



# 2020 REPORT ON CORPORATE GOVERNANCE AND SHARE OWNERSHIP OF TIM S.P.A.

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*Pursuant to art. 123-bis of legislative decree no. 58 of 24 February 1998 (CLF)  
(This document was approved by the Board of Directors on 18 February 2021 and is available on the Company's  
website [www.gruppotim.it](http://www.gruppotim.it))*

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General Administration and Secondary Office in Rome at Corso d'Italia 41  
PEC (Certified electronic mail) box: [telecomitalia@pec.telecomitalia.it](mailto:telecomitalia@pec.telecomitalia.it)  
Share capital 11,677,002,855.10 euros fully paid-up  
Tax Code/VAT Registration Number and  
Milan Monza-Brianza Lodi Business Register Number 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 the consolidated non-financial statement of TIM S.p.A., pursuant to legislative decree no. 254/2016.

**Corporate Governance Code (or Borsa Code):** the Corporate Governance Code approved by the Corporate Governance Committee composed of top management figures of listed companies and asset management companies as well as representatives of the institutions promoting it (ABI, Ania, Assogestioni, Assonime, Borsa Italiana and Confindustria) published on 31 January 2020 and posted on <https://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.en.htm>.

**Civ.cod/ c.c.:** 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 Regulation issued by Consob with resolution no. 11971 of 1999 (as subsequently amended).

**Consob Related Party Regulations:** the Regulations issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently amended).

**Report:** the report on corporate governance and share ownership drawn up pursuant to art. 123-bis CLF.

**Remuneration Report:** The report on the remuneration policy and compensation paid drawn up pursuant to art. 123-ter CLF.

**Consolidated Law on Finance/CLF:** Legislative Decree no. 58 of 24 February 1998 (as subsequently amended)

**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.gruppotim.it](http://www.gruppotim.it) Commercial Website [www.tim.it](http://www.tim.it)

# 1. INTRODUCTION

The purpose of this Report is to provide an illustration of Telecom Italia's corporate governance system and ownership structure, in compliance with the provisions of Article 123-bis of the Consolidated Law on Finance (CLF) and the applicable laws and regulations regarding disclosures on compliance with codes of conduct. TIM adheres to the Corporate Governance Code; the failure or partial alignment to specific provisions thereof is justified in the section of the Report which deals with the governance practice otherwise applied by the Company.

The information contained in the Report refers to the 2020 financial year or, where indicated, to the date of the Board of Directors' meeting that approved it (18 February 2021); for details on remuneration, please see the Remuneration Report; for social responsibility matters, please see the Sustainability Report.

In 2020, the Company carried out the audit and adjustment of its governance structures and tools to the new Borsa Code. The particular focus on sustainability was confirmed by the Board of Directors' decision to change, inter alia, the mission of the Strategic Committee (which is now called the Strategies and Sustainability Committee), to include the task of checking that TIM's objectives and management are in line with the environmental, social and corporate sustainability criteria. On 16 December 2020, the Board of Directors also adopted a special engagement policy governing the dialogue with stakeholders and, specifically, with all shareholders.

Following the revision of the Organizational Model, as of 1 April 2020 the supervisory functions pursuant to Legislative Decree no. 231, which until then had been carried out by the Board of Statutory Auditors, were assigned to a special Supervisory Body composed of a standing auditor, the head of the Audit Department and two external professionals (one of whom acting as Chairman).

The Shareholders' Meeting of 23 April 2020 amended the bylaws to bring them into line with the new provisions on gender balance. As before, the choice was to introducing a permanent rule, not limited to the legal obligation of six consecutive terms of office starting from the first renewal after 1 January 2020.

On 20 January 2021, following formulation of the guideline on the optimal size and composition of the administrative body, the Board of Directors unanimously decided to avail of the option to submit its own slate, long provided for in the Bylaws. This is a novelty in TIM's history, made possible and opportune by the fact that there are no controlling shareholders, that the shareholder who proposed the majority of the Directors in office has substantially disposed of its shareholding, and that at present no shareholder is willing to present a slate for the appointment of the majority of the directors. The decision was made in the light of the experience acquired and the good work done by the outgoing Board over the last three years, but above all in the awareness of the important work still to be done to complete the digital transformation path undertaken at TIM (see paragraph 19 of the Report).

## 2. INFORMATION ON SHARE OWNERSHIP AT 31 DECEMBER 2020

### a) Share capital structure

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The structure of the subscribed and paid-up share capital, amounting to 11,677,002,855.10 euros at 31 December 2020, is set out in Table 1 – Information on share ownership.

In implementation of the resolutions made on 23 April 2020 by the Shareholders' Meeting and subsequently on 18 May 2020 by the Board of Directors, the 2020 Broad-Based Share Ownership Plan was launched offering ordinary shares of par value for cash during the period from 16 June to 30 October 2020. A total of 126,343,913 shares were issued (99.09% of total shares offered), with no share capital increase.

For further information regarding the 2020 Broad-Based Share Ownership Plan, please refer to the note "Remuneration plans in the form of shareholdings in the capital" in the Company's separate financial statements as at 31 December 2020 and to the dedicated information document, which can be found on the website [www.gruppotim.it](http://www.gruppotim.it), Investors section, *Shares/AGM and Meetings/2020* channel.

For information relating to the 2018-2020 Long Term Incentive Plan and the 2020-2022 Long Term Incentive Plan, please refer to the note "Remuneration plans in the form of shareholdings in the capital" in the Company's separate financial statements as at 31 December 2020 and the dedicated information documents available on the website [www.gruppotim.it](http://www.gruppotim.it), Group section, *Governance/Remuneration/Information documents and Press releases* channel.

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.gruppotim.it](http://www.gruppotim.it), Investors section, *Debt and rating/Financial Profile* channel.

## b) Restrictions on transfer of securities

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There are no limitations under the Company By-laws on the transfer of securities issued by the Company. For a description of the special powers of the State, please refer to the following letter k) ("Special powers of the State").

## c) Significant shareholdings

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

## d) Securities that confer special rights

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The By-laws 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, please refer to the following letter k) ("Special powers of the State").

## e) Employee shareholdings: mechanism for exercising voting rights

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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

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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, please refer to the following letter k) ("Special powers of the State").

## g) Shareholders' Agreements

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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

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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:

- *Bridge Facility* signed with a syndicate of banks on 18 May 2020, for an amount of 1.7 billion euros expiring on 18 May 2021 (never used and entirely cancelled on 19 January 2021),
- The *Revolving Credit Facility* taken out with a syndicate of banks on January 16, 2018 for 5 billion euros, expiring on January 16, 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 euros 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,
- Facility Agreement signed with Bank of America Merrill Lynch on February 26, 2019 for 175 million euros expiring on February 24, 2022,
- Schuldschein Agreement signed on October 29, 2019 for a total amount of 250 million euros, of which 229 million euros expiring on October 29, 2023 and 21 million euros expiring on October 29, 2025,
- Facility Agreement signed with Banco Santander SA on July 31, 2019, for 250 million euros expiring on July 31, 2023, 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 with:

- Bank of China, with which there are currently no underlying contracts,
- JP Morgan, with which there are currently no underlying contracts,
- Merrill Lynch International, whose underlying contracts expire on 15 November 2033 and a total notional amount of 167 million euros,
- Natixis, whose underlying contracts expire finally on July 18, 2036 and a total notional amount of 472 million euros,
- SMBC (Sumitomo Mitsui Banking Corporation) whose underlying contracts expire on September 30, 2034 and a total notional amount of 181 million euros, and
- UniCredit, whose underlying contracts expire on July 18, 2036 and a total notional amount of 2.4 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 newly issued 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 issuing 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.

As regards relations with the European Investment Bank (EIB), in contracts entered into in 2015 and 2019, for a total amount of 850 million euros, the obligation was specified for TIM to notify the EIB immediately of any substantial change in the Company Bylaws or its share ownership; in the event of omission of such communication termination of the contract is provided for, after refrain notice. If a change of control should occur, the bank is entitled to request early repayment of the loan, after the expiry of a period within which any consultations that might be requested of the EIB are to be held. There is no change of control if control is acquired directly or indirectly by: (i) any shareholder of TIM which at the date of the contract should hold, directly or indirectly, at least 13% of the rights to vote in an ordinary shareholders' meeting, or (ii) any shareholder which at the date of the contract should hold, directly or indirectly, the majority of the rights to vote in the ordinary shareholders' meeting.

The requirement to notify the change of control is also regulated by decree law no.21 of 15 March 2012 converted with amendments by law no.56/2012 (so-called Golden Power Decree) laying down regulations on special powers over company ownership structures in the defence and national security sectors, and over activities of strategic importance in the energy, transport and communications sectors.

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



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

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

TIM owns 35,179,709 treasury shares; Telecom Italia Finance owns 126,082,374 TIM ordinary shares.

## j) Direction and coordination

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TIM is not subject to direction and coordination pursuant to Article 2497 and subsequent articles of the Italian Civil Code.

## k) Special powers of the State

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The issue of the so-called "Golden Power" Decrees, (reference to Decree Law 21/2012 converted with amendments by law 56/2012) aimed at granting the State special powers over corporate structures in the defence and national security sectors, as well as on activities of strategic importance in the telecommunications sector, constituted a new step in the public-private relationship.

In short, the ruling of the Presidency of the Council of Ministers on 28 September 2017 declared the strategic importance of some of TIM's assets, as a company which:

- performs "activities of strategic importance for the national security and defence 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 same Golden Power Decree).

