



# Sustainability Financing Framework



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«As a leading company in the country, we can make a difference, interacting with the environment, society and governance systems so that our work makes a tangible contribution to strengthening society, families and companies».

*Luigi Gubitosi, TIM's Chief Executive Officer*

## Introduction

Sustainability is at the heart of our 2020–2022 Industrial Plan. Sustainability is a compass that orients our innovation, our partnerships, as well as the solutions and services the Group offers. It is the link that unites people, helps our customer companies grow, ensures the well-being of the communities we work in, and underpins networks of people and ideas.

- **We have been among the first telecom operators to assess our environmental responsibility** and, as such, we were one of the founders of the ETNO Corporate Responsibility Charter in 1996 and of the United Nations Global Compact Network Italy in 2002.
- **We were one of the founders of the Joint Audit Cooperation (JAC)** initiative through which the sustainability performance of strategic suppliers common to participating telecommunication operators is assessed, providing careful and timely checks of the environmental and social impact management of activities carried out.
- **We are committed to be carbon-neutral by 2030.** Improving energy efficiency is one of our main priorities. We will already be using 11% more energy from renewable sources by 2020, and in the two-year period 2020–2022 we will reduce emissions by 30%.
- **We are dedicated to promoting circular economy**, as a tool for development and environmental sustainability. By 2024, 15% of the products we offer will be regenerated or refurbished, enabling us to save 14,000 tonnes of CO<sub>2</sub> and helping spread conscious, responsible behaviour among our customers.
- **Our commitment to sustainability extends to our supply chain.** TIM's Supplier Code of Conduct requires suppliers to conduct themselves with the highest standards of honesty, fairness and ethics and sets baseline expectations in the areas of health & safety, environment, fair labour and compliance.

Recognizing our role and responsibilities, we intend to continue with our policies, initiatives and conduct in line with the United Nations Global Sustainable Development Goals.

TIM has placed sustainable development at the core of its long-term strategy setting ambitious targets:

Our ambition	Environment		Social		Governance	
	We want to be green		We believe that new capabilities are a key factor to maintain leadership		Innovation + Sustainability means access to cheaper financing and new revenue streams	
Planned targets	Eco-efficiency	+50%	Employees engagement	+14 p.p.	New VC fund size	€ 50m
	Renewable energy increase of weight on total energy (%)	+5pp /yr	Reskilled people	2,000	IoT and Security services revenues	+20%
	Indirect emissions	-70%	Churn of young employees	<15%	Green smartphone	> 15%
	Carbon neutral by 2030					
	2025		2022		2024	



## 1.1 Sustainable development is at the core of TIM's long-term strategy

We keep almost 100 million people connected in Italy and Brazil. We run 10,200 stations and 22 data centres in Italy. As a leader within the industry, we are committed to make a tangible contribution to strengthening society, families and companies to foster sustainable growth.

Being a large telecom company, the contribution we provide to the sustainable growth of the community can be summarized according to the following scheme:

- **overcoming the geographic digital divide:** our projects on broadband coverage of rural areas fall in this category;
- **contributing to social digital inclusion:** for example, our initiatives for dissemination of internet and of new technologies among those who would otherwise be excluded for social reasons, as well as the development of new technologies aiming at facilitating communication for people with disabilities or health problems;
- **ensuring the security of the information transmitted through our network and protecting people from abuses over the Internet while ensuring freedom of expression:** the internet is an incredible source of opportunities and TIM is an everyday enabler of the right to express one's opinions in total freedom. To protect this freedom and the individuals on the internet, TIM has implemented programs for e-security and protection of minors;
- **offering services and products for the reduction of the environmental footprint of citizens and enterprises:** by 2020, telecommunications are predicted to contribute to a 15% reduction of other sectors' emissions. Services such as telework, virtual conferencing, info mobility, tele-monitoring, are predicted to grow, thus providing an opportunity for economic development compatible with the safeguard of the environment. We offer these services and we help the Public Administration, enterprises and people to become acquainted to them;
- **financing innovation through R&D and Corporate Venture Capital TIM Ventures:**
  - Research and innovation at TIM are oriented towards Smart Services, those services that oversee the energy efficiency and digital services of the city. Fixed telephone, mobile telephony and the Internet, artificial intelligence, Internet of Things, 5G have set fundamental steps in human progress both from a technological and a social perspective. TIM directly contributes to ICT research and is an active participant in national and international consortia;
  - TIM, through its company dedicated to Corporate Venture Capital, TIM Ventures, signed an agreement with United Ventures, an independent venture capital manager specialised in investments in digital technologies, to launch a new fund called UV T-Growth which will support investments in established innovative enterprises and SMEs to develop technological projects in Italy and abroad, with a focus on 5G technology;
- **promoting circular economy:** Our new SIM card has been reduced to half the size of its predecessor and is made from 60% recycled plastic. Its packaging housing is made of biodegradable material and the brochure was resized and printed on FSC paper (Forest Stewardship Council) produced under an internationally recognised forest certification system. With this initiative each year we will save between 9.2 and 13.8 tonnes of plastic, a significant contribution to environmental protection.

