Shareholders’ meeting of April 20, 2023

Long term incentive plan 2023-2025 information document
INFORMATION DOCUMENT

In accordance with Art. 84 bis of the Issuers’ Regulations adopted by Resolution no. 11971 of 14 May 1999

(The document was approved by the Board of Directors on 15 March 2023 and is available on the Company’s website www.gruppotim.it/assemblea)
INTRODUCTION

On 15 March 2023, the Board of Directors of TIM S.p.A. ("TIM", the "Company" or the "Issuer"), based on the investigations made by the Nomination and Remuneration Committee, approved the proposal for the 2023-25 Long Term Incentive Plan (the “Plan”) to be submitted to the Shareholders' Meeting called for 20 April 2023.

The initiative sets out to promote both the effective implementation within the three-year period of the delayering plan, overcoming vertical integration and the commitment to reducing leverage and maintaining a sustainable capital structure, as well as focusing on the challenges faced by individual Business Units which have already identified at an organisational level, and the achievement of their specific objectives, improving organic performance in each of the activities in the portfolio.

This information document, prepared pursuant to the Issuer Regulation (Consob resolution 11971/1999 and subsequent amendments) to illustrate the terms and conditions of the Plan, is made available to the public at TIM’s registered office in Milan, Via G. Negri no. 1, at the centralised storage mechanism for regulated information SDIR-NIS, managed by Computershare S.p.A., at www.1info.it and on the Company’s website at www.gruppotim.it/agm.

Information not available at the time the proposal is to be approved by the Shareholders’ Meeting will in due course be disseminated in the ways prescribed by the applicable regulations.
DEFINITIONS

- Chief Executive Officer – the Chief Executive Officer and General Manager of TIM: at the date of approval of the Disclosure Document by the Board of Directors, Pietro Labriola.
- Shares – The ordinary shares of the Company, without nominal value, listed on the Euronext Milan market (formerly the Electronic Share Market) organised and managed by Borsa Italiana S.p.A.
- Beneficiaries – The Chief Executive Officer and managers working for the Company or the Subsidiaries, recipients of the Plan.
- Claw-back – recovery of all or part of the Shares allocated free of charge (minus those sold to meet the tax obligations arising to the Beneficiary from the Plan), or of their Normal Value at the Vesting Date, which can be activated by the Company up to three years after payment in the event that the disbursement has occurred as a result of wilful misconduct or gross negligence, or in the event of an error in the formulation of the figure, resulting in a restatement of the financial statements.
- Performance Conditions – the set of objectives, differentiated according to the position occupied and the scope of activities, described in paragraph 2.2 of this Information Document.
- Board of Directors – The pro tempore Board of Directors of the Company, which will make all assessments regarding the Plan, and any appropriate decisions.
- Continuity of the Relationship – the Beneficiary’s continued employment with TIM or another Subsidiary.
- Subsidiary Companies – Each of the companies that are at any given time directly or indirectly controlled by TIM, pursuant to Article 2359 of the Italian Civil Code.
- Information Document – this information document, prepared pursuant to and for the purposes of Article 84-bis, paragraph 1, of the Issuer Regulation.
- Group – TIM and the Subsidiary Companies.
- Lock-up – the period of two years in which 50% of the Shares granted at the Vesting of the Plan that will remain after the exercise of the "sell to cover " option (sale upon maturity of a sufficient number of shares to pay the taxes due) will remain unavailable, non-transferable and blocked in the securities accounts specifically set up by the Issuer, to which the Shares will be credited.
- Vesting Date – the date the board approves the consolidated financial statements of the Group as at 31 December 2025, with the concurrent ascertainment of the degree to which the Performance Conditions have been achieved.
- Performance Shares – rights to the allocation of Shares to the Beneficiaries on the Vesting Date, free of charge, in a number varying from a minimum to a maximum depending on the degree to which the Performance Conditions have been achieved.
- Plan - the “Long Term Incentive Plan 2023-2025’ for the Beneficiaries
- Strategic Plan – TIM’s Strategic Plan 2023-2025, approved by the Board of Directors on 14 February 2023.
- Regulations – any Plan regulations, subject to Board of Directors approval.
- Issuer Regulation – the Regulation on issuers adopted by Consob in Resolution 11971/1999 and subsequent amendments.
- Remuneration Report – The Report on remuneration policy and compensation paid, prepared by the Company in fulfilment of the provisions of art. 123-ter CLF.
- Successor Company – any company that is the beneficiary of a demerger of TIM or the transferee of a business unit of TIM.
- TIM or the Company or the Issuer – TIM S.p.A., also referred to as Telecom Italia S.p.A.
• CFL – Legislative Decree No. 58 of 24 February 1998 and subsequent amendments.
• Starting Value – the arithmetic mean of the official Share price recorded on the stock exchange trading day preceding the 14 February 2023 (date of approval of the Preliminary Results 2022 and of the Strategic Plan) up to the thirtieth previous ordinary calendar day (both inclusive) on the Euronext Milan market (formerly the Electronic Share Market) organised and managed by Borsa Italiana S.p.A., using as a denominator only those days to which the prices used for the basis of the calculation apply, rounded to two decimal places, and without prejudice to application of appropriate correction factors as per market practice.
• Normal Value – the normal value in the case of the allocation, free of charge, of shares of the Listed company is determined based on the arithmetic mean of the prices recorded in the last month (Art. 9, subsection 4, letter a) TUIR (Consolidated Law on Income Tax). The term “last month” is understood as the period between the day of allocation of the shares to the employee (initial day excluded from the calculation) and the same day (inclusive) of the preceding calendar month (Circular No. 30/E cited above).