The regulatory framework regarding TIM entered a new phase in 2017 with the issue of the Prime Ministerial decrees dated 16 October and 2 November. Said legislation then supplemented by Law no. 41 of 20 May 2019, which introduced a series of additional measures relating to broadband electronic communications services based on 5G technology.

With an Order made on 16 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 applicable to TIM and its subsidiaries Sparkle and Telsy. The measures relate to governance and organization. In particular, it imposes the presence on the Board of Directors of each company of a Director of Security (currently the CEO) and the establishment of a Security Organization. This last, directed by the Security Officer, undertakes activities that are relevant for national security and is involved in all decision-making processes relating to strategic activities and the network.

TIM, Sparkle and Telsy must also provide prior information (i) on every decision that might, inter alia, reduce or transfer technological, operational or industrial capacity in strategic activities and (ii) on corporate decisions (such as appointments and disposals) and provide information on development, investment and maintenance plans for networks and plants in order to preserve their functionality and integrity. There is also an obligation to report every action by the company that could have an impact on their security, availability and functioning.

With an Order made on November 2, 2017 the Presidency of the Council of Ministers imposed further specific prescriptions and conditions on TIM, exercising the special powers prescribed in article 2 of the Golden Power Decree.

Completing the framework of Rulings issued with regard to TIM, following Law no.41/2019 (exercise of special State powers with reference to the provision of 5G technology with non-European production), which recognises communication services as activities of strategic importance for defence and national security, the Legislator ordered that specific requirements regarding TIM be issued with the subsequent transposition decrees of 5 September 2019, 6 July 2020 and 7 August 2020.

The Government measure on the matter of valorising strategic assets for the purposes of National Security was further strengthened by Law no. 133 of 18 November 2019, in which the National Cyber Security Perimeter (Perimeter) was established.

As provided for by art. 1, subsection 1, the measure intends to "ensure a high level of security of networks, information systems and IT services of public administrations, public and private bodies and operators located in the national territory, on which the exercise of an essential State function or the provision of a service essential for the maintenance of civil, social or economic activities, fundamental for the interests of the State depends and the malfunctioning, interruption, even partial, or improper use of which could damage national security".

Pursuant to this legislation, on 30 July 2020, Prime Ministerial Decree No. 131 was issued, which:

- regulates the methods and criteria for identifying public and private entities included in the Perimeter;
- defines the criteria for preparing and updating the list of pertinent networks, IT systems and services.

### 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, it has to comply with the corresponding regulations.

TIM adheres to the Corporate Governance Code of Borsa Italiana.

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 31 December 2020 the subsidiaries of TIM include the TIM Brasil Group companies, of which TIM 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 S.A..

### 4. BOARD OF DIRECTORS

#### 4.1 Appointment and replacement

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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 or by the Board of Directors. Slates may be submitted by shareholders who alone or together with other shareholders own at least 0.5% of the ordinary share capital, regardless of the stake determined annually by Consob.

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 fulfil the requirements of independence specified in art.148 of the CLF and/or by the Corporate Governance Code, with the chance of repêchage within the same slate. At least two-fifths of the Board (with rounding up to the nearest whole number) must be made up of Directors of the less represented gender; if such requisite is not fully met by the distribution criteria of the seats among the various slates, a single decreasing ranking of all candidates is drawn up (taken from both the majority and minority slates) in relation to the relative quotient. The necessary number of candidates of the more represented gender with the lowest quotients are replaced by the candidates of the less represented gender on the same slate, following the order of ranking so as to ensure a gender balance, without prejudice to the requirement of independence wherever the replaced candidate is independent. Should candidates with the necessary characteristics be lacking, the Shareholders' Meeting completes the board with separate vote by absolute majority.

For a description of the special powers of the State, 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 a procedure for planning the succession of Executive Directors, assigning the content, updating and monitoring of the succession plan to the Nomination and Remuneration Committee, which utilises 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 of Directors.

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 to take over, if appointed, or - if there is no Vice Chairman - the most senior director in terms of age), while any management powers will as a rule be assigned to the Chief Executive Officer until the new Chairman takes office.

## 4.2 Composition

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Table 2 provides information on the Directors in office during 2020.

The Board of Directors was renewed by the Shareholders' Meeting of 4 May 2018. At that meeting, 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 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 Shareholders' Meeting of 23 April 2020 confirmed as directors of the company (with a term until the approval of the financial statements for the year ending 31 December 2020) Mr Franck Cadoret and Mr Salvatore Rossi, who had already been co-opted by the Board of Directors to replace Mr Amos Genish and Mr Fulvio Conti, respectively.

The Shareholders' Meeting called for 31 March 2021 (to approve the financial statements as at 31 December 2020) will also appoint the new company bodies (Board of Directors and Board of Statutory Auditors). Given the renewal of the Board of Directors, the outgoing Board unanimously decided to avail itself of the option to present its own slate (see Paragraph 19).

The *curricula vitae* of all the members of the administrative body in office are available on the website [www.gruppotim.it](http://www.gruppotim.it), Group section - Governance/Board of Directors/Members channel.

### **Diversity criteria and policies**

Without prejudice to the issue of gender balance within company bodies, on the subject of diversity and inclusion within the overall corporate organisation, reference should be made to the Group's Sustainability Report and - in view of the renewal - to the guidance for TIM shareholders on the optimal composition of the Board of Directors, formulated by the Board on 20 January 2021 and posted on the website [www.gruppotim.it](http://www.gruppotim.it), Group section - Governance/Board of Directors/Appointment channel.

### **Maximum accumulation of offices held in other companies**

According to the Corporate Governance Principles, holding positions as director or statutory auditor in more than five companies, other than those subject to the management and coordination of Telecom Italia or subsidiary or associated companies of the same, is not considered compatible with the position of director of Telecom Italia in the case of (i) listed companies included in the FTSE/MIB index, or (ii) companies operating mainly in the financial sector vis-à-vis the public, or (iii) companies carrying out banking or insurance activities; the same director holding more than three executive positions in the companies referred to in (i), (ii) and (iii) is also not considered compatible.

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.

Following the audit of the members of the Board of Directors in January 2021, the current composition of the Board complies with the above limits.

### **Induction Programme**

In 2020, the Directors were involved in five induction meetings held during Board meetings, to discuss the industry, market, business and company organisation, vision and prospects, as well as to present the 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

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The Board of Directors plays a role of strategic guidance and supervision, pursuing the main objective of creating value for shareholders in the medium-long term, also taking into account the legitimate interests of the other stakeholders, with a view to sustainable success of the business.

During 2020, 14 Board of Directors' meetings were held with an average duration of approx. four hours and thirty

minutes. As per the Bylaws and internal regulations, remote participation was permitted, favouring a higher participation rate which reached 99% overall (100% 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 (five days prior), and in any case with as much advance notice as the circumstances permitted. 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. In order to facilitate the analysis of complex issues, in preparation for their discussion during the meetings, some informal meetings were held, around the time of the board meetings, open to Directors and Auditors to provide information and gain more insight into the issues, by organising specific preparation and induction sessions. The flow of information to the Board, functional to the exercise of its duties and responsibilities regarded, in addition to the topics of the meeting and follow-up on the resolutions made, the general business trend and its foreseeable development; market consensus and analyst evaluations; the activities carried out, in particular with reference to major economic or financial transactions, those regarding assets or particularly sensitive transactions; as a preventive measure, directly and/or through the Nomination and Remuneration Committee, the appointment of managers reporting directly to the Executive Director and the appointment of the Chief Executive Officers of the most important subsidiaries; any further activities, transactions or events which the Chairman or Chief Executive Officer deem it appropriate to bring to the attention of the Directors.

The Corporate Governance Principles consider the following as having a significant impact on the activities of the Company and the Group, and as such subject to Board resolutions:

- a) agreements with competitors that, owing to the subject, the commitments, the conditionings and the limits that might derive from them, have a lasting influence on the freedom of strategic business choices (e.g. partnerships, joint ventures, etc.);
- b) investments and disinvestments 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 euros million and the granting of loans and guarantees in favour of non-subsidiary companies for amounts exceeding euro 250 million; transactions that, in their execution or upon their completion, can create commitments and/or purchases or sales of this nature and scale;
- d) any transaction, comprising those not included in the hypotheses set out in the above letters, the value of which is equal to 5% or more of the equity or (if more) of the capitalisation of the Company at the closure of the last day of trading in the reference period of the most recent periodic accounting document published;
- e) the listing and delisting of financial instruments issued by the Company or Group companies in regulated markets inside or outside Europe.

TIM's Board of Directors, as per the Group Regulations, which is posted on the website [www.gruppotim.it](http://www.gruppotim.it), Group section, *Governance/Our system/Regulations* channel:

- exercises, at the top, an activity of directing, coordinating, monitoring and auditing 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. With regard to the internal control and risk management system, the Board of Directors makes recourse to the preliminary investigation carried out by the Control and Risk Committee, which reports on the progress of its activities and the main findings emerging in each meeting, specifically with regard to the adequacy of the system during the review of the financial statements and interim report.

During 2020 there were no circumstances that were problematic in terms of the specific law on competition and directors' interests. The Board of Directors remains committed to monitoring them, reserving the right to assess their merits and to report them to the Shareholders' Meeting in the event of critical situations.

