6 of the RCG) |
| <p>3.C.6. The independent directors meet at least once a year in the absence of the other directors.</p> | (see Chapter 4.7 of the RCG) |
| <p>Article 4 – Institution and functioning of the internal committees of the board of directors</p> | |
| <p style="text-align: center;">Principles</p> | |
| <p>4.P.1. The board of directors institutes from among its members one or more committees with consulting and proposing functions as indicated in the following articles.</p> | (see Chapter 6 of the RCG) |
| <p style="text-align: center;">Application criteria</p> | |
| <p>4.C.1. The institution and functioning of the committees specified in the Code meets the following criteria:</p> <ol style="list-style-type: none"> a) the committees are composed of no fewer than three members. However, in issuers whose board of directors is composed of no more than eight members, the committees may be composed of just two directors, provided they are independent. The works of the committees is coordinated by a chairman; b) the tasks of the single committees are established with the resolution constituting them, and they may be supplemented or modified with subsequent resolutions of the board of directors; c) the functions that the Code attributes to different committees may be distributed differently or assigned to a lower number of committees than specified, provided that the rules for the composition indicated case by case by the Code are respected, and that achievement of the objectives below is guaranteed; d) the meetings of each committee are minuted, and the chairman of the committee reports on them at the first possible board meeting; e) in carrying out their functions, the committees have the right to access the company departments and information necessary for the execution of their tasks, and to avail themselves of external consultants, within the terms established by the board of directors. The issuer makes available to the committees adequate financial resources for the fulfillment of their tasks, within the limit of the budget approved by the board; f) subjects who are not members may participate in the meetings of each committee, including other members of the board or the structure of the issuer, at the invitation of said committee, with reference to single items on the agenda; g) the issuer provides adequate information, in its report on corporate governance, about the institution and composition of the committees, the content of the office conferred on it and, based on the indications provided by each committee, on the activity actually carried out over the financial year, on the number and mean duration of the meetings held and on the percentage attendance of each member. | (see Chapters 7 and 9 of the RCG) |

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| <p>4.C.2. The establishment of one or more committees can be avoided if the relevant functions are reserved for the entire board, under the coordination of the chairman and on the following conditions: (i) the independent directors represent at least half of the board of directors, rounding to the lower unit if the board is made up of an odd number of people; (ii) adequate space is dedicated within board meetings to the performance of those functions that the Code attributes to said committees, of which an account is to be provided in the report on corporate governance; (iii) limited to the control and risk committee, the issuer is not controlled by another listed company, or subject to management and coordination.</p> <p>In the report on corporate governance, the board of directors illustrates in detail the reasons underlying the choice to not establish one or more committees; in particular, it adequately justifies the choice to not establish the control and risk committee in relation to the degree of complexity of the issuer and the sector in which it operates. The board also proceeds to periodically reconsider the choice made.</p> | <p>(Although the Board of Directors of TIM is composed in majority of directors who qualify as independent, both the Control and Risk Committee and the Nomination and Remuneration Committee have been instituted)</p> |
| <p>Article 5 – Nomination of Directors</p> | |
| <p style="text-align: center;">Principles</p> | |
| <p>5.P.1. The board of directors constitutes an internal nomination committee composed, in majority, of independent directors.</p> | <p>(see Chapter 7 of the RCG)</p> |
| <p style="text-align: center;">Application criteria</p> | |
| <p>5.C.1. The nomination committee is vested with the following functions:</p> | |
| <p>a) to express opinions to the Board of Directors regarding its size and composition and express recommendations with regard to the professional skills necessary within the Board as well as with regard to the topics indicated by articles 1.C.3 and 1.C.4;</p> <p>b) to submit to the Board of Directors candidates for the office of director, in case of co-optation, should the replacement of independent directors be necessary.</p> | <p>(see Chapter 7 of the RCG)</p> |