1. BENEFICIARIES

The Plan is reserved for the Chief Executive Officer and members of Group management (up to 140 managers), as chosen by TIM’s Board of Directors at its discretion (at the proposal of the Chief Executive Officer), from among the managers deemed worthy of incentive and retention based on management and organisational considerations related to the implementation of the Strategic Plan, following approval of the Plan by the Shareholders’ Meeting.

1.1. Names of the Beneficiaries who are members of the Board of Directors of the Issuer or the Issuer’s controlling companies or the Subsidiary Companies

The Beneficiaries will be identified by the Board of Directors of TIM only after the approval of the Plan by the Shareholders’ Meeting, without prejudice to the inclusion of the CEO (at the date of approval of the Information Document: Pietro Labriola).

1.2. Categories of employees or collaborators of the Issuer or the Issuer’s controlling companies or the Subsidiary Companies

The Beneficiaries will be chosen, in due course, from among the managers with permanent employment contracts with the Company or its Subsidiaries, without prejudice to the inclusion of the Chief Executive Officer (at the date of approval of the Information Document: Pietro Labriola).

1.3. Indication of the names of Beneficiaries in the groups indicated in point 1.3, letters a), b) and c) of Annex 3A, Chart 7, of the Issuers’ Regulations

See the provisions of preceding paragraphs 1.1 and 1.2.

1.4. Description and indication of the number of Beneficiaries, separated into the categories indicated in point 1.4, letters a), b) c) and d) of Annex 3A, Chart 7, of the Issuers’ Regulations

See the provisions of preceding paragraphs 1.1 and 1.2.
2. REASONS FOR THE ADOPTION OF THE PLAN

2.1. Objectives to be achieved by application of the Plan

The objective of the initiative is to incentivise the Beneficiaries to achieve the objectives of the 2023-2025 Strategic Plan approved by the Board of Directors on 14 February 2023, which targets a return to growth in terms of revenues and margins, despite a context characterised by a downturn in the macroeconomic trend and an extremely competitive telecommunications market, with one of the most stringent regulatory frameworks in Europe.

The Strategic Plan contains important discontinuities and defines clear, medium to long term objectives. Specifically, it provides for overcoming the vertical integration model, considering the possibility of separating fixed network infrastructure assets (NetCo) from services (ServCo with TIM Consumer, TIM Enterprise and TIM Brasil), illustrating for each entity the market context, business perimeters and strategic activities, as well as how they will be able to compete in their respective markets in order to generate more value.

After defining clear, strategic development objectives and for the purpose of creating adequate management commitment to the objectives defined for the various businesses, the Board of Directors deemed it appropriate to propose the launch of an "ordinary" LTI Plan, in line with the most common market practices, which envisages both the involvement of the Chief Executive Officer and a limited number of managers in the delayering project, and the involvement of other managers focused on the objectives of individual Business Units.

