

**Report of the Board of Statutory Auditors
to the Shareholders' Meeting of TIM S.p.A.
pursuant to article 153 of Italian Legislative Decree No. 58/1998**

Dear Shareholders,

This report presents the activities performed by the Board of Statutory Auditors during the 2017 financial year and up to today's date, as required by Consob Notice no. DEM/1025564 of 6 April 2001 and subsequent amendments and supplements.

The Board of Statutory Auditors has carried out the supervisory activities required by the law, taking account of the standards of conduct for listed companies recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (national association of chartered accountants and auditors) and the Consob notices on company controls and the activities of the board of statutory auditors.

Where deemed necessary, the Control Body availed itself of its own legal consultants, performing its supervisory activities in an autonomous and independent way

1. On the basis of the information received and as a result of the analyses conducted by the Board of Statutory Auditors, it emerged that the transactions carried out by the Company which have major impact on revenues, finances and assets, including transactions performed through companies in which the Company has a direct or indirect stake, are essentially made up as follows:
 - issue by Telecom Italia S.p.A., on 19 January 2017, of bonds amounting to 1,000 million euros, with coupon rate of 2.5% and maturity on 19 July 2023;
 - issue by Telecom Italia S.p.A., on 12 January 2017 of bonds amounting to 1,250 million euros, with coupon rate of 2.375% and maturity on 12 October 2027.

The transactions indicated above are listed in the notes to the consolidated financial statements of the TIM Group and the notes to the separate balance sheet of TIM S.p.A., as well as in the report on operations for the year 2017.

The Board of Statutory Auditors has verified that the above transactions comply with the law, the Company bylaws and the principles of correct administration, and has made sure that they were not manifestly imprudent or hazardous, or contrary to the resolutions adopted by the Shareholders' Meeting or likely to compromise the integrity of the corporate assets; the transactions with Directors' interests or with other related parties, were subjected to the transparency procedure set out in the applicable regulations.

2. During the course of 2017 the Board of Statutory Auditors did not encounter atypical and/or unusual corporate transactions with third parties or related parties (including the companies within the Group).

In relation to the prospective joint venture with Canal+ in the content business and the investigation carried out regarding this by the Board of Statutory Auditors, see paragraph 18 of this report.

The information relating to the principal intra-group transactions and with other related parties executed in the financial year 2017, and the description of their characteristics and economic effects is contained in the notes to the separate financial statements of TIM S.p.A. and to the consolidated financial statements of the TIM Group.

Taking account of the results of an *audit* requested by the Board of Statutory Auditors to ensure compliance with the procedural system for performing transactions with related parties, the Control Body decided to recommend to the Chief Executive Officer to implement and/or strengthen every

audit oversight suitable to guarantee proper compliance with rules and procedures, with particular reference to the Procedure for performing transactions with related parties.

3. Taking account of the size and structure of the Company and of the TIM Group, given that there were no atypical and/or unusual transactions, the Board of Statutory Auditors believes that the report on the Company's transactions with related and intra-group parties, given in the notes to the separate financial statements of TIM S.p.A. and in the notes to the consolidated financial statements of the TIM Group, should be considered adequate.
4. On 29 March 2018, Independent Auditor PricewaterhouseCoopers issued the reports pursuant to Article 14 of Legislative Decree no. 39 of 27 January 2010, and art. 16 of EU Regulation 537/2014, in which it states that the separate financial statements of TIM S.p.A. and the consolidated financial statements of the TIM Group at 31 December 2017 comply with the International Financial Reporting Standards (IFRS) adopted by the European Union, as well as with the provisions issued in implementation of Article 9 of Legislative Decree no. 38 of 2005, that they are drafted with clarity and that they represent truthfully and correctly the finances and assets of the company, the profit and loss results, and the cash flows of the Company and the Group.

The external auditor also considers that the report on operations and the information in the Report on corporate governance and share ownership indicated in art. 123-bis, subsection 4 of the CLF are consistent with the Company's financial statements for the period and the consolidated financial statements for the Group at 31 December 2017.