| <p>5.C.2. The board of directors assesses whether or not to adopt a plan for the succession of executive directors. If it should have adopted such a plan, the issuer will report this in its report on corporate governance. The investigation for the preparation of the plan is carried out by the nomination committee or such other internal board committee with responsibility to do so.</p> | <p>(see Chapter 4.1 of the RCG)</p> |
| <p>Article 6 – Remuneration of Directors</p> | |
| <p style="text-align: center;">Principles</p> | |
| <p>6.P.1. The remuneration of the directors and key managers with strategic responsibilities is established in an amount sufficient to attract, retain and motivate people with the required professional qualities to manage the issuer with success.</p> | <p>(see the Remuneration Report)</p> |
| <p>6.P.2. The remuneration of the executive directors and key managers with strategic responsibilities is defined in such a way as to align their interests with the pursuit of the priority objective of creating value for the shareholders with a medium-long term perspective. For the directors who are recipients of management powers or who perform, even on a de facto basis only, functions related to the management of the business as well as for key managers with strategic responsibilities, a significant part of the remuneration is linked to the achievement of specific performance objectives, including those of a non-economic nature, indicated beforehand and determined in coherence with the guidelines contained in the policy specified in principle 6.P.4 below.</p> <p>The remuneration of the non-executive directors is commensurate with the commitment required of each, also taking account of any membership of one or more committees.</p> | <p>(see the Remuneration Report)</p> |
| <p>6.P.3. The board of directors constitutes an internal remuneration committee composed of independent directors. Alternatively, the committee may be composed of non-executive directors, with a majority of independent directors; in this case, the chairman of the committee is selected from among the independent directors. At least one member of the committee shall possess an adequate knowledge and experience of financial matters or pay policies, to be assessed by the board of directors at the time of appointment.</p> | <p>(see Chapter 7 of the RCG)</p> |

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| <p>6.P.4. The board of directors, at the proposal of the remuneration committee, defines a policy for the remuneration of the directors and key managers with strategic responsibilities.</p> | <p>(see the Remuneration Report)</p> |
| <p>6.P.5. The issuer, on the occasion of the cessation of office and/or termination of relations with an executive director or general manager, makes known, at the outcome of the internal processes that lead to the attribution or acknowledgment of indemnities and/or other benefits, detailed information in this regard, by means of a press release disseminated to the market.</p> | <p>(see the Remuneration Report)</p> |
| <p>Application criteria</p> | |
| <p>6.C.1. The remuneration policy for executive directors or directors vested with special offices defines the guidelines with reference to the issues and in coherence with the criteria indicated below</p> <ul style="list-style-type: none"> a) the fixed component and the variable component are adequately balanced according to the strategic objectives and risk management policy of the issuer, also taking account of the sector of activity in which it operates and the characteristics of the business activity actually carried out; b) maximum limits are set for the variable components; c) the fixed component is sufficient to remunerate the service of the director in the eventuality that the variable component should not be paid due to non-achievement of the performance objectives indicated by the board of directors; d) the performance objectives - namely the economic results and any other specific objectives to which payment of the variable components is linked (including the objectives defined for the share-based remuneration plans) - are predetermined, measurable, and linked to the creation of value for the shareholders in a medium-long term perspective; e) payment of a major portion of the variable component of the remuneration is deferred by an adequate period after accrual; the measure of said portion and the length of the deferment are consistent with the characteristics of the business activity carried out and with the associated risk profiles; | <p>(see the Remuneration Report)</p> |
| <ul style="list-style-type: none"> f) contractual agreements are provided that enable the company to require the repayment, whole or in part, of variable components of the remuneration paid (or to retain sums that are deferred), determined based on data that are subsequently found to be manifestly incorrect; | <p>(see the Remuneration Report)</p> |
| <ul style="list-style-type: none"> g) any compensation that might be envisaged for termination of the directorship shall be defined in such a way that its total amount does not exceed a certain sum or certain number of years of remuneration. Said compensation is not paid if the termination of the directorship is due to the achievement of results that are objectively inadequate. | <p>(see the Remuneration Report)</p> |