## 1.2 Conducting our Business in a sustainable way

Implementing sustainability means not only providing sustainable services and products, but also having **sustainable internal procedures and praxis**.

- At TIM, all internal and external norms and policies concerning social and environmental issues are strictly attended. Our social and environmental procedures go well beyond law requirements. Compliance with procedures and respect to the reference regulatory framework are monitored by the Compliance department -which reports directly to the Board of Directors- and by external certification bodies.
- TIM Group applies risk management measures in its capital allocation decisions which are supported by a company-wide planning, reporting and controlling system.
- Internal Policies and Guidelines, which mitigate the Group's social and environmental risks potentially associated with Eligible Green Projects.

**TIM Green, created to reduce emissions:** A set of initiatives to improve the environmental efficiency of our products, from the use of sustainable materials to the reduction of energy consumption, applying the "Design For Environment" rules. Telephones and modems, as well as decoders and gamepads for gaming, and finally the new SIM card, the TIM Green range stems from collaboration with our suppliers, in line with our holistic approach to sustainability within our supply chain. All components of our eco-sustainable products (including accessories and packaging) are designed and produced in accordance with energy efficiency principles and favour the use of eco-compatible, recycled and recyclable materials.

- TIM applies the concept of circular economy in many other fields of its activity, such as fixed network access. As an example, the company recovered 30,000 abandoned cabinet, obsolete and no more fungible, launching an initiative with one of its trusted suppliers in order to restore this equipment that brought to 10.000 regenerated cabinet made of recycled components, promptly reinstalled.
- Technical solutions aimed at optimizing and reducing power consumption have been developed and adopted that, in particular for broadband products, guarantee a performance that is better than the limits set by the voluntary Codes of Conduct in force in the European Union, which TIM has subscribed to.

### Replicate Project Florence, Monica Project Turin and Smile Project Turin

- The Replicate Project is an integrated strategy aiming at implementing the Smart City Plan in a smart district to be replicated and scaled up at metropolitan level in the city of Florence. Thanks to a technological partnership with TIM, it is focusing on smart energy, smart mobility and smart waste solutions, as well as developing IoT platforms for managing water distribution and waste management. The vision is to increase the quality of life for citizens across Europe by demonstrating the impact of innovative technologies used to co-create smart city services with citizens and prove the optimal process for replicating successes within and across cities.
- Similarly, the Monica Project is focused on urban noise pollution and safety in public life and the Smile Project is focusing on the theme of life & health. Based on the projects' inputs, the Municipality of Turin has drawn up a master plan for Torino Smart City.

## 1.3 Delivering essential services and Philanthropy at TIM

**DonaconTIM:** TIM is the first European operator to launch an App wholly dedicated to donations, thus transforming the fund-raising process, making it more efficient and integrated with new technologies. Through DonaconTIM, users can support fund-raising campaign of their choice through an easy and quick process.

**Fondazione TIM's (FTIM):** TIM supports social, cultural and educational initiatives aimed at the enhancement of the individual and the improvement of their living conditions. This is why the Group has developed a foundation called Fondazione TIM's (FTIM) whose mission is promoting a culture of digital change and innovation, for integration, communication, economic and social growth.

**TIM Tec** is a distance learning platform that uses the MOOC (Massive Open Online Courses) concept. The courses, which are made available for free on the platform, are intended for pupils in high schools and students at technical colleges. TIM Tec's goal is indeed to increase the availability of professional and technological education courses.

Since 2016, TIM has promoted the **TIM ScuolaDigitale**. During the 2016–2017 and 2017–2018 school years, the project aimed to bring school teachers of all levels and qualifications more into contact with digital tools, to give them an overview of technologies that add value and provide new opportunities for teaching. Over two years, more than 200 meetings were held throughout Italy, involving over 4,500 teachers. Since digital skills have been one of the key factors in economies achieving a competitive advantage over the past 20 years, TIM has been very active on making the pupils and students more familiar with the key concepts of new technologies, the Internet of Things and robotics, thus stimulating their creativity and transforming them from passive to aware and active users of technology.