5. During 2017 and until the date of this report, three shareholders had submitted twenty complaints pursuant to article 2408, subsection 3, of the Italian Civil Code.

All the complaints received were reviewed by the Board of Statutory Auditors.

In some cases, the Board of Statutory Auditors decided to not follow up any further, believing that the reported facts were not reprehensible actions or were not pertinent to the supervisory activities incumbent upon the control body. In other cases it was a matter of complaints concerning alleged technical maladministration and those of a commercial nature.

A shareholder had contested the means of execution, with particular reference to the recognition of the votes on the agenda items, and recorded in the minutes of the meeting held on 4 May 2017. Another however, criticized the arrangements for citing the documents annexed to the minutes of the aforementioned shareholders' meeting.

A complaint regarded the financial compensation paid to the previous Chief Executive Officer, Flavio Cattaneo following the amicable termination of the employment contract. In this regard, see the information set out in paragraph 9 of this report.

Some complaints regarded the operation of (any) creation of a *joint venture* with Canal+ in *the content business* as well as Vivendi's position as the controlling shareholder of Tim. With respect to the initiatives undertaken and the corresponding outcomes, please refer to the content of paragraph 18 of this report.

A complaint, allegedly aimed at censoring the behaviour of the company's *management*, concerned the proceedings initiated by the Italian Competition Authority against TIM, with a view to ascertaining the possible existence of commercial unfair practice that the Company might have put in place regarding consumers' through a significant telemarketing campaign.

A further complaint criticised the behaviour of the *management* in relation to resolution no. 121/2017 of the Italian Communications Authority, regarding the prohibition of 28-day invoicing instead of on a monthly basis, adopted toward fixed telephone customers with effect from the second quarter of 2017. Two further complaints of similar content regarded the work of the previous Chief Executive Officer and the Company's management in relation to the participation of TIM in the Infratel tenders.

With regard to the complaints received, the Board of Statutory Auditors conducted in-depth investigations, with the support of the *Audit Department* and the competent Company departments. The Control Body has verified the soundness of the facts reported, the adequacy of the initiatives undertaken, and supervised the assessment of any individual responsibilities.

The outcome of the investigations carried out, without prejudice to what is mentioned in some parts of this report, found no irregularities to be reported to the Shareholders' meeting.

6. TIM is registered with the US Securities and Exchange Commission as a foreign issuer and listed on the New York Stock Exchange, is also subject to United States legislation and the Board of Statutory Auditors carries out the tasks of an Audit Committee.

In particular, in implementation of the obligations incumbent upon it, the Board of Statutory Auditors has adopted a procedure governing the management of reports to the Control Body. These reports may consist of:

- 'complaints' from shareholders concerning what is considered to be improper behaviour;
- 'notifications' or reports, from anyone, shareholders or otherwise, concerning alleged anomalies, irregularities, misconduct or, more generally, any problem or issue which is thought to merit investigation by the control body;
- 'complaints', from anyone, concerning "accounting, internal accounting controls or auditing matters";
- 'concerns', which may be submitted anonymously, from employees of the Company or the Group, concerning "questionable accounting or auditing matters".

There are instructions on the About Us section of the Company's website (Company Bodies – Board of Statutory Auditors – Role, tasks and responsibilities), for sending such reports to the Board of Statutory Auditors/Audit Committee of the Company.

During the last financial year and until the date of this report, the Board of Statutory Auditors received 19 reports of which 1 was anonymous, complaining, for the most part, of technical service issues and failures of a commercial, accounting and administrative nature.

The Board of Statutory Auditors investigated these complaints appropriately, with the support of the Audit Department and the competent Company departments, but no irregularities to be reported to the Shareholders' Meeting emerged. We should point out that the relevant investigations are still being carried out regarding 2 reports.