| <p>6.C.2. In preparing share-based remuneration plans, the board of directors ensures that:</p> <ul style="list-style-type: none"> a) the shares, options and every other right assigned to the directors to acquire shares or be remunerated based on the trend in the share price have an average vesting period of at least three years; b) the vesting referred to in point a) is subject to predetermined and measurable performance objectives; c) the directors maintain a quota of the shares allocated or acquired through the exercise of the rights referred in point a) until the end of their mandate. | <p>(see the Remuneration Report)</p> |
| <p>6.C.3. Criteria 6.C.1 and 6.C.2 apply, insofar as they are compatible, also to the determination - by the bodies delegated to do this - of the remuneration of key managers with strategic responsibilities. The incentive mechanisms for the head of the internal audit department and the executive responsible for preparing the corporate accounting documents reflect the tasks assigned to them.</p> | <p>(see the Remuneration Report)</p> |
| <p>6.C.4. The remuneration of the non-executive directors is not - except for a non-significant part - linked to the economic results achieved by the issuer. The non-executive directors are not the beneficiaries of share-based remuneration plans, unless decided, with reasoning, by the shareholders' meeting.</p> | <p>(see the Remuneration Report)</p> |

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| <p>6.C.5. The Remuneration Committee:</p> <ul style="list-style-type: none"> – periodically evaluates the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, also on the basis of the information provided by the managing directors; it formulates proposals on this matter to the Board of Directors; – submits proposals or issues opinions to the Board of Directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration; monitors the implementation of decisions adopted by the Board of Directors and verifies, in particular, the actual achievement of performance objectives. | <p>(see Chapters 7 of the RCG and the Remuneration Report)</p> |
| <p>6.C.6. No director takes part in the meetings of the remuneration committee where proposals for the board of directors are formulated relating to his/her own remuneration.</p> | <p>(see Chapters 7 of the RCG, the Remuneration Report and art. 2.4 of the Regulations of the Nomination and Remuneration Committee)</p> |
| <p>6.C.7. If it should intend to avail itself of the services of a consultant in order to obtain information on market practices on pay policies, the remuneration committee checks in advance that it is not in situations that might compromise the independence of its judgment.</p> | <p>(see Chapters 7 of the RCG and the Remuneration Report)</p> |
| <p>6.C.8. The communication to the market specified in principle 6.P.5. comprises:</p> <ol style="list-style-type: none"> a) adequate information on the compensation and/or other benefits, including their amount, and the timing of their payment - distinguishing the part paid immediately from any part subject to deferment mechanisms, and also distinguishing the components attributed by virtue of the office of director from those relating to any employment relationship, and any repayment clauses, with particular reference to: <ul style="list-style-type: none"> – end of office or termination of employment compensation, specifying the circumstances in which a director is entitled to it (for example, due to expiry of the term of office, revocation of office or settlement agreement); – maintenance of the rights related to any incentive plan based on money or financial instruments. – benefits (monetary and non-monetary) after the director ceases to hold office; – non-competition obligations, describing their principal content; – any other compensation attributed for any reason and in any form; b) information on the conformity or otherwise of the compensation and/or other benefits with the indications contained in the remuneration policy, in case of even partial non-respect of the indications in said policy, information on the resolution procedures followed in application of the Consob regulations on transactions with related parties; c) indications on the application or non-application of any mechanisms that place limitations or impose corrective measures on the payment of compensation in the case in which the termination of the relationship is due to objectively inadequate achievement of results, as well as on any formulation of request for the repayment of compensation already paid; d) information on the fact that the replacement of the executive director or general manager who has ceased to hold office is regulated by a succession plan adopted by the company, if this is the case, and, in any event, indications regarding the procedures that have been or will be followed in replacing the director or senior manager. | <p>(see the Remuneration Report)</p> |
| <p>Article 7 – Internal control and risk management system Principles</p> | |
| <p>7.P.1. Every issuer equips itself with an internal control and risk management system composed of the set of rules, procedures and organizational structures to identify, measure, manage and monitor the principal risks. This system is integrated into the more general</p> | <p>(see Chapter 12 of the RCG)</p> |