## 1.4 COVID 19: respond to the urgency of the situation

The COVID-19 crisis has revealed just how essential connectivity and digital solutions are in emergency situations to deal with issues such as the physical separation of people, interruption of services, mobility restrictions and the interruption of school and educational services in general.

Aware of its leading role in the digitalization of the country, TIM has put in place a series of initiatives to help citizens and institutions during the lockdown and in the progressive reopening phases, with a wide-ranging plan on activities aimed at our staff, institutions, customers and their employees. In particular:

- Through an acceleration of Italy's digitalization, new cabinets were switched on allowing more than 5 million citizens to access ultrabroadband connectivity. Furthermore, with a series of technical activities, which on some routes led to an increase in bandwidth of up to 37%, it was possible to cope with the significant increase in traffic during the period (peaks of up to 90% on the fixed network and up to 45% on the mobile network, while ensuring the quality of service remained unchanged)
- During the Covid-19 outbreak, the foundation has been very active as it distributed one million euros to four Italian hospitals throughout the country. The foundation is now evaluating initiatives concerning the post-emergency crisis, especially in the fields of telemedicine and the combination of medicine and advanced technologies for the remote transmission of data and knowledge.

For additional information, please visit our [website](#).

The creation of a Sustainability Financing Framework (the “Framework”) is a consistent and tangible step, to further enhance TIM ability to finance its sustainability commitments and to mobilize all its stakeholders around this objective

## TIM Sustainability Financing Framework

TIM Sustainability Financing Framework (the “Framework”) aims at providing transparency for TIM's Green, Social and Sustainability financings. As such, all Green, Social and Sustainability financing instruments shall comply with the procedures set out in this framework.

This Framework is designed as an umbrella platform allowing TIM to enter into various types of financing instruments including:

- (1) Green, Social and Sustainability Bonds including public and private format (the “Bonds”)
- (2) Green, Social and Sustainability Loans including but not limited to Term Loans, Project Finance Loans, and Revolving Credit Facilities (RCF)
- (3) Any other instrument aiming at financing Eligible Projects as defined in the “Use of Proceeds” section

This Framework is aligned with the Green Loan Principles 2020 overseen by the Loan Market Association (LMA) and is aligned with the Green Bond Principles 2018 (GBP), the Social Bond Principles 2020 (SBP) and the Sustainability Bond Guidelines 2018 (SBG) overseen by the International Capital Markets Association (ICMA).

### 2.1 Use of Proceeds









The Use of Proceeds of any Green, Social or Sustainability financing under this Framework will be subject to the following eligibility criteria, to be applied to new or existing projects. The financing of such projects is expected to create substantial environmental or social benefits by enabling significant reduction in GHG emissions and energy consumption or significantly improving the living conditions of target populations.

Green Eligible Projects and Social Eligible Projects are “Eligible Projects” and constitute the Eligible Project Portfolio.

Going forward, TIM may extend the categories of Eligible Projects. Any changes made will be documented in an updated Framework

Green Eligible Projects	Green Project category	Eligibility criteria	Supported SDG
Energy Efficiency	Network transformation	<ul style="list-style-type: none"> <li>Network transformation (both mobile and fixed) with a view to making the new or legacy network more energy-efficient. It includes the modernization of broadband network from copper cable to optic fiber, or the development of 5G wireless communication.</li> </ul>	7.3  8.4  9  9.4
	Network optimization	<ul style="list-style-type: none"> <li>Software aiming at reducing power consumption such as servers' virtualization, smart management, cooling and power storage optimization.</li> </ul>	7.3  9.5 
	Innovation	<ul style="list-style-type: none"> <li>Internet of Things (IoT) Solutions and Products: Development of solutions and products like big data and artificial intelligence that primarily contribute to manage energy consumptions and reduce emissions of TIM customers such as smart data, smart metering, smart energy, smart cities. It includes TIM Ventures financings to support entrepreneurs in the development of technical solutions that primarily contribute to manage energy consumptions</li> <li>Research and Development expenditures such as TIM OPEN LABS expenses for projects aiming at achieving energy efficiency benefits</li> </ul>	7.3  8.4  9.5 
	Data Centers	<ul style="list-style-type: none"> <li>Construction and retrofitting of data centers delivering below industry-leading Power Usage Effectiveness (PUE)</li> </ul>	7.3 
	Green Buildings	<ul style="list-style-type: none"> <li>Acquisition of buildings belonging to the top 15% of the most efficient buildings in their respective countries</li> <li>Construction of buildings with the following certifications, or any equivalent:               <ul style="list-style-type: none"> <li>LEED Gold or above</li> <li>BREEAM Very Good or above</li> <li>HQE Very Good or above</li> </ul> </li> <li>Green Building retrofits: renovations leading to an energy efficiency improvement of at least 30% in comparison to the baseline performance of the building before the renovation</li> </ul>	7.3  11.1 
Renewable Energy	Renewable Energy	<ul style="list-style-type: none"> <li>Renewable energy facilities including solar, wind and other renewable energies operating at life cycle emissions lower than 100gCO<sub>2</sub>e/kWh</li> </ul>	7.2 
Circular Economy	Extending product life	<ul style="list-style-type: none"> <li>Eco-designing, and recycling equipment to give a second life and reduce the impact of electronic waste on the environment</li> <li>Refurbishments that aim at extending product life, increasing reliability and re-use</li> </ul>	12  12.5