7. During the 2017 financial year TIM S.p.A. appointed PricewaterhouseCoopers S.p.A. to undertake various tasks other than audits of financial statements, the fees for which, before VAT, are summarised below:

PricewaterhouseCoopers S.p.A.	(in euros)
Agreed procedures connected with the issue of comfort letters in relation to the issue of notes	50,000.00
Agreed audit procedures on regulatory accounting areas	39,000.00
Agreed audit procedures for certification services	8,300.00
Activities connected with updating the 20,000,000,000 euros Euro Medium Term Note Programme	33,000.00
Total	130,300.00

8. In the course of the 2017 financial year, TIM S.p.A. conferred a number of tasks on parties connected by continuing relationships with PricewaterhouseCoopers S.p.A. and/or on companies belonging to the latter's network for which the fees, excluding VAT, are summarised below:

PricewaterhouseCoopers Advisory S.p.A.	(in euros)
Analysis of the ISO 26000 requirements in the TIM approach to management of sustainability	15,000.00
Methodological support for the as-is survey services, Gap Analysis and benchmarking in relation to the Smart Close project	200,000.00
Due Diligence on the accuracy of the terms and conditions of the Joint Venture agreement in the media sector and on content	180,000.00
Total	395,000.00

Grand total (total assignments in point 7 + total assignments in point 8)	525,300.00
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In light of the new legislative and regulatory rules arising from EU Directive No. 537/2014 on the external auditing of accounts, TIM has, following receipt of the favourable opinion of the Board of Statutory Auditors, adopted a new version of the guidelines for the conferring of assignments on the external auditor.

On the one hand, this document confirmed the principle by which the conferring of further assignments to the Sole Group Auditor, when permitted under the applicable law, is limited to the services and activities closely related to the auditing of the financial statements, and on the other hand, has introduced, at the request the Board of Statutory Auditors, the new and more stringent principle, by which the conferring upon the Sole Group Auditor of further, non-prohibited assignments is subject to prior approval by the Parent Company's Board of Statutory Auditors following consultation, if required, with the Boards of Statutory Auditors at the proposing subsidiary companies. With respect to those subsidiary companies who qualify as *SEC-registered or PIE*, the further non-prohibited assignments are authorised by the competent *audit committees* in compliance with the Guidelines and any different and further applicable regulations. The Parent Company's Board of Statutory Auditors shall, at its first meeting, take note of all decisions previously taken by the subsidiary's *audit committee* and issuing any requests for clarification.

The Shareholders' Meeting on 29 April 2010 appointed PricewaterhouseCoopers S.p.A. to undertake the external audit of the separate and consolidated financial statements of TIM, and the limited audit of the condensed half-yearly consolidated financial statements and the external audit of TIM's Annual Report pursuant to the US law, for the period 2010 - 2018.

PricewaterhouseCoopers was then appointed to carry out the external auditing task limited to the consolidated statement of a non-financial nature (sustainability report) for TIM S.p.a. and its subsidiaries for the 2017 and 2018 financial years.

In view of the expiry of the nine-year mandate as external auditor (financial statements as at 31 December 2018), the process of selecting candidates for the role of Sole Group Auditor for the subsequent nine-year period was completed in 2017 under the responsibility and supervision of the Board of Statutory Auditors. This was made necessary in line with the above provisions governing relations between the Group and the future auditor in the year prior to conferring the appointment (so-called *Cooling-in period*).

The Shareholders' Meeting of 24 April 2018 will be called to make the appointment for the nine-year period 2019-2027, based on the selection made by the Board of Statutory Auditors, as summarised in the recommendation attached to the explanatory report of the Board of Directors regarding the topic on the agenda and to which reference should be made.

In accordance with Brazilian law, the audit of the separate financial statements of TIM Participações S.A. was assigned to BDO RCS Auditores Independentes, while

PricewaterhouseCoopers audits the reporting package produced by the Company for the purposes of the consolidated financial statements of the TIM Group.