The three-year vesting period and the additional Lock-up period distribute the benefits of the Plan over an appropriate timeframe consistent with the aim of aligning the remuneration of management occupying positions deemed crucial to the company's business and the implementation of the Strategic Plan, with the long-term interests of shareholders.

The main features of the proposed measure are deemed consistent with typical market practices for equity plans (3-year vesting period, balance between market/non-market performance indicators, presence of lock-up and claw-back conditions) as well as with best practice in terms of integrating business sustainability indicators into the company's remuneration policy.

2.2. Key variables, including performance indicators, considered for the purpose of the application of the Plan

The number of Shares allocated to the Beneficiaries at the Vesting Date is directly related to the achievement of the Performance Conditions outlined below, consisting of equity, economic and ESG objectives.

Specifically, with regard to equity objectives, the relative TSR (Total Shareholder Return) and the share price, in the case of maximum and overperformance only; with regard to economic objectives, Group Equity Free Cash Flow and Business Unit EBITDA -Capex are taken as reference; lastly, ESG objectives are focused on the percentage of women among Domestic Group Managers and Middle Managers and the percentage of renewable energy used by Domestic Group.

2.3. Factors involved in determining the amount of remuneration based on financial instruments, or criteria for its determination
The Beneficiaries of the Plan, divided into 4 brackets, are allocated a number of Performance Shares proportional, on a case-by-case basis, to their gross annual pay, or to the average gross annual pay in the bracket to which they belong. Specifically, the pay opportunity will correspond to the following:

I for the Chief Executive Officer, to a percentage of the gross annual pay of 75% (minimum), 125% (target), 175% (maximum) and 250% (overperformance)

II for each of the first-line managers, to a percentage of gross annual pay of 50% (minimum), 100% (target), 130% (maximum) and 165% (overperformance)

III for a select group of managers holding relevant positions, to a percentage of the average gross annual pay in the bracket to which they belong, of 37.5% (minimum), 75% (target), 112.5% (maximum)

IV for a further group of managers, to a percentage of the average gross annual pay of the bracket to which they belong, of 25% (minimum), 50% (target), 75% (maximum).

The number of Performance Shares to be allocated to the Beneficiaries will correspond to the quotient between pay opportunity and the Starting Value of the Shares, rounded down.

As further specified below, the payout at the Vesting Date will vary as set forth in paragraph 4.5 below, without prejudice to the overall share basket available for the entire Plan, at most in the amount of 120,000,000 Shares.

2.4. Reasons for adopting remuneration plans based on financial instruments not issued by the Issuer

Not applicable.

2.5. Evaluation of significant tax and accounting implications that have influenced the design of the Plan

There have been no significant tax and accounting implications that have influenced the design of the Plan.

2.6. Any support for the Plan from the special Fund for encouraging employee ownership of firms, pursuant to Article 4, subsection 112 of Law no. 350 of 24 December 2003

The Plan does not receive support of the special Fund to provide incentives for the employees’ shareholdings in the enterprises.

3. APPROVAL PROCESS AND TIMETABLE FOR ALLOCATION OF THE INSTRUMENTS

3.1. Scope of the powers and functions delegated by the Shareholders’ Meeting to the Board of Directors for the implementation of the Plan

The Plan, for which approval by the Shareholders’ Meeting is requested, envisages the allocation of Shares to the Beneficiaries, free of charge, by the Board of Directors.

The maximum number of Shares that may allocated within the scope of the Plan is 120,000,000.
The powers delegated to the Board of Directors, with the power to sub-delegate, include:

- powers to approve (and possibly update) the Plan regulations;
- discretionary powers to choose the Beneficiaries and determine the bracket they belong to, at the proposal of the Chief Executive Officer.

3.2. Persons charged with administering the Plan and their functions and duties

The administration of the Plan is the responsibility of the Board of Directors, which shall avail itself of the corporate departments for those aspects within their competence and may also delegate to the Chief Executive Officer all or some of its powers with regard to Beneficiaries other than the Chief Executive Officer himself.

