



## GUIDANCE FOR TIM SHAREHOLDERS ON THE COMPOSITION OF THE BOARD OF DIRECTORS

Approved by the Board of Directors on January 20, 2021

In compliance with the recommendations of the Corporate Governance Code drafted by the Corporate Governance Committee of Borsa Italiana (hereafter: the Borsa Italiana Code) which TIM adopted in the January 2020 edition, the Board of Directors expressed its recommendations on the size and composition of the governing body, with a view to its renewal by the Shareholders' Meeting called to approve the financial statements of the Company as at 31 December 2020.

### *Reference framework*

Without prejudice to the legal requirements in terms of eligibility, composition, and gender balance, the Bylaws of TIM establishes that the number of Directors may vary between 7 and 19, said number being determined by the Shareholders' Meeting and remaining in force until otherwise resolved. At its renewal on 04 May 2018, the number of members of the Board of Directors was determined to be 15.

Slates of candidates for the appointment of the Board of Directors may be submitted by the outgoing Board, or by shareholders who, alone or jointly with others, hold shares that represent at least 0.5% of the capital with voting rights in the Ordinary Shareholders' Meeting or such lesser measure as determined by the regulatory provisions issued by Consob.

Each shareholder may submit only one slate, alone or jointly with others. In doing this, Consob recommends that the shareholders who present a "minority slate" file, together with the slate, a declaration that attests to the absence of connecting relationships, including indirect relationships, with shareholders who hold, including jointly, a controlling or relative majority stake, specifying any relationships that exist with the latter.

The individual candidates' acceptance of their candidacy must also be filed with each slate, as must their declarations attesting that there are no grounds for ineligibility or incompatibility and that they meet the prescribed requirements, as well as any other information required by applicable laws or regulations. With the declarations, a curriculum vitae must be filed for each candidate, illustrating their personal and professional characteristics, and indicating their suitability to qualify as independent, if

applicable, in accordance with the legal criteria (pursuant to article 148, subsection 3, as referred to in article 147-ter, subsection 4, of Legislative Decree 58/1998) and the criteria adopted by TIM (i.e. pursuant to the Borsa Italiana Code) in addition to the administration and control appointments held in other companies.

In such regard, according to the provisions of TIM's Corporate Governance Principles, generally speaking:

- for the purposes of assessing independence, any relation which has entailed for the Director (or candidate) a revenue of twice or more the annual fees paid by the Company the previous year for the office of non-executive director, is considered significant. In 2020 said annual fee amounted to 100,000 euros gross;
- acting as a director of the Company is not considered compatible with being a director or statutory auditor in more than five companies, other than those subject to the direction and coordination of TIM or controlled by or affiliated to TIM, which are listed companies included in the FTSE/MIB index and/or operate mainly in the financial sector dealing with the public and/or performing banking or insurance activities. In the case of executive directors in companies with the characteristics listed above, the limit is reduced to three. If a Director holds office in more than one company belonging to the same Group, only one appointment held within that Group shall be taken into account when calculating the number of appointments.

The Bylaws state that all slates must ensure the presence of candidates meeting the requirements of independence established by law and /or by the Borsa Italiana Code. In addition, slates that contain three or more candidates must ensure that both genders are present. There are no age limits or limits to the number of mandates for candidates, nor are there any professional requisites.

2/3 of the seats (with rounding down to the next whole number) are assigned to the slate which obtains the most votes (the "majority slate"), according to the order in which the candidates are listed, and the remainder to the "minority slate", according to the "quotients method": (i) a single ranking of all the candidates on the various minority slates, based on the quotients, obtained by dividing the number of slate votes by the

corresponding position number of the candidate in the respective submission slate, and  
(ii) the selection, in order, of the candidates with the highest quotients. Moreover:

- at least half of those elected from each slate (with rounding up to the nearest whole number) must possess the requirements for independence, with a possibility 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 the composition of the board resulting from the application of the above criteria does not allow such, a single decreasing ranking of all candidates is drawn up (taken from both the majority and minority slates) in relation to the relative quotient (calculated as above) and 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;
- at least one Director must be appointed from the minority slate which obtained the largest number of votes and is not connected with the shareholders who presented or voted for the slate which came first by number of votes. As indicated above, Consob recommends that all those submitting minority slates provide a declaration that they have no links with the controlling or principal shareholder.

As for the term of office, in the absence of any provision in the Bylaws, this decision is made by the Shareholders' Meeting, within the maximum legal limit of three financial years. An appointment of three years is consolidated practice, in keeping with the induction time of a new Board.

According to the Bylaws, Directors are entitled to reimbursement of expenses incurred to exercise their functions; Company policy is to align these with the provision made for top management. The determination by the Shareholders' meeting of a total, maximum, annual amount to apply to the whole Board of Directors pursuant to article

2389, subsection 1 of the Italian Civil Code (and thus net of remuneration for specific roles pursuant to article 2389, subsection 3 of the Italian Civil Code), assigning its allocation among directors to the Board itself, is consolidated practice. The non-executive Directors are not entitled to any remuneration linked to the company results, nor to any severance pay. For completeness, it should be noted that members of the Board benefit from civil liability (professional risks) insurance, known as a Directors & Officers policy, drawn up as a "claim first made" policy, which is renewed annually and covers all managers and members of the management bodies of the companies of the Group (TIM and subsidiaries), including external directorships to which they are appointed by TIM.

TIM's corporate governance rules provide for the appointment, within the Board, of a Chief Executive Officer and a Chairman, who in the last few terms of office has not held executive positions and is qualified as independent. As a rule, the Board of Directors also appoints a Lead Independent Director and organizes itself by setting up internal committees (and specifically: the Sustainability and Strategies Committee, Control and Risk Committee, Nomination and Remuneration Committee and Related Parties Committee), the powers and composition of which are set out, in keeping with the recommendations of the Borsa Italiana Code, in the Company's Corporate Governance Principles.