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| organizational and corporate governance structures adopted by the issuer and gives due consideration to the existing national and international reference models and best practices. | |
| 7.P.2. An effective internal control and risk management system contributes to conduct of the business that is coherent with the company objectives defined by the board of directors, promoting knowledgeable decision-taking. It contributes to ensure that the equity of the company, the efficiency and effectiveness of its business processes and the reliability of the information supplied to the corporate bodies and the market are safeguarded, and that the laws and regulations, and the bylaws and internal procedures, are respected. | (see Chapter 12 of the RCG) |
| 7.P.3. The internal control and risk management system also involves, each for those matters for which it is competent: | |
| a) the board of directors, which plays a directing role and assesses the adequacy of the system, and identifies from its members: | (see Chapter 12 of the RCG) |
| i. one or more directors, appointed to create and maintain an effective internal control and risk management system (in article 7 below, the "director in charge of the internal control and risk management system"), and | (see Chapter 12.4 of the RCG) |
| ii. a control and risk committee, with the characteristics indicated in principle 7.P.4., with the task of supporting, with adequate investigatory activity, the assessments and decisions of the board of directors regarding the internal control and risk management system, and the activities relating to the approval of the periodic financial reports; | (see Chapter 9 of the RCG) |
| b) the head of the internal audit department, appointed to check that the internal control and risk management system is functioning and adequate; | (see Chapter 12.5 of the RCG) |
| c) the other company roles and functions with specific tasks regarding internal control and risk management, articulated according to the size, complexity and risk profile of the business; | (see Chapter 12.9 of the RCG) |
| d) the board of statutory auditors, also as internal control and audit committee, which monitors the effectiveness of the internal control and risk management system. The issuer ensures arrangements for coordination between the subjects listed above in order to maximize the efficiency of the internal control and risk management system and to reduce duplication of activity. | (see Chapter 12.9 of the RCG) |
| 7.P.4. The control and risk committee is composed of independent directors. Alternatively, the committee may be composed of non-executive directors, with a majority of independent directors; in this case, the chairman of the committee is selected from among the independent directors. If the issuer is controlled by another listed company or is subject to the direction and coordination of another company, the committee is in any event composed exclusively of independent directors. At least one member of the committee shall possess adequate experience of accounts and financial matters or risk management, to be assessed by the board of directors at the time of appointment. | (see Chapter 9 of the RCG) |
| Application criteria | |
| 7.C.1. The board of directors, after having received the opinion of the control and risk committee: a) defines the broad policies of the internal control and risk management system in such a way that the principal risks pertinent to the issuer and the companies it controls are correctly identified, and adequately measured, managed and monitored, also determining the degree of compatibility of such risks with a business management that is coherent with the strategic objectives identified; b) assesses, at yearly intervals at least, the adequacy of the internal control and risk management system in relation to the characteristics of the business and the assumed risk profile, as well as its effectiveness; c) approves, at yearly intervals at least, the plan of work drawn up by the head of the internal audit department, having obtained the opinion of the board of statutory auditors and the director in charge of the internal control and risk management system; d) describes in the report on corporate governance, the principal | (see Chapters 9 and 12 of the RCG) |

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| <p>characteristics of the internal control and risk management system and how the different subjects involved in it are coordinated, expressing its assessment of the adequacy of said system;</p> <p>e) assesses, after having obtained the opinion of the board of statutory auditors, the results set out by the external auditor in its letter of suggestions, if any, and in its report on the fundamental issues that emerged during the external audit.</p> | |