9. Pursuant to article 2389, subsection 3, of the Italian Civil Code, the Board of Statutory Auditors issued:
- a dissenting opinion as to how this measure had been built and whether the amount was determined, regarding the proposed financial compensation following the amicable termination of the employment contract with Chief Executive Officer and General Director, Flavio Cattaneo, in line with the negative valuation previously expressed during the initial allocation of the *Special Award* (24 July 2017);
 - a favourable opinion (expressed by a majority) on the proposal by the nomination and remuneration committee on a *compensation package* for the Executive Chairman, Arnaud De Puyfontaine (27 July 2017);
 - a favourable opinion on the proposal of the Nomination and Remuneration Committee on the compensation for the Deputy Chairman, Giuseppe Recchi (27 July 2017), as well as the additional fee (30 November 2017), pending the overall revision of the related remuneration;
 - a favourable opinion on the proposal by the Nomination and Remuneration Committee of economic treatment of the new Chief Executive Officer, Amos Genish, substantially in line - net of the *Special Award* recognized at the time to Flavio Cattaneo - with the remuneration attributed to his predecessors (28 September 2017).

Pursuant to article 2386, subsection 1, of the Italian Civil Code, the Board of Statutory Auditors approved a board resolution to appoint Amos Genish a Director of the Company, to replace the outgoing Flavio Cattaneo (28 September 2017).

The Board of Statutory Auditors issued, pursuant to the Corporate Governance Principles, a favourable opinion on the proposal by the Nomination and Remuneration Committee for a payment increase for the Heads of the Audit, Compliance and IT & Security Compliance Departments, with effect from 1 January 2018 (30 November 2017).

During 2018 (and until the date of this report) the Board of Statutory Auditors, pursuant to art. 2389, subsection 3, of the Italian Civil Code, issued

- a favourable opinion on the proposals by the Nomination and Remuneration Committee relating to the variable compensation (MBO 2018) of the Executive Chairman and CEO;
- a dissenting opinion on the proposal of the Nomination and Remuneration Committee of a long term share incentive plan called "Long Term Incentive Plan 2018-2020", the first tranche reserved to the Chief Executive Officer, having decided that
 - o in the definition of the performance parameters excessive weight (70%) had been attributed to the Stock performance objective, whose achievement can also be significantly influenced by external factors not linked to the performance of the company's business;
 - o the maximum amount of the Pay Out Curve relating to the Chief Executive Officer, relating to the market benchmarks, appears excessively high.

Pursuant to the Corporate Governance Principles the Board of Statutory Auditors formally approved the functional objective scorecards for the short term incentive scheme (2018 MBO) for the Heads of the control departments who report directly to the Board (Audit Department, Compliance Department and IT & Security Compliance Function).

10. In the financial year 2017, the Company's Board of Directors held thirteen meetings, at which the Board of Statutory Auditors was always present.

The Control and Risk Committee met fourteen times (seven of which jointly with the Board of Statutory Auditors, given the issues addressed); the Nomination and Remuneration Committee met seventeen times and the Strategy Committee met three times.

The Board of Statutory Auditors attended the meetings of the Control and Risk Committee (not held jointly), the meetings of the Nomination and Remuneration Committee, and the meeting of the Strategy Committee, by the attendance of its Chair or another Statutory Auditor designated by the latter.

Forty-four meetings of the Board of Statutory Auditors were held (including the meetings held jointly with the Control and Risk Committee). During 2018 (and until the date of this report), the Board of Statutory Auditors has met 14 times.

The Statutory Auditors took part in the Shareholders' Meeting, held on 04 May 2017.

11. In accordance with its obligations, the Board of Statutory Auditors supervised compliance with the principles of correct administration, by attendance at the meetings of the Board of Directors, meetings with the executive responsible for preparing the corporate accounting documents, the Head of the Audit Department, the Group Compliance Officer, the Head of the IT & Security Compliance function and by means of interviews with the management and the acquisition of information.

The Board of Statutory Auditors believes that the governance arrangements and tools adopted by the Company overall constitute an appropriate supervisory framework to ensure that the principles of correct administration are respected in operational practice. The Control Body has supervised on proceedings followed in the deliberations of the Board of Directors and, in recalling the format subject to intervention by the Board of Statutory Auditors which is detailed in point 18, ascertained that the management choices complied to the applicable rules (substantial lawfulness), adopted in the interests of the Company, compatible with the resources and the company's assets and adequately supported by information, analysis and audit processes, including with recourse, when deemed necessary, to advice from committees and external professionals.