The 2021 calendar, which for the first part of the financial year includes planning of the internal committees called to assist the Board with their preliminary activities, currently provides for ten board meetings without prejudice to possible further meetings in line with operating needs. The meeting for the approval of the Report is the three meeting of the year with an average participation rate of approx. 96,67% (96,67% for independent members).

## Self-assessment

The Board of Directors evaluates its own effectiveness and the contribution of individual directors once a year via formalized procedures. Implementation of board evaluation procedures is supervised by the board itself. The board assessment evaluates the size, composition and functioning of the board and its committees. It also includes the active involvement of the board in defining the company strategy and monitoring management of the company business, as well as the adequacy of internal control and the management system risk. As every year since 2005, a self-assessment of the Board and its Committees was carried out in 2020, with reference to size, composition and functioning. Also taking into account that 2020 was a full year in office for the current Board and considering that the work had been well structured, it was decided to make use again of the support of a consultant. Following on from the year before, Egon Zehnder, who was engaged in other marginal assignments for TIM and in particular in executive search assignments, was selected. Due to the company's high professional standing, it was considered that this did not compromise the independence and objectivity required by the assignment.

With the support of the same consultant, Telecom Italia's Board of Directors decided to combine the board review with a peer review, thereby adopting a best practice already implemented especially at international level.

The self-assessment for the year ended on 31 December 2020 was carried out in November and December 2020 in line with the most advanced methodology at the international level. The advisor developed a questionnaire, sharing it with the Nomination and Remuneration Committee, and submitted it to all the Directors (as well as the Chair 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 16 December 2020 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 (further investigated in the Peer Review)
13. Summary and Benchmarking

With reference to the peer review, the consultant collected the opinions of individual Directors on each of the other members of the Board, with reference to the main skills and aptitudes that all the Directors have demonstrated during their years of effective office, namely:

- strategic contribution and orientation to Board results;
- collaboration among Directors;
- integrity and independence.

In addition to the aforementioned skills and aptitudes, the opinions of individual Directors were collected with specific reference to:

- additional relevant skills for the roles of Chairman of the Board of Directors and of the internal committees;
- specific skills for the role of Chief Executive Officer.

The results of the peer review were presented to the Board at the meeting on 16 December 2020.

In summary, the directors expressed their appreciation for the Board's strengths, which have given proof of progressive improvement at the end of its second year in office. It was confirmed how the climate within the Board has improved considerably compared to when it took office, with greater sharing and convergence on corporate objectives.

Overall, areas considered to be strong were:

- the qualitative and quantitative profile of the Board in terms of size, composition and representation of diversity (in its various expressions, such as experience, professionalism, age, gender, education and international dimension);
- the balance between independent and non-independent directors, ensuring that the Board and its Committees are managed so as to reconcile the various interests, effectively resolve any conflicts and safeguard Shareholders;
- the positive climate of full cooperation within the Board and appreciation for the contributions made by Members, which fosters trust and a balanced composition of conflicts;
- the Induction programme judged by the Directors to be fully effective in ensuring the smooth integration of new Members within the Board;
- the number of meetings and attendance of the same by Directors;
- the consolidated relationship of collaboration established by the Board with the Chairman, the Chief Executive



Officer and Top Management;

- the Board's familiarity with the organisation and managers in key roles, and confidence in the adequacy of the current set-up to achieve its objectives;
- the articulation, the composition and clear definition of powers and substantial and proactive contributions made by the internal Committees;
- the adequacy and effectiveness of the current strategic planning and risk management system;
- the satisfaction and appreciation for the establishment of an Independent Supervisory Board.

There are also some points for further consideration and improvement which came up in the summary document of work carried out:

- although appreciative of the improvements achieved, in view of the renewal of the Board, the Directors would like to see a further step forward on the issue of diversity, particularly with regard to geographical origin;
- insofar as highlighted in the Board's agenda, the topic of sustainability should be given more space in the future, achieving full integration of the same in the business vision;
- while appreciating the structure of the agenda, the Board believes that there is a need for more in-depth discussion of issues such as Control and Risk, Human Resources and Business Management;
- despite the general appreciation expressed for the participation and information shared with the Board by Top Management, it is believed that the supporting documentation is still too technical and detail-oriented;
- despite various improvements, there is still room for improvement in the flow of information to the Board, especially in terms of timing;
- in the definition of short-medium term strategies, the Board hopes to be more deeply involved, considering also that an in-depth examination of the Telco business would be useful, including by means of specific international case studies;
- the Directors hope to be more deeply involved in the matter of Risk, by sharing the macro-data needed for a global vision enabling them to make an effective and factual contribution: at the same time, they emphasised the need for a more defined and rounded role for the Enterprise Risk Manager;
- The Sustainability and Strategies Committee has shown room for improvement in terms of its composition, mission and reporting structure, to the benefit of operations;
- the exceptional circumstances that have conditioned the Board's activities in person over the last year have led to a slight decrease in Directors' involvement: in the event of such extraordinary circumstances continuing, the creation of special occasions/spaces, even informal, for discussion to ensure the full integration of future Directors would be desirable.

Based on the findings, an action plan will be drawn up with specific follow-up initiatives to be submitted to the new Board of Directors.

## 4.4 Delegated bodies

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### *Chief Executive Officer*

During 2020, the collegiate body had a non-executive (and independent: see below) Chairman and a Chief Executive Officer.

In particular, the Chief Executive Officer (who is also General Manager) is granted all the powers needed to carry out acts relating to company activities, extending such power to the organisation of security, and therefore to the management of all TIM's assets and activities of strategic importance for the defence and national security system, with the exception of the powers reserved by law and the Bylaws to the Board of Directors, and with the exclusion of the matters reserved to the exclusive remit of the full Board, as resulting from the corporate governance documentation (described in paragraph 4.3.).

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*

In the financial year 2020 the position as Chairman of the Board of Directors was held by Salvatore Rossi, who did not receive management powers and was considered independent.

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,

sometimes through prior transmission of appropriate documentation information.

## 4.5 Other Executive Directors

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As at 31 December 2020, there were no TIM Directors, other than the Chief Executive, who qualify as executive.

## 4.6 Independent directors

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TIM adopts the criteria of the Corporate Governance Code for the classification of Directors as independent. On the occasion of the update of the Corporate Governance Principles in view of adherence to the new Corporate Governance Code, it was specified that, as a rule, any relationship involving revenue equal to or greater than double the annual compensation paid by the Company in the previous year for the office of non-executive director is considered significant for the purposes of assessing independence.

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, with annual renewal on 20 February 2019, 29 January 2020 and 3 February 2021.

Out of the current 15 Directors in office, 12 meet the independence requirements: the Directors Altavilla, Bonomo, Capaldo, Cappello, Ferrari, Giannotti de Ponti, Moretti, Morselli, Roscini, Sabelli and Valensise and the Chairman of the Board of Directors, Rossi. With respect to the latter, the Board of Directors has expressly ruled out that the role attributed and carried out could, given the governance structure adopted, affect his independence of judgement, thereby undermining his independence as director.

The Chief Executive Officer (Director Gubitosi) has an employment relationship with the Company, with the title of General Manager.

At the time of their initial candidature, none of the independent Directors in office undertook to maintain independence for the entire term of office. However, all of them committed to promptly inform the Company of any changes in the information from time to time supplied.

At the meeting held on 17 February 2021, the Board of Statutory Auditors ascertained that the Directors met the requirements, including the application of the independence criteria.

## 4.7 Lead Independent Director

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In the meeting held on 24 July 2018, the Board of Directors in office appointed Director Dante Roscini as Lead Independent Director, with the powers and prerogatives set forth in the Borsa Code.

The figure (regardless of the conditions laid down in the Borsa Code) represents the point of reference and coordination for the issues raised and 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 2020, the practice of informal dialogue, whenever necessary, between the Lead Independent Director and the Independent Directors continued, enabling the Lead Independent Director to coordinate the activities of the non-executive part of the Board, also for the purposes of collaborating with the Chairman of the Board. In addition, a specific meeting was held, organised autonomously by the independent directors, all of whom attended. The meeting, of an informal nature, provided an opportunity for an open and constructive exchange of ideas about the overall performance of the outgoing board and the main results achieved since it took office. The Company's main operational, financial, strategic, control and governance aspects were reviewed, with a focus on how to optimize the contribution of independent directors within the board. One of the specific points addressed was how to best use the experience of the independent directors in the short and long-term strategic planning process, how to fine-tune the quality and frequency of the communication flows with the Chairman and the Chief Executive Officer between Board meetings and how to improve the work of the Board as a whole. The Lead Independent Director informed the Chairman and the Chief Executive Officer of the results of the meeting.

The independent directors have not yet met in 2021.

## 5. PROCESSING OF CORPORATE INFORMATION

TIM adopted over time an articulated 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 organisational 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 organisational 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.

The "Inside information and insider dealing procedure" is an important document for the internal management and external communication of company information (available on the website [www.gruppotim.it](http://www.gruppotim.it), Group section, *Governance/Our System/Procedures* channel), implemented on the basis of the Consob "Guidelines" of October 2017 for managing inside information.

In its meeting on 17 January 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 specified in the Corporate Governance Principles and in the relevant regulations (available on the website [www.gruppotim.it](http://www.gruppotim.it), Group section, *Governance/Committees* 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, Sustainability and Strategies Committee and Related Party Committee) require the presence of a Chairman who coordinates the meetings (which must be reported in minutes) and informs the full board of the topics discussed at the first useful meeting.