3.3. Procedures for revising the Plan, including about any changes in the underlying objectives

In the event of extraordinary transactions involving the Company, extraordinary situations not envisaged in the Plan Regulations, or changes in the regulatory framework affecting the Plan, the Board of Directors shall have the power to make any amendments and additions to the Plan deemed necessary and/or appropriate to keep the essential contents of the Plan (in material and economic terms) as unchanged as possible, without further involvement of the Shareholders’ Meeting, within the limits allowed by the resolutions passed by the Shareholders’ Meeting of 20 April 2023 (including the maximum number of Shares to be allocated to the Plan), and by the laws and regulations applicable at the time, acting - if necessary, and to the extent to which available - on the constituent documents of the Successor Companies.

3.4. Description of how the availability and allocation of the Shares on which the Plan is based will be determined

The Shares servicing the Plan will revert from ordinary treasury shares already held by the Company or acquired in execution of authorisations of the Shareholders’ Meetings.

To this end, a proposal to authorise the purchase and disposal of treasury shares, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code and 132 of the CLF will be submitted for approval to the Shareholders’ Meeting called to approve the Plan.

It is also proposed that the Board of Directors be given the power, where deemed necessary or appropriate, to fund the Plan, entirely or in part, by the use of the treasury shares in the Company’s portfolio at the time. The Board of Directors therefore also asks the Shareholders’ Meeting of the 20 April 2023 for authorisation to dispose of the aforementioned treasury shares.

3.5. Role played by each director in determining the characteristics of the Plan; any conflict of interest involving the directors concerned

The investigation into the architecture of the Plan was undertaken by the Nomination and Remuneration Committee (composed of the Directors: Bonomo - Chairman, Camagni, Carli and Sapienza), with the support of company management and the consultant Mercer Italia.

The Board of Directors took the relevant decisions in view of the Shareholders’ Meeting (with the abstention of the Chief
Executive Officer, since included among the Beneficiaries), at the unanimous proposal of the Nomination and Remuneration Committee.

The subsequent board resolutions, approving the Plan regulations and the allocation and launch of the Incentive and all determinations connected with the administration of the Plan, will be adopted in accordance with the regulations concerning Directors’ interests, related party transactions and the remuneration of managers holding particular offices, insofar as applicable.

3.6. Date of the decision taken by the competent body to submit approval of the Plan to the Shareholders’ Meeting and of the proposal of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee defined the proposed architecture of the Plan, and the indicators to be adopted as Performance Conditions, after a preliminary inquiry aimed at assessing the need to revise the company’s remuneration policy (also in the light of feedback received from analysts and investors at the Shareholders’ Meeting on 7 April 2022) and the various possible solutions, at the meetings held on 17 January, 13 February, 6 and 14 March 2023.

The Board of Directors was informed on the progress of the preliminary investigation of the Plan at the meetings held on 9 November and 15 December 2022 and 18 January and 14 February 2023; on the meeting of 15 March 2023, the Board of Directors proceeded with final approval of the proposal to be submitted to the Shareholders’ Meeting (with a unanimous vote, except for the abstention of the Chief Executive Officer), after approval of the draft financial statements for the financial year 2022 and in the context of the remuneration policy 2023.

3.7. Date of the decision taken by the competent body concerning the award of the financial instruments and any proposal made to such body by the Nomination and Remuneration Committee, if any

The Plan is subject to the approval of the Shareholders’ Meeting called for 20 April 2023. Subsequently, if the Plan should be approved, the Board of Directors will meet to make the relevant decisions for implementing the Plan itself, after examination by the Nomination and Remuneration Committee of the relative regulations and at the proposal of the Chief Executive Officer regarding the choice of the Beneficiaries.