Social Eligible Projects	Social Project category	Eligibility criteria: target population	Supported SDG
Digital Inclusion	Deployment of optic fiber network in underserved areas	<ul style="list-style-type: none"> <li>Unconnected or underserved populations located in “white areas” in Italy, defined as:               <ul style="list-style-type: none"> <li>Areas where broadband connectivity above 30Mbps could be provided only through public intervention</li> </ul> </li> </ul>	9.1  10.2 
	TIM digital education project “Operazione Risorgimento Digitale”	<ul style="list-style-type: none"> <li>People without working knowledge of digital technologies. It includes population living in rural areas, elderly people and individuals with low levels of education</li> </ul>	4.4  8.2, 8.5  10.2 
	Deployment of new Fiber-To-The-Cabinet (FTTC) facilities to cope with traffic increase during health crisis such as COVID-19	<ul style="list-style-type: none"> <li>Population with limited access to UltraBroadBand connectivity during COVID-19 lockdown</li> </ul>	9.1  10.2 
Response to health crisis such as Covid 19	Emergency support initiatives towards vulnerable population, frontline workers, Italian start-up and SME companies	<ul style="list-style-type: none"> <li>Distribution of free of charge digital tools towards vulnerable population and Italian start-up and SME<sup>1</sup> companies               <ul style="list-style-type: none"> <li>Vulnerable population includes prisoners, deaf population, elderly persons, anyone with a need for psychological support to counteract negative lockdown effects, and families with pre-schoolers and young children with distance teaching and cultural activities</li> </ul> </li> <li>Support to frontline workers mobilised during health crisis such as Covid 19 that includes digital training platform, set of operational rooms and telemedicine platform to support healthcare workers and institutions such as the Civil Protection, the Carabinieri Corps, Confindustria and Hospitals</li> </ul>	8.8  10.2 

<sup>1</sup> as defined by the European Commission: [https://ec.europa.eu/growth/smes/sme-definition\\_en](https://ec.europa.eu/growth/smes/sme-definition_en)

## 2.2 Process for Project Selection and Evaluation

TIM Sustainability Steering Committee will review the evaluation and the selection of the projects. This committee will meet at least once a year. It will be chaired by the CEO and composed of representatives of the CSR department, the Finance department, and any other relevant Department who will approve the selection of Eligible Assets (see [link](#)).

The Sustainability Steering Committee will verify the compliance of the selected pool of eligible projects with the eligibility criteria defined by this Framework and will be responsible for approving allocations of net proceeds on an annual basis.

The committee will monitor the Eligible Project Portfolio during the life of the transactions, in particular, if any Eligible Projects exit TIM's portfolio or when the committee decides to remove an Eligible Project from the Eligible Project Portfolio if such project no longer meets the eligibility criteria, or if the committee identifies the occurrence of a material controversy associated with one Eligible Project.

The Sustainability Steering Committee will manage any future updates to the section 2 and 3 of this Framework. Updates of section 2 and 3 of this Framework will only apply to Green, Social and Sustainability financings that are launched after the issuance of a new Second-Party Opinion.

## 2.3 Management of Proceeds

The net proceeds of any Green, Social and Sustainability financing will be managed on a portfolio basis by the Treasury.

An amount equivalent to each financing net proceeds will be used to finance Eligible Projects which are part of Eligible Project Portfolio.

The Eligible Portfolio is composed of one Green Eligible Project sub-portfolio and one Social Eligible Project sub portfolio. Only Green Eligible Projects can be allocated to Green financings, only Social Eligible Projects can be allocated to Social financings.