## 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 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) was able to 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:

- monitors updating of the company management replacement tables, the task of the Chief Executive Officer;
- discusses in advance with the Chief Executive Officer the decisions concerning the appointment of managers answering directly to it and the appointment of the Chief Executive Officers of the most important subsidiaries;
- monitors the adoption and implementation of measures aimed at furthering equal gender pay and opportunities within the company organisation;
- to propose the criteria for allocating the total annual compensation established by the Shareholders' Meeting for the whole Board of Directors;



- expresses the opinions envisaged for conducting related-party transactions in the case of financial attributions to Directors, Statutory Auditors and key managers not classified as excluded transactions (see paragraph 13 below);
- to perform other duties assigned to it by the Board of Directors.

The Committee's operating procedures and the prerogatives acknowledged to it are governed by special regulations approved by the Board of Directors.

During 2020, the Committee defined the planning of its activities, based on the performance of the tasks assigned, and held 10 meetings, with an average duration of approx. 1 hour and 10 minutes, with a 100% attendance rate of its members. In 2021 and up to the date of approval of the Report (18 February 2021), four meetings of the Committee have been held, attended by all its members; no plans have been defined for after the renewal of the Board of Directors.

In 2020, the Committee dealt with various issues, among which the following are worth mentioning: the definition of the remuneration policy for the year 2020, characterised by the introduction of a new long-term incentive measure (policy and proposal approved by the Shareholders' Meeting of 23 April 2020); the preliminary activities of the share ownership plan intended for the generality of employees (also approved by the Shareholders' Meeting of last April); the setting up of the self-assessment process for 2020, extending it, for the first time in TIM, to a peer-to-peer assessment; the monitoring of updating of the replacement tables, with a view to the evolution of the organisational structures and management team; the launch of specific in-depth studies and initiatives to support and further company policies on gender equality, inclusion and staff engagement. Lastly, in 2021, the Committee participated in the process of preparing the guidance opinion for the renewal of the Board and the procedure for the presentation of the slate by the outgoing Board of Directors (see paragraph 19 below).

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, to which reference should be made

## 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; at least one member shall possess adequate skills in accounting and finance or risk management.

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 with 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 tasks assigned by the Borsa Code and by internal company rules <sup>(1)</sup>, the Committee:

- monitors observance of the Company's corporate governance rules, the evolution of rules and best practice in the field of controls and corporate governance, also with a view to proposing updates to the internal practices and rules of the Company and the Group;
- establishes financial and non-financial fiscal year disclosure, in view of examination by the full board;
- to perform other duties assigned to it by the Board of Directors.

The Committee's operating procedures and the prerogatives acknowledged to it are governed by special regulations

<sup>(1)</sup> Pursuant to the Company's Corporate Governance Principles, the Control and Risk Committee is responsible for issuing an opinion to the Board of Directors in relation to the appointment / revocation of the heads of the control functions and the determination of the related remuneration. The Chairman of the Control and Risk Committee serves as the liaison between the heads of the control functions and the Board of Directors, should the Chairman of the Board of Directors is an executive officer.

approved by the Board of Directors.

In 2020, the Committee defined its schedule of activities in relation to performing the tasks assigned, holding eleven meetings lasting an average of approx. 4 hours and with an average attendance rate of 94%. In 2021 and up to the date of approval of the Report (18 February 2021), two meetings of the Committee have been held, with the participation of approx. 80%; no schedule has been defined for after the renewal of the Board of Directors.

The topics dealt with by the Committee in 2020 include, *inter alia*: reorganisation of the Risk Management department so as to strengthen supervision of the systemic management of business risks; supervision of the ISO 37001 certification process concerning the Anti-Corruption Management System (EMS); preliminary activities to the updating of the organisational model pursuant to Legislative decree no. 231/2001, with the assignment of supervisory functions to a body specifically set up for the purpose; preliminary activities for adoption of the dedicated Golden Power Guidelines and the extraordinary maintenance of corporate governance instruments, in the light of the new Corporate Governance Code; preliminary activities to the financial and non-financial information disseminated by the Company during the year; supervision of the impairment test exercise and verification of the related procedure, including in light of the pandemic events, effects of the latter on TIM have been specifically monitored, together with the initiatives adopted by the Company to mitigate health risk and in any event in the interests of the various stakeholders; monitoring the activities of control departments over time, with analysis of the respective periodic reports and discussion of the assessment of the internal control and risk management system; participation in the definition of the materiality matrix for the purposes of non-financial reporting (sustainability report).

## 10. RELATED PARTIES COMMITTEE

The Committee consists of independent directors, two of whom (given it consists of 5 members) were taken from the list that received the second highest number of votes at the Shareholders' Meeting that appointed the current Board of Directors: 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 company information necessary to carry out its tasks, making use of the Company units; in accordance with the current Related Party Procedure, 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's operating procedures and its acknowledged prerogatives are governed not only by the Procedure for Related Party Transactions mentioned above, but also by specific regulations approved by the Board of Directors.

In 2020 the Committee defined the schedule of its activities for performance of the tasks assigned to it and met six times, with meetings lasting an average of about 1 hour and an attendance rate of 98%; no schedule was defined for after the renewal of the Board of Directors.

In the course of 2020, the Committee analysed and issued opinions on specific operations; it acquired the quarterly reports prepared by the Compliance function, in accordance with the internal procedure, verifying their full compliance; it monitored the perimeter of the company's related parties. In 2021 the Committee started to analyse the changes introduced to the regulatory framework on related party transactions in December 2020 by Consob, in relation to the transposition of the Shareholders Rights II Directive; adjustment of the Company Procedure on the management of related party transactions is expected by June 2021 (see paragraph 13 below).

In 2021 and up to the date of approval of the Report (18 February 2021) no meetings were held.

## 11. STRATEGIES AND SUSTAINABILITY COMMITTEE

At its meeting on 10 March 2020, the Board of Directors changed the mission and name of the Strategic Committee, assigning it the task of monitoring the consistency of TIM's objectives and management with environmental, social and corporate sustainability criteria. The Committee has thus been renamed the Sustainability and Strategies Committee and its members have been supplemented partly in the light of gender diversity considerations, in compliance with the principle whereby the Committee is made up of non-executive directors with expertise in technology, organisational strategies and corporate finance, in addition to the Chairman of the Board of Directors and the Chief Executive Officer: see Table 2 for details.

The Committee (whose meetings can be attended by the Statutory Auditors) can access the information and company departments in order 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 tasks of a preliminary and advisory nature attributed to it by the Corporate Governance Principles; it is the committee which supports the full board in the analysis of matters relevant to the generation of

long-term value for the company, as recommended by the Corporate Governance Code. 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;
- check that TIM's objectives and management are in line with the environmental, social and corporate sustainability criteria;
- monitors regulatory developments and best practices in the CSR (Corporate Social Responsibility) and ESG (Environmental, Social and Governance) areas, including so as to propose updates to the rules and internal practices of the Company and the Group.

The Committee's operating procedures and the prerogatives acknowledged to it are governed by special regulations approved by the Board of Directors.

Meetings are called at the request of the Chairman of the Board of Directors or the Chief Executive Officer. In 2020 four meetings were held, all focused on the Company's strategic planning activities, on the main operations of an extraordinary nature and of strategic content underway and/or in the pipeline, on the actions planned to make the sustainability commitments included in the plan operative based on environmental, social and governance performance factors, and lasted an average of about 3 hours, with an overall attendance rate of about 98%.

In 2021 and up to the date of approval of the Report (18 February 2021) no meetings were held.

## 12. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

### 12.1. Introduction

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The internal control and risk management system (hereafter, for brevity: the Internal Control System) is organised and operates according to the principles and criteria set out in the Corporate Governance Code. It is an integral part of the general organisational 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.gruppotim.it](http://www.gruppotim.it), Group section - Governance/Our 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.

After consulting the Control and Risk Committee the Board of Directors (which is responsible for annually approving the work plans of the control departments directly answering to it) defines the guidelines for the Internal Control System, verifying its adequacy, effectiveness and proper functioning, so that the main corporate risks are properly identified and managed over time. In carrying out its assessment, the Board endorsed the judgement 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 function of the listed Group company (TIM S.A.), in the course of 2020 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

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The TIM Group has adopted a continuously evolving Risk Management Model in line with international regulations and standards to enable risks to be identified and managed in a homogeneous manner within Group companies. The Risk Management process is designed to identify potential events that may influence business activity, so as to manage the risk within acceptable limits and provide reasonable assurance on achievement of the corporate objectives.

The Risk Management Model adopted by the TIM Group

- classifies risks on the basis of their impact into Strategic (deriving from the evolution of factors underlying the main assumptions used to develop the Strategic Plan) and Operational (deriving from the evolution of risk factors, both endogenous and exogenous, which may compromise the achievement of business objectives);
- assesses risks not only individually but also from a risk portfolio perspective (correlation analysis);
- identifies and updates the overall set of risks to which the Group is exposed by means of:
  - analysis of the Business Plan
  - monitoring of the reference context (e.g. macroeconomic and regulatory)
  - specific analyses of the risks to which company assets may be exposed
  - monitoring and cyclical analysis with the Risk Owners, so as to intercept any changes and/or new risk scenarios.

The process is directed by the Risk Management Steering Committee which is chaired and coordinated by the Chief Financial Officer. The Steering Committee assures governance of Group risk management, aimed at guaranteeing the operational continuity of the company's business, monitoring the effectiveness of the countermeasures adopted.