3.8. Market price of the Shares recorded on the aforementioned dates

The official price of the Shares on the Euronext Milan market (formerly Electronic Share Market) organised and managed by Borsa Italiana S.p.A. has been recorded as follows:

- 9 November 2022 - 0.233 euros
- 15 December 2022 - 0.205 euros
- 17 January 2023 - 0.260 euros
- 18 January 2023 - 0.256 euros
- 13 February 2023 - 0.295 euros
- 14 February 2023 - 0.296 euros
- 6 March 2023 - 0.318 euros
- 14 March 2023 - 0.308 euros
3.9. Time limits and procedures by which the Issuer, in identifying the calendar for the allocation of the instruments to implement the Plan, takes into account the possible timing coincidence of: (i) such award or any decisions taken in this regard by the Nomination and Remuneration Committee and (ii) the dissemination of any relevant information pursuant to article 114, subsection 1 of the CLF

The effective transfer of the Shares under the Plan to the Beneficiaries will take place at the Vesting Date, subject to assessment of the degree to which the Performance Conditions have been achieved, and without prejudice to their subsequent Lock-up, as well as claw-back. In light of the above, the Company does not envisage preparing any particular safeguard in relation to the situations referred to above, while respecting the applicable regulations.

4. CHARACTERISTICS OF THE FINANCIAL INSTRUMENTS ALLOCATED

4.1. Description of how the Plan is structured

The Plan envisages the allocation of Shares to the Beneficiaries, free of charge, the effective transfer of which will take place at the Vesting Date, based on the Performance Conditions (and in accordance with the early termination provisions set out in point 4.8).

4.2. Indication of the period of actual implementation of the Plan, with reference also to any different cycles envisaged

The Plan provides for a single incentive cycle.

The allocation of the Shares under the Plan to the Beneficiaries, free of charge, with the consequent crediting to the individual share accounts held in their names and set up for such purpose by the Issuer, will take place following the Vesting Date.

4.3. Expiration of the Plan

The Plan will terminate at the Vesting Date, with possible ensuing crediting of the Shares to the Beneficiaries’ share accounts, subject to subsequent Lock-up and Claw-back.

4.4. Maximum number of financial instruments allocated in each fiscal year in relation to the persons individually identified or to the categories specified

Vesting will take place in the year 2026, with the simultaneous allocation of the Shares, after the Beneficiaries’ right to allocation has been ascertained by the Board of Directors.

4.5. Plan implementing procedures and clauses, specifying if the actual allocation of the financial instruments is dependent on conditions being met, or on the achievement of specific results, including performance results
The Performance Shares allocated will accrue in a variable number, depending on the degree to which the Performance Conditions have been achieved, as ascertained by the Board of Directors at the meeting to approve the Group’s consolidated financial statements as at 31 December 2025.

As regards the Chief Executive Officer and first-line managers, the relative performance of the Share (TSR) (weight: 60%) will be calculated by checking TIM’s Total Shareholders Return ranking against a basket of peers consisting of ten European TLC peers (BT Group, Swisscom, Deutsche Telekom, Telefonica, Telekom Austria, Telenor, Koninklijke KPN, Telia Company, Orange, Vodafone Group). With regard to this Parameter, the payout metric includes:

- minimum, if positioned in 6th place,
- target if positioned in 3rd place,
- maximum, in the case of 1st place or in the case of a share price of 0.64 euros,
- overperformance in the case of a share price higher than the maximum, even in the case of a relative TSR not achieved at the minimum level.

with linear interpolation if the value is at intermediate levels.

The Performance Condition represented by the Group Equity Free Cash Flow (with different weights for the various types of beneficiaries) envisages a target of 2,432 million euros with the following payout metric:

- minimum: if -12% of the target is achieved;
- target: if 2,432 million euros is achieved;
- maximum: if +12% of the target is achieved;

with linear interpolation if the value is at intermediate levels.

The Performance Condition represented by the BU EBITDA-CAPEX (60% weight) applicable to managers allocated within Business Units provides for a differentiated target per Business Unit with the following payout metric:

- minimum: if -8% of the target is achieved;
- target: if the Business Unit target is achieved;
- maximum: if +8% of the target is achieved;

with linear interpolation if the value is at intermediate levels.

Lastly, with regard to the two ESG Performance Conditions (present for all beneficiaries, each given a weight of 10%) these refer to

- the percentage of women in positions of responsibility (at the Domestic Group or BU level, depending on the bracket): minimum +5% of actual; target +10%; maximum +15% of actual;
- the share of renewable energy out of total energy at Group Domestic level: minimum ‘target 2023’; target ‘target 2024’; maximum ‘target 2025’.

