

Tax Strategy

April 2020

INTRODUCTION

The Tax Strategy defines the general purposes and the guidelines adopted by TIM - Telecom Italia in managing the tax affairs of the company. Such strategy is approved by the Board of Directors and is made available to all the *stakeholders* in compliance with the corporate regulations.

TIM, in the respect of and under autonomous management choices, wishes to pursue a tax strategy based on the principles of honesty, accuracy and compliance with tax laws, characterized by a cooperative and transparent behavior towards the Tax authorities and third parties, in order to reduce any significant impact in terms of tax risk.

For this purpose, TIM - Telecom Italia undertakes to pursue the following objectives:

- spread, from the Top Management to all the involved employees, the aforementioned values and codes of conduct relating to tax matters, stimulating and adequately acknowledging the virtuous behaviour and sanctioning the recognized violations, continually reporting the results to the Top Management, according to the “tone at the top” principle;
- develop and promote constant relationships with the Tax authorities in a professional, transparent and timely way;
- define its own tolerance to tax risks (tax risk appetite) in order to achieve the early solution of the potential controversies, still reserving the possibility of not adhering to the Tax Authorities’ positions when the Company’s reasons appear adequately supported;
- define appropriate control and monitoring instruments to achieve the selected risk level;
- always operate in compliance with the spirit as well as the letter of the tax laws and regulations in all the countries where it operates, ensuring an effective oversight of the tax position through monitoring legislative developments, handling its application and regular information and the necessary corporate training to spread its knowledge at all levels through a periodic and systematic deployment; ensure a continuous monitoring of corporate activities and processes to guarantee their accordance with the compliance standards required by the current tax regulations, involving all Bodies and Functions responsible for the internal and the external controls;
- adjust, based on the needs and according to criteria of rationality and adequacy, the organizational structures, the corporate systems and the processes interested by law changes and related controls.

TAX RISK APPETITE

TIM - Telecom Italia considering the objective of minimizing the tax risk:

- does not perform operations with the main purpose of obtaining a tax advantage, without sound business reasons, or “artificial” operations put in place for the sole purpose of decreasing the tax burden;
- does not achieve acquisitions or investments in States or countries having a privileged tax regime, except when they are functional to the corporate commercial purposes and be aimed to the development of the business activities included in the corporate business purpose;
- sets up cross-borders intra-group transactions according to the arm’s length principle, as ruled by OCSE (Transfer Pricing Guidelines)
- adopts pre-emptive dialogue with the Revenue Agency with respect to potentially controversial and/or of doubtful interpretation matters, in case of complex corporate, financial or commercial operations with material tax effects, regardless of potential tax avoidance cases and/or with respect to the hypothesis of possible disapplication of anti-avoidance laws.

TAX GOVERNANCE

TIM - Telecom Italia Board of Directors - whose valuations and choices are supported by an appropriate preliminary activity by the Control and Risks Committee - is responsible for the periodic test of the adequacy of the system for internal control and risk management, whose the tax control framework is a basic component, as well as of its effective functioning. The *governance* of the tax control framework is structured in order to inform the top management about the tax impacts related to all the operational and extraordinary, planned and future, transactions, so that each decision taken with respect to tax matters can be consistent with the TIM - Telecom Italia tax strategy. For the aforementioned purposes, the Tax Department ensures the evaluation of the tax impacts starting from the operations planning stage and provides an annual Report including the results of the periodic test of the tax control framework and the adopted measures to repair potential gaps of the system, in order to have it validated by the Tax Risks Management and Control Committee, the Board of Directors and the Control and Risks Committee.

The MBO for the *Tax Manager* does not include specific measures related to the *tax rate* reduction. The *governance* and the functioning of the tax control framework - included the delegations, the roles and the responsibilities with regard to the tax risk detection, management and monitoring processes - are defined by a specific Tax Policy.

TAX BEHAVIOR

TIM - Telecom Italia employees and Management at all the levels, are bound to inspire their behavior to the “general principles” established by the Code of Ethics, such as honesty, accuracy, transparency, confidentiality, impartiality, diligence, integrity and mutual respect.

The non-compliance to such principles may lead to bring legal proceedings and other measures towards the recipients, according to what is established by the Code of Ethics.

The Top Management informs the managers and all the involved employees about said values and codes of conduct embedded in the tax context, encouraging and conveniently recognizing the virtuous behaviour and sanctioning the recognized violations, according to the mentioned “tone at the top” principle.

TRAINING

TIM - Telecom Italia trains and supports all employees involved in tax activities, not only restricted to the staff specifically assigned to Tax department, in order to guarantee that all employees achieve the right competence and experience to facing up to their responsibilities. In order to achieve the aforementioned purpose, TIM - Telecom Italia invests in the employees’ professional growth even through specific formation plans.

RELATIONSHIPS WITH TAX AUTHORITIES

TIM - Telecom Italia undertakes to establish with the Tax Authorities relationships inspired to the full transparency and collaboration. In particular, TIM - Telecom Italia undertakes to:

- communicate in a clear and transparent way to the Revenue Agency the potential changes in the tax strategy, in medium and long-term tax planning and possible risks related to the most relevant operations;
- provide correct, accurate and precise information and promptly reply to requests and information requests by the Revenue Agency;
- promptly solve eventual uncertain tax positions before filing tax returns, and, should any disagreement arise later, reach with the Revenue Agency a reasonable agreement for its resolution.