The Treasury will establish a Sustainability Register, that will be reviewed annually by the Sustainability Steering Committee. It will contain information of the use of proceeds of each Green, Social and Sustainability financing, including the amount of allocation per Eligible Projects Category.

For Bond issuances:

- in case of refinancing, disbursements related to Eligible Projects made in the 2 calendar years prior to the issuance may be allocated to the Bonds.
- TIM commits on a best effort basis to reach full allocation within the 24 months following each Bond issuance.

Pending full allocation, unallocated proceeds may temporarily be invested in accordance with TIM's investment guidelines in cash, deposits and money market instruments.

## 2.4 Reporting

After entering into a Green, Social or Sustainability financing, TIM commits to publish annually a Sustainable Financing Report, which will provide an allocation report and an impact report, as detailed below. The allocation and the impact reporting will be provided until full allocation, and thereafter in case of material changes.

The full reporting document, (the “Sustainable Financing Report”) will be made available on TIM’s website.

## A. Allocation report

TIM’s allocation report will provide information on the following:

- (1) The list of TIM Green, Social and Sustainability financings
- (2) The total amount of proceeds allocated per Eligible Project category;
- (3) The share of financing and refinancing;
- (4) The amount of unallocated proceeds (if any).

## B. Impact report

TIM will provide an impact reporting at the Project category level.

Potential key environmental impact indicators for Eligible Green Projects are the estimated annual GHG emissions avoided (tCO2e/year) as well as the following potential impact reporting metrics:

Green Eligible Project	Green Project category	Impact Reporting Metrics
Energy Efficiency	Network Transformation	<ul style="list-style-type: none"> <li>Length of fiber installed (km)</li> <li>Estimated annual reduction in energy consumption (MWh/year)</li> </ul>
		<ul style="list-style-type: none"> <li>Reduction in energy consumption per unit of data traffic (MWh/Tbit)</li> <li>Reduction in energy consumption compared to baseline year (in %)</li> </ul>
	Network optimization	<ul style="list-style-type: none"> <li>Estimated annual reduction in energy consumption (MWh/year)</li> </ul>
	Innovation	<ul style="list-style-type: none"> <li>Estimated annual reduction in energy consumption (MWh/year)</li> <li>Research specifications with potential impact</li> </ul>
	Data Centers	<ul style="list-style-type: none"> <li>Estimated annual reduction in energy consumption (MWh/year)</li> <li>Reduction in energy consumption per unit of data stored (MWh/Tb)</li> </ul>
		<ul style="list-style-type: none"> <li>Environmental certification type and year of certification</li> <li>Energy Savings (%)</li> </ul>
	Green Buildings	<ul style="list-style-type: none"> <li>Environmental certification type and year of certification</li> <li>Energy Savings (%)</li> </ul>
		<ul style="list-style-type: none"> <li>Environmental certification type and year of certification</li> <li>Energy Savings (%)</li> </ul>
	Renewable Energy	<ul style="list-style-type: none"> <li>Nature and number of renewable energy facilities</li> <li>Annual Power output (MWh/year)</li> </ul>
		<ul style="list-style-type: none"> <li>Nature and number of renewable energy facilities</li> <li>Annual Power output (MWh/year)</li> </ul>
Circular Economy	Extending product life	<ul style="list-style-type: none"> <li>Expected reduction of waste in number of equipment units</li> </ul>

Potential key social impact indicators for Social Eligible Projects may include:

Social Eligible Project	Impact Reporting Metrics
Digital Inclusion	<ul style="list-style-type: none"><li>• Relevant criteria on the target population, such as location and definition of the beneficiaries</li><li>• Estimated number of beneficiaries</li></ul>
Response to health crisis, such as COVID-19	<ul style="list-style-type: none"><li>• Estimated number of beneficiaries</li><li>• Number of public institutions helped</li><li>• Number of SMEs</li><li>• Number of devices distributed</li><li>• Number of digital solutions deployed</li></ul>

The impact reporting will include information on the methodology and assumptions used to calculate the impact of the Eligible Projects.



## External Review

### 3.1 Second Party Opinion

TIM has appointed Sustainalytics who has issued a Second Party Opinion (SPO) on the Framework, to confirm its alignment to the ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines and to the Green Loan Principles issued by the LMA.

The Second Party Opinion document will be made available on TIM's website at <https://www.gruppotim.it/en/investors/debt-rating/sustainable-finance.html> and on the Sustainalytics' website <https://www.sustainalytics.com/sustainable-finance/our-work/>.

### 3.2 Post-issuance external verification

An external verification on the Sustainable Financing Report will be provided, on an annual basis and until complete allocation of proceeds.

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