| <p>The board of directors, at the proposal of the director in charge of the internal control and risk management system, and having obtained the favorable opinion of the control and risk committee, and obtained the opinion of the board of statutory auditors:</p> <ul style="list-style-type: none"> – appoints and terminates the appointment of the head of the internal audit department; – ensures that said person is equipped with adequate resources to fulfill their responsibilities; – defines their remuneration, in line with company policy. | <p>(The current head of the Audit Department was appointed – with the involvement of all the components specified in the Corporate Governance Code – according to the process summarized in Chapter 12.5 of the RCG)</p> |
| <p>7.C.2. The control and risk committee, in assisting the board of directors:</p> <ul style="list-style-type: none"> a. together with the executive responsible for preparing the company's accounting documents, after having obtained the opinion of the external auditor and the Board of statutory auditors, assesses whether or not the accounting principles have been correctly applied, and, in the case of groups, their consistency for the purposes of preparing the consolidated financial statements; b. expresses opinions on specific aspects relating to the identification of the principal business risks; c. reviews the periodic reports that assess the internal control and risk management system, as well as those reports of the internal audit department that are particularly significant; d. monitors the independence, adequacy, efficiency and effectiveness of the internal audit department; e. may ask that the internal audit department review specific operational areas, giving immediate notice to the chairman of the Board of Statutory Auditors; f. reports to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half-year financial report, on the activity it has carried out, as well as on the adequacy of the internal control and risk management system; g. supports, with adequate investigatory activities, the Board of Directors' assessments and decisions on the management of risks arising from prejudicial facts which the Board of Directors may have become aware of. | <p>(see Chapter 9 of the RCG)</p> |
| <p>7.C.3. The chairman of the board of statutory auditors, or another statutory auditor designated by the chairman, attends the meetings of the control and risk committee; although the other statutory auditors may also attend.</p> | <p>(see Chapter 9 of the RCG)</p> |
| <p>7.C.4. The director in charge of the internal control and risk management system:</p> <ul style="list-style-type: none"> a) ensures that the principal business risks are identified, taking account of the characteristics of the activities carried out by the issuer and the companies it controls, and periodically submits them to review by the board of directors; b) implements the guidelines defined by the board of directors, overseeing the design, creation and operation of the internal control and risk management system and constantly checks its adequacy and efficacy; c) focuses on the adaptation of said system to the dynamics of the operating conditions and legislative and regulatory panorama; d) may request that the internal audit department review specific operational areas, and check that the internal procedures and rules are being respected in the execution of business transactions giving immediate notice to the chairman of the board of directors, the chairman of the control and risk committee and the chairman of the board of statutory auditors; e) promptly refers to the control and risk committee (or to the board of directors) any issues or critical points that have emerged from | <p>(see Chapter 12.4 of the RCG)</p> |

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| the execution of its activity or which have in some way come to its attention, in order that the committee (or the board) may take the appropriate initiatives. | |
| <p>7.C.5. The head of the internal audit department</p> <ul style="list-style-type: none"> a) verifies, both on a continuous basis and in relation to specific needs and in conformity with international standards, the adequacy and effective functioning of the internal control and risk management system, through an audit plan approved by the board of directors, based on a process of structured analysis and prioritization of the principal risks; b) is not responsible for any operational area and reports directly to the board of directors; c) has direct access to all information useful for the performance of his or her duties; d) drafts periodic reports containing adequate information on their own activity, and on the methods used to manage risks, as well as on compliance with the plans defined to mitigate them. The periodic reports contain an assessment of the adequacy of the internal control and risk management system; e) prepares timely reports on particularly significant events; f) submits the reports indicated under items d) and e) above to the chairs of the Board of Statutory Auditors and Control and Risk Committee and to the Chairman of the Board of Directors, as well as to the director in charge of the internal control and risk management system; g) tests the reliability of the information systems, including the accounting system, as part of the audit plan. | (see Chapter 12.5 of the RCG) |