A dynamic approach is adopted, which provides for a revision of the risk scenarios not only after periodic assessments but also when significant changes occur in the internal and external context of the Group, as well as the identification and/or occurrence of new risk situations. It is also cyclical in relation to the stages of the strategic planning process.

The management process provides for the following steps:

1. Definition of the context and level of acceptance:  
Establishing the context entails defining the purpose and objectives of the risk assessment, understanding the internal and external context in which decisions are made, planning the approach to be taken and the criteria to be followed for the risk assessment. In this phase, the risk acceptance and tolerance levels are defined (so-called Risk appetite, Risk tolerance).
2. Communication and Consultation:  
Communication and consultation help stakeholders understand the risk, the basis on which decisions are made and the reasons why particular actions need to be implemented. TIM Group management must be kept constantly informed in order to make informed decisions. Risk Owners are involved in the risk assessment and the results are communicated to decision makers.
3. Assessment:  
Risk assessments should be carried out during the decision-making process to make the management and Risk Owners aware of the risks associated with investment initiatives, the definition of the Plan, the activities/processes that impact the achievement of business objectives and corporate assets. The purpose of risk assessment is to identify, analyse and evaluate risks that could compromise the achievement of business objectives.
4. Mitigation:  
The purpose of treatment is to identify and implement the actions needed to mitigate the risk associated with a decision. Risk treatment involves an iterative process of selecting, evaluating, implementing and monitoring mitigation actions. The choice of risk mitigation actions is made jointly with the Risk Owners with a view to optimising the "total cost of risk", balancing the potential benefits of achieving the objectives against the costs of mitigation.
5. Monitoring and Review:  
The purpose of monitoring and review is to ensure and improve the quality and effectiveness of the design, execution and outcomes of the Risk Management process and its contribution to the quality of decision making. The results of monitoring and review are integrated into all performance management, measurement and reporting activities.
6. Logging and Reporting:  
The results of the Risk Management process must be integrated into the information presented to the Risk Owners at the moment a decision is made, as well as in the subsequent reporting and performance measurement phase. Reporting is an integral part of TIM Group's governance and serves to improve the quality of dialogue with stakeholders, supporting management and Corporate Bodies in fulfilling their responsibilities.

## 12.3 Financial risks and financial reporting

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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-fulfilment 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 addressed through (i) definition, at a centralized level, of guidelines to which operations must adhere, (ii) activity of an internal committee that monitors the level of risk exposure in line with the set objectives, (iii) monitoring of the results achieved, (iv) identification of financial instruments, including derivative instruments, most suitable to meet the set objectives, (v) exclusion of all transactions with derivative financial instruments of a speculative nature. 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 the use of 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-fulfilment 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: adequate level of financial flexibility, which is expressed by maintaining a current treasury margin to cover the refinancing requirements at least for the next 12 months with irrevocable bank lines and liquidity.

Financial information has a central role when maintaining positive relationships between the company and those it interacts with, contributing – in addition to the company performance – to create value for the shareholders.

The internal control system on 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. 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, covers 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, contextualising 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/Organisational 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 organisation 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 organisations, and they meet specific objectives<sup>(2)</sup>. 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 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 organisational procedure that identifies the roles and responsibilities for the

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



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 Officer is responsible for defining and updating the methodology adopted and monitoring the end-to-end process; together with the IT & Security Compliance function for the technological area, it supervises the designing of the controls and is 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 it provides 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.

The Group Compliance Officer, in coordination with the Chief Financial Officer, provides information to the Control and Risk Committee and the Board of Statutory Auditors on the performance of the certification process, with particular emphasis on any new control deficiencies that have emerged and been assessed as significant/material in terms of potential impact of error/fraud on financial reporting, as well as the summary of remedial activities on previous control deficiencies.

TIM has implemented a system for the control and management of tax risks, in line with the OECD guidelines and the national tax framework (so-called Tax Control framework). In this regard, in 2019 TIM was admitted by the Italian Revenues Agency to the so-called "Collaborative Compliance" regime with effect from the 2017 tax period. This scheme involves a new way of interacting with the tax authorities, based on transparency and cooperation, so as to reduce the degree of uncertainty in the management of tax issues and prevent the risk of tax disputes.

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

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The institution 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. Giovanni Ronca) for his area of competence, so as to ensure the overall adequacy of the system and its practical functionality, in a risk-based perspective.

The Chief Executive Officer oversees 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 Audit Department to carry out checks on specific operational areas and on compliance with internal rules and procedures in the execution of company operations. The Chairmen of the Board of Directors, the Control and Risk Committee, the Board of Statutory Auditors and, when applicable, 231 Supervisory Body are notified of the start of the audit.

## 12.5 Audit Department

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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 TIM S.p.A.'s Audit Department is Gianfranco Cariola, who has organisational independence such as to ensure that he fully meets his responsibilities, without undue influence in the definition of his sphere of activities, in the performance of his activities and in reporting the results. The latter is responsible for supporting the management and control boards in assessing the adequacy and effectiveness of the Internal Control System and consequently to propose corrective measures in case of anomalies and malfunctions.

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. promptly prepares reports on the findings of audits and sends them to the Chairman of the Board of Directors and the Chief Executive Officer, the Chairmen of the Control and Risk Committee and the Board of Statutory Auditors and, in relation to matters within the TIM S.p.A. area, also to the Chairman of the 231 Supervisory Board;
7. tests the reliability of the information systems, including the accounting system, as part of the audit plan.

In implementing the Audit Plan or at the request of TIM S.p.A. top management, the Audit Department also carries out its activities in subsidiaries that do not have corresponding audit departments and reports its findings, on request, to the respective 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.

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;
- *Consulting*: 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).
- *Whistleblowing & Spot Audit* - dedicated to spot activities and management of the whistleblowing channel;
- *Audit Plan, Methodology & Continuous Improvement* - for the definition of the annual Audit Plan, monitoring of the related methodological framework, development of Assurance and Quality Improvement programmes, as well as activities aimed at assessing the adequacy of the Internal Control and Risk Management System (SCIGR);
- *Relations with Control Bodies* - supports management of the Audit Department's relations with the Supervisory and Control Bodies, ensuring reporting to the same on audit, assurance and consultancy programmes.

The Head of the Audit Department promotes, develops and supports the aforementioned programmes, which cover all aspects of internal audit activities. Specifically, the assurance and quality improvement programmes provide for a periodic assessment of compliance with the International Professional Practices Framework (IPPF) and the company's internal audit procedures, as well as a continual assessment of the effectiveness and efficiency of its work, including with reference to best practices 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

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The Internal Control System includes the so-called 231 Organizational Model, i.e. an organization, management and control model, aimed at preventing the commission of crimes of potential relevance for the Group, which may involve liability of the Company pursuant to Legislative Decree 231/2001.

The Organisational 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 fulfilments and activities of a corporate nature, and
- the "internal control schemes" that describe business processes at risk of crime, any predicate offences relating to them, the preventive control activities and the behavioural indications aimed at avoiding the related risks.

The internal control schemes have been prepared in accordance with the following basic principles: (i) the separation of roles in undertaking the principal activities involved in business processes; (ii) the traceability of decisions, to allow for identification of specific points of responsibility and the motivations for the decisions themselves; and (iii) the 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 Organisational Model is a dynamic instrument which affects the company's operations and which, in turn, must be verified and updated in the light of feedback as well as the evolution of the relevant regulatory framework and any changes made to the company organisation.

The Supervisory Body is responsible for updating the 231 Model, submitting to the Board of Directors any amendments and/or additions that may be necessary in the light of changes to the regulatory or organisational framework or as a result of the actual implementation of the 231 Model. To such purpose, the Supervisory Body avails of a managerial committee, called the 231 Steering Committee, coordinated by the Compliance Department and supported, in the performance of its duties, by all the company departments concerned.

The Organisational 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 Organisational Model is adopted for TIM S.A., in application of Brazilian anti-corruption law.

The types of offences envisaged in the 231 Organizational Model of the Company mainly refer to offences 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 offences, racism and xenophobia.

The 231 Supervisory Body monitors the effectiveness of and compliance with the Organisational Model and reports to the Board on the monitoring and verification activities carried out and their outcome.

The 231 Supervisory Body coordinates with the Audit Department and the Compliance Department for the aspects within their remit. Specifically, the Audit Department supports the SB in the performance of its tasks through a dedicated Technical office while the Compliance Department supports the updating of the 231 Model, management of regular and event-driven information flows, monitoring of legislative and case law developments concerning the liability of entities and training on 231 issues.

In addition, for the 2020 financial year, the Compliance Department carried out the control activities related to the Supervisory Plan. From the 2021 financial year onwards, the aforementioned Supervisory Plan will be implemented by the Audit Department which, to such purpose, will propose an annual Integrated Audit Plan.

There is a section dedicated to the 231 Organisational Model adopted on the TIM website ([www.gruppotim.it](http://www.gruppotim.it), Group section - *Governance/Our System/231 Organizational Model* channel).

### **Anti-bribery**

In 2019, TIM adopted the Anti-Bribery Management System (also "ABMS") for which certification was achieved according to the new UNI ISO 37001 "Anti-bribery Management Systems" Standard by a specific accredited body. This system - which is an integral part of the broader Internal Control System - was defined to support the Company in preventing, detecting and responding to phenomena related to bribery, in compliance with the relevant anti-bribery laws and the commitments voluntarily undertaken and applicable to its business.