Given the business conducted by the company, it would be appropriate for the members of the administrative body to individually meet the requirements for entering into contracts with public administrations and carrying out activities subject to authorisation; it should also be noted that TIM holds 49% of the capital of TIMFin S.p.A., which qualifies as a financial intermediary pursuant to article 106 of Legislative Decree 385/1993. Moreover, under the provisions to which TIM is subject pursuant to the Golden Power law (Decree Law 21/2012, converted into Law 56/2012, as subsequently amended), at least one TIM director must have solely Italian citizenship and have (or be in a position to obtain) the so-called NOS (security clearance)

Taking into account the overall reference framework described and on the basis of the self-assessment exercise, carried out for the third and last year of the term of office with the support of Egon Zehnder Italia (company selected by the Nomination and

Remuneration Committee), specifically extended - in view of the renewal - to a complete peer-to-peer review of its individual members, the Board of Directors expressed its guidance on the requirements of the Board of Directors to be appointed.

### *Size of the Board of Directors*

With reference to corporate governance best practices, the number of members of the Board must be appropriate both to the size and complexity of the companies and to the number and composition of the Board Committees.

In the light of such, the Board considers the current number of fifteen directors to be appropriate overall.

### *Composition of the Board of Directors*

The composition must take into account TIM's current and prospective needs, as well as the need to maintain a significant presence of independent directors, with a diversity that takes into account the applicable legal provisions and the recommendations of the Borsa Italiana Code.

The Board's mix of skills should be well balanced and strengthened by knowledge of TIM's business and the experience gained in the current term of office, given the complexity of the business and the need to complete the transformation process initiated by the current Board and strongly imposed by the market.

In particular, in its 2020-2022 strategic plan, TIM illustrated its transformation path and announced challenging digital transition objectives, including for its offer portfolio. Consequently, it would seem appropriate for the new Board to be made up of professionals with the skills and experience required to fully share the development path and to support and implement, with the speed required by the market, the industrial and technological changes and the associated strategic drivers, so as to protect and safeguard value for all stakeholders.

The TIM Board appreciates the current quality profile, however, in view of the renewal, thinking about the future challenges to be faced and evaluating the possibility of further

expanding the Board's skills and experience, it points out the following as elements to be taken into consideration:

- specific operational management experience and skills;
- technological skills (cyber, AI, IOT and new platform services);
- strategic orientation;
- commercial experience;
- sustainability.

With specific reference to the issue of digital transition and its centrality to TIM's strategic plan, the Board emphasises the importance for the new body to include professionals with experience in similarly complex contexts of strategic change, including on an international scale.

With regard to "diversity", including in relation to the criteria set out in art. 2 of the Borsa Italiana Code, the Board considers diversification in terms of age, gender, educational and professional background and geographical diversity as relevant.

The Board specifically reflected on the matter of "soft skills" attributing importance to the following characteristics, also in view of the renewal:

- independence of thought and integrity;
- adequate availability of time and energy in relation to other commitments;
- ability to integrate sustainability issues into the business vision;
- ability to meet halfway with other directors' views and manage conflict constructively;
- ability to work in a team.

Sharing the digital transition path outlined in TIM's strategic plan, supporting the Chief Executive Officer pro tempore in its implementation is considered qualifying.

During the self-assessment, part of the Board referred to the provisions contained in TIM's Corporate Governance Principles on the maximum number of offices considered compatible with the effective performance of the office of non-executive director of the Company (referred to above), believing that this should be updated (in the stricter sense) in the light of Italian and international best practices on the subject given the

need for new Board members to have adequate time and energy available, in view of the other commitments they may have outside the Company.

## *Relevant persons*

### *Chairman*

In addition to the characteristics relevant to all Directors, the Board believes that the Chairman of the new Board should:

- be sufficiently authoritative to represent all shareholders independently;
- have previous experience in leading boards of directors of listed and complex companies;
- have specific knowledge of corporate governance;
- be of international standing and have in-depth knowledge of investors, also foreign;
- have leadership qualities and balance to ensure the smooth functioning of the Board, encouraging internal debate;
- be able to conduct a constructive relationship with the Chief Executive Officer;
- have listening, mediation, synthesis and communication skills;
- be able to involve and motivate the Board to support the Chief Executive Officer in TIM's digital transition path.

### *Chief Executive Officer*

In addition to the characteristics relevant to all Directors, the Board believes that the Chief Executive Officer should:

- have a solid knowledge and authority in the conventional business, to ensure that the path of efficiency is continued and to generate resources to invest in the strategic future of TIM;
- be able to inspire management and engage and guide all TIM people towards the digital transition;
- have a consolidated network at the highest institutional levels;



- have a strong propensity for technological innovation and change management to guide cultural change and make it widespread throughout TIM;
- have previous experience in top management positions in listed companies of comparable complexity to TIM;
- be of high standing on international markets and in business sectors relevant to TIM;
- have a successful track record in managing an operating company and complex stakeholders, both local and international, in the relevant markets.

The Board emphasises, with reference to the relationship between the Chairman and the Chief Executive Officer, the need for a complementary relationship between the two figures, to ensure the effective functioning of the Board and, more generally, the Company's governance, keeping it quite distinct in terms of executive powers.

## Committees

The Board believes, with reference to the Committees, that it is generally appropriate to confirm their current organisation, mission and structure, while also inviting the new Board to re-consider at due time the size of the Sustainability and Strategies Committee.

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