| <p>7.C.6. The internal audit function, as a whole or by operational segment, may be assigned to a subject external to the issuer, provided it adequately meets the requirements of professionalism, independence and organization. The adoption of such organizational choices, adequately reasoned, is communicated to the shareholders and to the market in the report on corporate governance.</p> | (Responsibility for the Audit Department is assigned to a Company employee) |
| Article 8 – Statutory Auditors | |
| Principles | |
| 8.P.1. The statutory auditors act with autonomy and independence, also from the shareholders that elected them. | (see Chapters 14 and 15 and Table 3 of the RCG) |
| 8.P.2. The issuer applies diversity criteria, including gender criteria, with regard to the composition of the board of statutory auditors. | (see Chapters 15 and Table 3 of the RCG) |
| 8.P.3. The issuer puts in place suitable measures to guarantee the effective execution of the tasks assigned to the board of statutory auditors. | (see Chapters 14 and 15 and Table 3 of the RCG) |
| Application criteria | |
| 8.C.1. The statutory auditors are chosen from among people who can be qualified as independent also based on the criteria set out in this Code for directors. The board of statutory auditors checks that its members meet these criteria after nomination and at yearly intervals, informing the board of directors of the outcome of these checks. The board makes these results known, after the appointment, by means of a press release to the market, and subsequently in its report on corporate governance in the same way as prescribed for the directors. | (see Chapters 14 and 15 and Table 3 of the RCG) |
| 8.C.2. The statutory auditors should accept office when they believe they can dedicate the necessary time to the diligent execution of their tasks. | (see Chapters 14 and 15 and Table 3 of the RCG) |
| 8.C.3. At least one third of the effective members and the alternate members of the board of statutory auditors consists of statutory auditors of the less represented gender. | (see Chapters 15 and Table 3 of the RCG) |
| 8.C.4. The remuneration of statutory auditors is proportionate to the commitment required from each and to the importance of their roles, as well as to the size and business sector of the company. | (see Chapter 15 of the RCG) |
| 8.C.5. A statutory auditor who, on their own account or on behalf of third parties, has an interest in a particular transaction of the issuer, promptly and thoroughly informs the other statutory auditors and the chairman of the board of directors of the nature, terms, origin and extent of their interest. | (see Chapters 14 and 15 and Table 3 of the RCG) |
| 8.C.6. As part of their activities, the statutory auditors may ask the internal audit function to carry out audits of specific operational areas or company transactions. | (see Chapter 12 of the RCG) |

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| 8.C.7. The board of statutory auditors and the control and risk committee promptly exchange information relevant for the execution of their respective tasks. | (see Chapter 9 of the RCG) |
| Article 9 - Shareholder relations | |
| Principles | |
| 9.P.1. The board of directors promotes initiatives to favor the broadest possible shareholder participation in meetings, and to facilitate the exercise of shareholders' rights. | (see Chapter 17 of the RCG) |
| 9.P.2. The board of directors uses its best endeavors to establish a continuous dialog with the shareholders based on understanding of one another's roles. | (see Chapter 17 of the RCG) |
| Application criteria | |
| 9.C.1. The board of directors ensures that an executive in charge of managing relations with the shareholders is identified, and periodically assesses the advisability of proceeding to constitute a business structure charged with this function. | (see Chapter 16 of the RCG) |
| 9.C.2. All the directors attend meetings of the shareholders, as a rule. Shareholders' meetings are also an occasion to communicate information on the issuer to the shareholders, in compliance with the regulations on inside information. In particular, the board of directors reports to the shareholders on the activities undertaken and planned, and uses its best endeavors to ensure that the shareholders have adequate information on the elements they need to take the decisions that are the responsibility of the shareholders' meeting with full knowledge of the facts. | (see Chapter 17 of the RCG) |
| 9.C.3. The board of directors proposes to the shareholders' meeting, for its approval, regulations that indicate the procedures to be followed to enable the orderly and functional running of the shareholders' meetings, while also guaranteeing the right of each shareholder to speak on the topics for debate. | (see Chapter 17 of the RCG) |
| 9.C.4. In the case of significant changes to the market capitalization of the issuer's shares, or to the composition of its share ownership, the board of directors assesses the advisability of proposing to the shareholders' meeting amendments to the by-laws regarding the percentages set out for exercising shares and the prerogatives intended to protect minority holdings. | (see Chapter 17 of the RCG) |