The Anti-Bribery Management System is mainly addressed to employees and collaborators of TIM and to members of corporate bodies. It consists of the following elements:

- the Code of Ethics and Conduct;
- the Group Anti-Bribery Policy, which aims to provide a systematic framework for managing the prevention of bribery;
- the "TIM S.p.A. Anti-Bribery Management System" document;
- company protocols, such as in particular Organizational and Operational Procedures;

At the organizational level, the Compliance Department is assigned the role of compliance function for the prevention of bribery, responsible for the implementation and monitoring of the ABMS within the company and, more generally, its compliance with the requirements of the ISO 37001 Standard. The 231 Steering Committee has overall responsibility for implementation and compliance with the Anti-Bribery Management System.

On the TIM website there is a specific section dedicated to the Group Anti-Bribery Policy ([www.gruppotim.it](http://www.gruppotim.it), Group section, *Governance/Our system/Procedures* channel).

## **12.7 Independent Auditor**

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The Shareholders' Meeting held on 29 March 2019 appointed EY S.p.A., for the nine-year period 2019-2027, to perform the external audit of the separate and consolidated financial statements of TIM S.p.A. and the half-year condensed



consolidated financial statements, as well as certification of compliance of the Company's Consolidated Disclosure of Non-Financial Statement. In accordance with applicable legislation, the determination was made based on the justified recommendation of the Board of Statutory Auditors.

Some time ago, TIM adopted specific Guidelines for the appointment of the independent auditor, which can be consulted on the website [www.gruppotim.it](http://www.gruppotim.it), Group section, *Governance/Our system/Procedures* channel. In accordance with such guidelines, the selection of an independent auditor nominated for the appointment was carried out after a comparative analysis performed under the supervision of the Board of Statutory Auditors, which was supported by the corporate structures. In evaluating the applications, particular consideration was given to skills and specific auditing experience in the telecommunications sector, adequacy of the organisation and operating structure with respect to the needs related to the size and complexity of the Company and its Group, independence and autonomy of judgement with respect to the Company and the Group, and consistency of the fees requested in relation to the planned activities and the levels of professionalism guaranteed. The analysis was coordinated by the Company's Executive responsible for preparing the corporate accounting documents, under the supervision of the Board of Statutory Auditors of the Parent Company and, as far as they were concerned, the Audit Committees of the main subsidiaries. The auditor appointed by the Parent Company's Shareholders' Meeting is in fact the main auditor of the entire TIM Group.

Appointment of audit services and audit-related services to companies different from the appointed external auditor and/or entities belonging to its network must be previously verified with the executive responsible for preparing the Parent company accounting documents, who will set in motion the necessary approval and reporting processes, complying with the applicable regulations. On the other hand, in order to protect the independence of the appointed auditor, the Guidelines establish the principle that the conferral of further assignments is limited to services and activities strictly related to the audit of the financial statements and is subject to the limits and prohibitions resulting from the relevant (Italian, EU, non-EU) legislation, the principles set out in the Guidelines and the criteria established by the Board of Statutory Auditors of the Parent Company.

## 12.8 Executive responsible for preparing the corporate accounting documents and other corporate roles and functions

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As per the Bylaws, the Board of Directors appoints the Executive responsible for preparing the accounting documents of the Company, after hearing the opinion of the Board of Statutory Auditors. Upon appointment, his/her tasks and powers are defined. These are covered in the specific Regulations, available at the website [www.gruppotim.it](http://www.gruppotim.it), Group Section - *Governance/Our System/Regulations* channel.

At the meeting of May 20, 2019, the Board of Directors appointed Giovanni Ronca (Head of the Group Chief Financial Office Function) as the manager responsible for preparing the financial reports of TIM. 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 Regulations acknowledge his functional responsibility (organizational and for 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.

Following renewal of the Board of Directors (Shareholders' Meeting of 31 March 2021), the executive responsible for preparing the Company's corporate accounting documents must also be renewed.

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

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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 full 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 *Audit* Department (the sole responsible for third level controls), which 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.

In addition to these "standard" roles, TIM also has, among others: the head of the *Compliance* Department (the *Group Compliance Officer*, currently Giampaolo Leone) and the head of the *IT & Security Compliance* Function (Roberto Mazzilli), who are hierarchically subordinate to the Board of Directors and are responsible, respectively, for monitoring institutional/regulatory and commercial *compliance* (*Compliance* Department) and technological *compliance* and *IT security* processes (*IT & Security Compliance* Function). In line with "EU Regulation 2016/679 on the data protection of natural persons" (GDPR), which strengthens the association 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 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 Principles. The Chairman of the Board of Directors (when non-executive) plays a liaison role between the Board of Directors and the control structures that are hierarchically subordinated to the Board: this is a 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 the relative executives' employment with the Company.

## 13. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

In terms of corporate governance, there is currently 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. The matter is governed by the Corporate Governance Principles (see paragraph 2.2) and by the Board's internal Regulations (see article 2.11).

In compliance with the Consob Related Party Regulations, the Company then adopted a procedure for carrying out related party transactions, which can be consulted on the website [www.gruppotim.it](http://www.gruppotim.it), *Group* section, *Governance/Our system/Procedures* channel. The procedure envisages in particular:

- the setting up of a specialised board committee (see paragraph 10), responsible for related party transactions carried out by both TIM and its subsidiaries (except in the case of excluded transactions);
- the classification of excluded unqualified Related Party Transactions (as per the specific definition) into Major and Minor Transactions;
- the adoption of an 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);
- the 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 analysing and supporting the Related Party Committee. 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 view of the issue of the opinion, a specific investigation is carried out, coordinated by the Group Compliance Officer (who in particular assesses the classification of the terms and conditions of the transaction as market or standard, on a case-by-case basis, in concrete terms and taking into account all the relevant circumstances) and to whom the management is required to provide its cooperation. 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.

For the sake of completeness, it should be noted that on 10 December 2020, Consob amended the Related Party Regulations by resolution no. 21624 implementing the changes introduced by Legislative Decree no. 49/2019 (implementation of EU Directive 2017/828 - so-called Shareholders Rights 2). The Regulations will come into force on 1 July 2021 to allow companies to make adjustments in their internal rules by 30 June 2021.

## 14. APPOINTMENT OF STATUTORY AUDITORS

In accordance with Art. 17 of the Bylaws, the Board of Statutory Auditors is composed of five standing auditors, of whom three of one gender and two of the other. 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. The slates are divided into 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 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 24 April 2018 appointed the Board of Statutory Auditors in office, whose term will expire with the Shareholders' Meeting called (for 31 March 2021) to approve the financial statements for the 2020 financial year.

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 (Standing Auditor), Anna Doro (Standing 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 shareholder Vivendi, as 95,000 euros for each Standing Auditor and 135,000 euros for the Chairman of the Board of Statutory Auditors.

The verification by the Board of Statutory Auditors of the existence of the requirements of its members for 2021, following the appointment by the Shareholders' Meeting, took place at the meeting of 17 February 2021, 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 Statutory Auditors are available on the website [www.gruppotim.it](http://www.gruppotim.it), Group Section - Governance/Board of Statutory Auditors/Composition channel.

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

The Board of Statutory Auditors performs the activities assigned to it by Italian rules. For detailed information on the activities performed, please refer to the report to the Shareholders' Meeting prepared pursuant to article 153 of the CLF. As of 1 April 2020, the Board of Statutory Auditors no longer performs the functions of Supervisory Body pursuant to Legislative Decree no. 231/2001, which have been assigned to a body specifically set up for this purpose, under the terms of the new Organisational Model (see paragraph 12.6).

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.

24 meetings were held in 2020, of which 2 in the exercise of the role of Supervisory Board pursuant to Italian Legislative Decree 231/2001. The average duration of the meetings was 2 hours and 30 minutes. The average percentage of attendance was 98%. In 2021 and up to the date of approval of the Report (18 February 2021), five meetings have been held.

## 16. RELATIONS WITH INVESTORS

The Investor Relations department, headed by Carola Bardelli, reports to the Chief Executive Officer and is responsible for communicating the Group's results, objectives and strategies to the financial community, maintaining an open and constructive dialogue with equity and credit analysts, investment funds (including ESG funds), retail shareholders, bondholders and associations of minority shareholders.

The financial communication programme in 2020, following the travel restrictions due to the spread of the COVID-19 virus, was implemented through numerous virtual events with investors from different countries. Quarterly conference calls on financial results and related roadshows with equity and credit investors, a Capital Market Day in streaming, virtual meetings with the financial community and roadshows with ESG investment funds were organised. TIM also participated in numerous conferences organised by Italian and international brokers, as well as a conference organised by the ASATI association for individual TIM shareholders. Overall, there were more than 1,000 meetings aimed at maintaining and expanding the Italian and international investor base.