Please refer to section 2.3 for the payout curve of the various beneficiary brackets.

4.6. Indication of any availability constraints on the financial instruments that are the object of the Plan
The Performance Shares will be allocated to the Beneficiaries on a personal basis, and cannot be transferred or subject to constraints, nor may they constitute the object of any other act of disposal.

Following Vesting, the Shares credited to the individual share accounts of the Beneficiaries set up for such purpose by the Issuer will be subject to a 50% Lock-up of the Shares remaining after the exercise of the "sell to cover " option (sale upon maturity of a sufficient number of shares to pay the taxes due) and to Claw-back.

4.7. Description of any resolutory conditions which apply in relation to the allocation under the Plan in the event that the Beneficiaries engage in hedging transactions to neutralise any prohibitions on the sale of the Shares deriving from the maturity of the Performance Shares.

Not provided for.

4.8. Description of the effects produced by the termination of employment

The Performance Shares will lapse without any compensation upon termination of the Beneficiary’s employment with TIM, its Subsidiaries and/or Successor Companies during the Vesting period.

Except in the case of premature death of the Beneficiary (with assignment of the Performance Shares to the heirs) or termination of the relationship due to (i) retirement; (ii) total and permanent disability; (iii) placement outside the Group, for any reason whatsoever, of the company with which the beneficiary has an employment/collaboration relationship; (iv) consensual termination (excluding voluntary resignation), provided that the termination event occurs on or after 1 January of the year following the assignment of the Performance Shares. In these cases, the Performance Shares will be subject to Vesting (without any Vesting acceleration), in a number reduced in proportion to the full four-month periods which have already elapsed since the allocation date of the Performance Shares until the interruption event (and for a full year for Beneficiaries allocated Performance Shares prior to 1 September 2023).

It is understood that, in any other case of termination of the Beneficiary’s employment relationship with TIM, its Subsidiaries or Successor Companies, Performance Shares shall be forfeited. If a notification of disciplinary proceedings is sent, the right to obtain the allocation of the Shares will be suspended until receipt of the communication announcing the sanction to be applied (with possible application of the Claw Back) or that no sanction will be applied.

4.9. Indication of any other grounds for cancelling the Plan

The Board of Directors shall be attributed all the powers required to implement the Plan, making all amendments/supplements to it as are necessary to pursue the objectives the Plan is intended to achieve, including when the applicable regulations change or extraordinary situations not envisaged in the Regulations arise.

4.10. Reasons for an option for the company to “buy back” the financial instruments underlying the plan, introduced pursuant to article 2357 et seq. of the Italian Civil Code

The plan does not envisage buy-back by the Company.

4.11. Any loans or other credit facilities that are to be granted for the purchase of the Shares pursuant to Article 2358, subsection 3 of the Italian Civil Code
4.12. Indication of the cost the Company is expected to incur at the time of the allocation, as may be determined on the basis of the already defined terms and conditions, in total and for each financial instrument.

At the date of this document, it is impossible to indicate the exact amount of the expected cost of the Plan for the Issuer since it depends on the number of rights effectively allocated and accrued, determined as described above.

Pursuant to IFRS 2 (Share-based payment), the Company and, where applicable, each Subsidiary, for the part pertaining to them, will measure the fair value of the allocated rights throughout the vesting period. This amount will be recognised pro rata temporis in the separate profit and loss account throughout the vesting period with an item in employee benefits expenses as a counter-entry to a net equity reserve. The costs recognised among the employee benefits expenses may be deducted for IRES (corporation tax) and IRAP (regional business tax) purposes by the Company and by each Subsidiary with registered offices in Italy, where the IFRS 2 standard can be applied, for the portion pertaining to it.

4.13. Indication of any capital dilution effects caused by the Plan

Not applicable. The provision of shares for the Plan will not be created through capital increase.

4.14. Any restrictions on the exercise of voting right or the attribution of property rights

Without prejudice to the two year Lock-up period, no restrictions are placed on the exercise of voting rights or the enjoyment of privileged dividend rights inherent to the Shares freely allocated at the Vesting Date.

4.15. If the shares are not traded on regulated markets, all the information needed to properly assess the value attributed to them

Not applicable.