2020	Event
January – February	Meetings with investors in Rome (Reverse Roadshow) (Reverse Roadshow) ASATI (Telecom Italia Shareholders' Association) Conference
March - April	Q4 2019 financial results and 2020-2022 Plan - Capital Market Day in streaming Industry conference with investors

May - June	Roadshows and virtual meetings with Italian and international investors to present Q4 2019 financial results and 2020-2022 business plan
	Shareholder's Meeting
	Q1 2020 financial results - conference call
	Various virtual industry conferences
July - August	Virtual roadshow with Italian and international investors for the presentation of Q1 2020 financial results
	Reverse Roadshow with investors
	Q2 2020 financial results - conference call
	Virtual conference with ESG investors
September - October	Virtual meetings with investors
	Various virtual industry conferences
	Virtual roadshow with Italian and international investors for the presentation of Q2 2020 financial results
	Reverse Roadshow with investors
November - December	Q3 2020 financial results - conference call
	Various virtual industry conferences
	Virtual roadshow with Italian and international investors for the presentation of Q3 2020 financial results
	Virtual roadshow with ESG equity and credit investors

The topics of greatest interest to the Financial Community included:

- the deleverage path of the Group, both organic and resulting from extraordinary transactions;
- the reintroduction of dividend payments on ordinary shares;
- cash generation and working capital performance;
- the evolution of the Domestic, mobile, fixed and wholesale competitive environment;
- the impact of COVID on economics and the industry;
- cost reduction opportunities and investment trends;
- the development of TIM Brasil and its results, as well as extraordinary transactions such as the acquisition of Oi's mobile network in partnership with Telefónica Brasil and Claro;
- the conclusion of the Network Sharing agreement with Vodafone to develop 5G and the sharing of the mobile network, as well as the operations to monetise the value of TIM's shares in Inwit;
- the implementation of 5G coverage in Italy and the launch of the relevant commercial offers;
- the first commercial evidence of the partnership with Google to develop TIM within the national Cloud market; the agreement with leading companies including Intesa Sanpaolo to accelerate the bank's digitalization and the innovation of the Italian System;
- the conclusion of the FiberCop operation in partnership with KKR and Fastweb;
- the letter of intent between TIM and CDP for the creation of the AccessCo national fibre network (FiberCop+OF);
- the growth in FTTx technology customers, convergent services and penetration of ICT services in the business segment;
- corporate governance issues;
- ESG issues;
- the effects on TIM and the Italian telecommunications industry deriving from the Next Generation EU Fund and the funds allocated by the Italian government.

In its meeting of 16 December 2020, the Board of Directors approved the Engagement Policy ([www.gruppotim.it](http://www.gruppotim.it), Group section - *Governance/Our system/Procedures* channel), a document formalizing the matter of dialogue with the shareholders in general, as recommended in the Borsa Italiana Code. The document contains an overall and intentionally "profound" framework of this important aspect of company dynamics, to be applied appropriately depending on the party interacted with, which may vary greatly ranging from large international funds, able to move billions of dollars, to the retail shareholder. While, in principle, it is open to all its stakeholders on any subject (in line with the current governance choices), the Company reserves the right to make a discretionary assessment of the actual engagement, again in compliance with the various (external and internal) regulations applicable. This area, too, is subject to the Board's guidance, driven by specific reporting, for which the Chairman is responsible.

The Investors section of the official website (<https://www.gruppotim.it>) provides financial information for shareholders and, in general, for current and potential investors (including bond investors), as well as the IR team's contact details.



The contact details of the Investor Relations office are:

Institutional investors:

TIM S.p.A. - ref. Investor Relations

Via Gaetano Negri, 1

20123 Milan

E-mail: [investor\\_relations@telecomitalia.it](mailto:investor_relations@telecomitalia.it)

## 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. For this purpose, 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 unfavourable opinion, where the Board of Directors intends to overrule such opinion. The Bylaws provide that decisions on mergers into TIM or demergers in favour 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.gruppotim.it](http://www.gruppotim.it), Group section, Governance/Our System/Regulations channel.

As regards the COVID-19 epidemiological emergency, the Shareholders' Meeting of 23 April 2020 was held in the manner permitted by the exceptional rules contained in Decree Law No. 18 of 17 March 2020. Attendance at the Shareholders' Meeting was exclusively through the designated representative pursuant to Article 135-undecies of Legislative Decree no. 58 (CLF) of 24 February, in the person of Studio Legale Trevisan & Associati of Milan and the Board of Directors, enabling shareholders to vote electronically (in addition to voting by post): 13 Directors, out of a total of 15 in office attended the Shareholders' Meeting of 29 March 2019 connected via video conference call.

The procedures for managing the Shareholders' Meetings applied in 2020 will be repeated for the Shareholders' Meeting of 31 March 2021, given the continuation of the health emergency and confirmation of the exceptional regulatory regime mentioned above.

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

With the approval of the financial statements as at 31 December 2020, the term of office started on 4 May 2018 will expire and shareholders will be asked to renew the board. In view of the renewal, in compliance with the recommendations of Borsa Italiana's Corporate Governance Code, the Board of Directors first of all expressed its guidance on the size and composition of the new Board. It did so on the basis of the self-assessment activity carried out for the third and last year of the three-year period with the support of Egon Zehnder Italia (a company selected by the Nomination and Remuneration Committee).

In considering the number of fifteen directors to be adequate, the opinion was expressed that the composition of the Board must take into account the company's needs, including prospective ones, as well as the need to maintain a significant presence of independent directors, with a diversity able to contribute to debate, in line with the recommendations of the Borsa Italiana Code.

It seems appropriate for the new Board to ensure the continuity of the digital transformation process under way, to be formed of professionals with appropriate skills and experience to fully share this path and support the industrial and technological changes at the speed imposed by the market.

Following the guidance formulated on the optimal size and composition of the administrative body (published on the website [www.gruppotim.it](http://www.gruppotim.it) Group section, *Governance/Board of Directors/Appointment* channel) the Board of Directors unanimously decided to avail of the option, long envisaged by the Bylaws, to submit its own slate. This is a novelty in TIM's history, made possible and opportune by the fact that there are no controlling shareholders, that the shareholder who proposed the majority of the Directors in office has substantially disposed of its shareholding, and that at present no shareholder is willing to present a slate for the appointment of the majority of the directors. The decision was made in the light of the experience acquired and the good work done by the outgoing Board over the last three years, but above all in the awareness of the important work still to be done to complete the digital transformation path undertake.

In order to prepare the slate (which will be made public in advance of the legal deadline), the Board decided to adopt robust, transparent and traceable rules, approving a special procedure (also available on the website [www.gruppotim.it](http://www.gruppotim.it) Group section, *Governance/Board of Directors/ Appointment* channel). The process will go from an initial phase of sounding out the shareholders and the market representatives, having as its exclusive object the qualitative-quantitative profiles of the composition of the Board, consistently with the engagement policy mentioned in paragraph 16, to then proceed with the definition of these criteria and drafting of an initial and broad list of possible candidates and finally of a short-list, with the technical support of Egon Zehnder Italia. The coordination of the activities has been entrusted to the Chairman Salvatore Rossi, as an independent and impartial figure. He has been entrusted with the task of keeping the Board, responsible for all the necessary intermediate and final decisions with the preliminary support of the Nomination and Remuneration Committee, constantly updated on the progress of the process.

## 20. CONSIDERATIONS ON THE LETTER OF 22 DECEMBER 2020 FROM THE CHAIRMAN OF THE ITALIAN CORPORATE GOVERNANCE COMMITTEE

Once again, this year, the letter from the Chairman of the Corporate Governance Committee at Borsa Italiana (circulated on 22 December 2020 and therefore not in time to be considered in the context of the annual self-assessment exercise) was given specific attention during the preliminary investigation for the preparation of this Report. The recommendations contained could provide a useful reference for governance to the Board of Directors (in office, but above all the new Board to be appointed by the upcoming Shareholders' Meeting) in 2021. Examination of the document confirms the solidity of the choices made as well as the correctness of the areas for improvement identified following the Board review process (for the results of which see the extensive disclosure contained in paragraph 4.3), which it will be the responsibility of the new Board of Directors to address.

*Sustainability* - As already reported last year, the Board of Directors agrees with the Corporate Governance Committee's call to focus on sustainability and interpretation of the concept in terms of sustainable success, in a global and synergic vision of the various dimensions of the business, in its relations with all stakeholders. The Company's commitment, starting with top management, to making business sustainability a shared priority, integrated into TIM's business processes and mission, was confirmed.

*Pre-Board Information* - Adequacy and timeliness of information are essential conditions for the prompt and proper exercise of the responsibilities falling on the Board of Directors. The results of the self-assessment witness the commitment to improvement and the success achieved in this area, which nevertheless still needs working on to define the preparation and organisation of work consistently with the plurality and complexity of the issues submitted to the attention of the Board and vice versa on which the Board wishes to proactively exercise its guiding role (including in terms of challenging the management) and independent supervision. It is a dynamic and interactive process of growth and maturation of information and intervention needs and opportunities, respecting the various roles that the governance structures establish.

*Independence* - Given the decision to anticipate application of the Corporate Governance Code, which is particularly appropriate in a vision of continuity beyond terms and expiry dates (i.e. including terms of office), in 2020 the Corporate Governance Principles introduced an interpretation of the criteria for assessing relations with the Company, which may be applied - *inter alia* - in assessing the independence of candidates in the succession and renewal process of the bodies in office.

*Self-Assessment, Appointment and Succession* - For the outgoing Board of Directors, self-assessment was the subject of a structured approach, spread over a multi-year perspective, in a logic of continuity and in the belief that the exercise can and must offer an opportunity for growth and maturation for the body as a whole and all its members. Consistently with this approach, the same consultant was used throughout the term of office, with whom the "traditional" board review process was lately accompanied by a peer review, in line with internationally recognised best practices. The decision of the Board of Directors to undertake its own renewal (going beyond planning the succession of executive directors only and the mere expression of "guidance" on the optimal qualitative-quantitative composition of the collegiate body) and therefore to present its own slate, complete with the related accessory proposals, is the most evident result of the consistent application of these principles.

*Remuneration policies* - Following the improvements made over time, it is considered that TIM's remuneration policy and the related disclosures fully comply with the requirements suggested by the Corporate Governance Committee (which are, moreover, largely in line with the principles underlying the reform introduced following the transposition of the so-called Shareholders' Rights Directive II): see the Remuneration Report for all necessary details. It is confirmed that the remuneration of non-executive Directors and Statutory Auditors will be subject to specific examination (also by means of benchmarking) in view of the expiry of their terms of office, at the time of the Shareholders' Meeting called to approve the financial statements as at 31 December 2020.



## TABLE 1 - INFORMATION ON SHARE OWNERSHIP

### Share capital structure up to 31 December 2020

	No. shares	% of share capital	Listed (indicate markets) / unlisted	Rights and obligations
Ordinary shares	15,329,466,496	71.78%	Listed on Borsa Italiana S.p.A.	Voting rights at the Company Ordinary and Extraordinary Meetings
Savings shares	6,027,791,699	28.22%	Listed on 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%, in the amount of 0.55 euro per share, biennial carrying over of the right to a preference dividend, dividend 2% (0.55 euro per share) 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 <sup>(1)</sup>	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 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 31 December 2020

Declarant	Direct shareholder	% of ordinary capital	% of voting capital
Vivendi S.A.	Vivendi S.A.	23.75%	23.75%
Cassa Depositi e Prestiti S.p.A.	Cassa Depositi e Prestiti S.p.A.	9.81%	9.81%
Canada Pension Plan Investment Board	Canada Pension Plan Investment Board	3.19%	3.19%

By resolution No. 21326 of 9 April 2020 (which repealed the previous resolution No. 21304 of 17 March 2020), Consob provided, pursuant to Art. 120, subsection 2-bis, of Legislative Decree no. 58 of 24 February 1998, for a period of three months from 11 April 2020 - and unless revoked earlier - the additional threshold of 1%, above which the obligation to notify the investee company and Consob arises, pursuant to art. 120, subsection 2 of Legislative Decree no. 58 of 24 February 1998.

Consob followed such resolution with further resolutions. By resolution no. 21434 of 8 July 2020, Consob sanctioned that the provisions set forth in resolutions no. 21326 and 21327 of 9 April 2020 relating to the identification of additional

thresholds for the disclosure of shareholdings and declarations of intentions in companies with a particularly broad share ownership - the relative lists of which were updated by resolutions no. 21352 of 6 May 2020 and no. 21404 of 17 June 2020 - extended for a period of three months, from 12 July 2020 to 12 October 2020, term extended to 13 January 2021 by resolution of 7 October 2020.

Resolution no. 21672 of 13 January 2021, Consob lastly extended the above term for a further three months, from 14 January to 13 April 2021, unless revoked earlier.

As a result of disclosures made pursuant to the above resolutions over time, Consob disclosed the following shareholdings in TIM's ordinary share capital held directly:

- Novator Capital Ltd. 2.986%, (controlled by The Future Holdings Trust (\*)) - transaction date 15 October 2020.

On the same date, the equity investment held by Partners Telecom Sarl, of the same amount, was reduced to zero.

As a result of the increase on 27 November 2020 of 126,343,913 ordinary shares constituting the share capital, the ownership percentage decreased to 2.962%.

- Bank of Italy 1.011% - transaction date 16 September 2020 (settlement date 18 September 2020).

As a result of the increase on 27 November 2020 of 126,343,913 ordinary shares constituting the share capital, the ownership percentage decreased to 1.002%.

- Norges Bank 1.053% - transaction date 8 June 2020.

As a result of the increase on 27 November 2020 of 126,343,913 ordinary shares constituting the share capital, the ownership percentage decreased to 1.045%.

(\*) Irrevocable discretionary trust, governed by the laws of Guernsey and administrated by BB Trustees SA as trustee. The Settlor is Björgólfur Thor Björgólfsson, the protector is Frank Pitt. Beneficiaries of the Trust are Björgólfur Thor Björgólfsson and his children. The Trustee has full powers and there are no powers of intervention of the beneficiaries or third parties (additional information provided pursuant to Consob communication no. 0066209 of 02/08/2013).

# 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 Parties Committee		Sustainability and Strategies Committee	
						Slate (*)	Exec.	Non exec.	Indep. Code	Indep. CLF)	(**)	Number of other appointments (***)	(****)	(**)	(****)	(**)	(****)	(**)	(****)	(**)
Chairman	Salvatore Rossi	1949	21/10/2019	21/10/2019	31/12/2020	=	=	X	X	X	14/14	=							C	4/4
Director Executive Officer <sup>(1) (2)</sup>	Luigi Gubitosi	1961	04/05/2018	18/11/2018	31/12/2020	E	X	=	=	=	14/14	=							M	4/4
Director	Alfredo Altavilla	1963	04/05/2018	04/05/2018	31/12/2020	E	=	X	X	X	14/14	2			C	10/10				
Director	Paola Bonomo	1969	04/05/2018	04/05/2018	31/12/2020	E	=	X	X	X	14/14	2			M	10/10			M	3/3
Director	Franck Cadoret	1957	27/06/2019	27/06/2019	31/12/2020	=	=	X	=	=	13/14	=							M	4/4
Director	Giuseppina Capaldo	1969	04/05/2018	04/05/2018	31/12/2020	VS	=	X	X	X	14/14	1			M	10/10	M	7/7		
Director	Maria Elena Cappello	1968	04/05/2018	04/05/2018	31/12/2020	E	=	X	X	X	14/14	3					M	7/7	M	3/3
Director	Massimo Ferrari	1961	04/05/2018	04/05/2018	31/12/2020	E	=	X	X	X	14/14	2	M	9/11					M	4/4
Director	Paola Giannotti	1962	04/05/2018	04/05/2018	31/12/2020	E	=	X	X	X	14/14	2	C	11/11						
Director	Marella Moretti	1965	04/05/2017	04/05/2018	31/12/2020	VS	=	X	X	X	14/14	=	M	11/11			M	7/7		
Director	Lucia Morselli	1956	04/05/2018	04/05/2018	31/12/2020	E	=	X	X	X	14/14	4	M	8/11			P	7/7		
Director <sup>(3)</sup>	Dante Roscini	1958	04/05/2018	04/05/2018	31/12/2020	E	=	X	X	X	14/14	=					M	6/7		
Director	Arnaud Roy De Puyfontaine	1964	15/12/2015	04/05/2018	31/12/2020	VS	=	X	=	=	14/14	1							M	3/4
Director	Rocco Sabelli	1954	04/05/2018	04/05/2018	31/12/2020	E	=	X	X	X	14/14	=			M	10/10			M	4/4
Director	Michele Valensise	1952	04/05/2018	04/05/2018	31/12/2020	VS	=	X	X	X	14/14	1	M	11/11	M	10/10				
Number of meetings held during the reference year:											BOD: 14		CRC: 11		NRC: 10		CPC: 7		SSC: 4	

Quorum required by the Bylaws to submit slates by the minorities for the election of one or more members (pursuant to 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 VS if appointed by slate voting and as candidates of the Vivendi S.A. 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 or other sizeable companies. The offices are detailed below. For further information on offices held, see the curricula vitae available on the website [www.gruppotim.it](http://www.gruppotim.it), Group section, Governance/Board of Directors/Members 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:

(2) Person responsible for managing the Issuer

(3) Lead Independent Director (LID)

The offices held by the Directors are detailed below.

Alfredo Altavilla	Board Member of Enerpac Tool and Chairman of Recordati
Paola Bonomo	Board Member of Axa Assicurazioni and Piquadro
Giuseppina Capaldo	Board Member of Webuild (former Salini Impregilo)
Maria Elena Cappello	Board Member of Saipem, Prysmian and member of the Supervisory Council of Luminor Bank
Massimo Ferrari	Member of the Advisory Board of Equita Group and Board Member of Cairo Communication
Paola Giannotti	Board Member Terna and Illimity Sgr
Lucia Morselli	Board Member of Atlantia and Essilor Luxottica, member of the Supervisory Board of STMicroelectronics N.V. Chairman and Chief Executive Officer of Arcelormittal Italia
Arnaud Roy De Puyfontaine	CEO and Chairman of the Management Board of Vivendi S.A.
Michele Valensise	Board Member 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	16/09/2012	20/05/2015	31/12/2020	m	X	24/24	19
Standing auditor	Giulia De Martino	1978	24/04/2018	24/04/2018	31/12/2020	M	X	24/24	14
Standing auditor	Anna Doro	1965	24/04/2018	24/04/2018	31/12/2020	m	X	24/24	2
Standing auditor	Marco Fazzini	1974	24/04/2018	24/04/2018	31/12/2020	M	X	23/24	5
Standing auditor	Francesco Schiavone Panni	1954	24/04/2018	24/04/2018	31/12/2020	M	X	23/24	13
Alternate Auditor	Andrea Balelli	1970	24/04/2018	24/04/2018	31/12/2020	M	X	=	=
Alternate Auditor	Antonia Coppola	1975	24/04/2018	24/04/2018	31/12/2020	M	X	=	=
Alternate Auditor	Franco Della Sega	1960	24/04/2018	24/04/2018	31/12/2020	M	X	=	=
Alternate Auditor	Laura Fiordelisi	1974	24/04/2018	24/04/2018	31/12/2020	m	X	=	=
Number of meetings held during the relevant year: 24 (of which 2 in its role as Supervisory Body for the period 1/1 - 31/3/2020)									
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.