Through the participation in the meetings of the Nomination and Remuneration Committee, the Board of Statutory Auditors monitored the succession process for the Chief Executive Officer, and verified that the procedure followed was compliant with the law, regulations and the Corporate Governance Code.

12. The Board of Statutory Auditors has monitored the principal changes in the organizational structure of TIM and the Group through meetings held with the Company's Chief Executive Officer, the Head of the Human Resources & Organizational Development Department, the Heads of TIM's main Departments and by acquiring the organisational communications which had produced an impact on the first and second tiers that report directly to TIM's executive directors or on the macro-organization of the Group's companies.

The Board of Statutory Auditors has monitored and will continue to monitor the definition - still underway - of a model of the new security organization in compliance, by TIM and its subsidiary companies, TI Sparkle S.p.A. and Telsy S.p.A., with the requirements contained in the decrees issued by the President of the Council of Ministers on 16 October 2017 and 2 November 2017.

The Control Body has supervised the adequacy of the Group's organizational model defined in accordance with, on the one hand, organizational and managerial autonomy of the Parent Company and its subsidiaries and, on the other hand, the exercising of direction and coordination by TIM with regard to the company directly or indirectly controlled. In this latter regard, the Board of Statutory Auditors has supervised the adoption by the Board of Directors, on 3 May 2017, of a Group Regulations that engages both the Parent Company and its subsidiaries, which they have individually adopted. The Regulation establishes the rules relating to the exercising of the direction and coordination activity by TIM in respect of the companies it directly or indirectly controls. Adherence to the regulations does not compromise the independence of directed and coordinated companies who independently carry on their business activity, within the single Group design.

At the meeting of the Board of Directors on 27 July 2017, the Board of Statutory Auditors noted Vivendi's intention to exercise direction and coordination with regard to TIM, as stated by the Company's Executive Chairman, Mr Arnaud de Puyfontaine, also in his capacity as Vivendi's Chief Executive Officer. Consequently, the Board of Statutory Auditors supervised correct compliance with applicable laws and regulations in the documents prepared by TIM in the exercising of direction and coordination by Vivendi and the related procedure adopted by the Company.

The Board of Statutory Auditors believes that the continual changes to the Company's organizational structure of Senior Management and top management - among other things still ongoing - do not enable it to express an opinion regarding its adequacy. Particular reference is made to the provisions set out in paragraph 18 in relation to a shortcoming in the current organisational structure of the Procurement Unit & Real Estate Department highlighted in February 2018, which was the subject of a complaint to Consob.

13. The internal control and risk management 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.

In particular, it is organized and operates according to the principles and criteria of the Borsa Italiana Corporate Governance Code, to which the Company adheres, and involves several components that act in a coordinated way according to their respective responsibilities – the responsibility of the Board of Directors to direct and provide strategic supervision, the responsibility of the Executive Directors and management to control and manage, the responsibility of the control and risk Committee and the Head of the Audit Department to monitor and provide support to the Board of Directors, and the supervisory responsibilities of the Board of Statutory Auditors.

In exercising its responsibilities over the internal control and risk management system, the Board of Directors decided that the Managers of the *Audit Department*, *Compliance Department* and *IT & Security Compliance Department* would report to the Board itself.

The Head of the *Audit Department* has organizational independence so as to ensure full compliance with its responsibilities and resorts to adequate and sufficient professional resources to perform the activities. He is responsible for supporting the management and control bodies in assessing the adequacy, full functioning and effectiveness of the internal control and risk management system and for proposing corrective measures in case of anomalies and/or deficiencies.

The *Audit Department* carries out its activities ensuring the execution of assurance services, by means of interventions to assess the processes of governance, risk management and control of the organization, and consultancy, in support of corporate departments on the subject of governance, risk management and control.

The Head of the Audit Department also carries out their activities in the subsidiary companies without corresponding audit structures, acting in their interests and reporting to their governing bodies. If subsidiary companies have their own audit departments, the TIM Audit Department interfaces and collaborates with them, for coordination and methodological homogeneity, compatible with respect for the applicable regulations and the responsibilities of said structures.

The Head of the Audit Department reports on his work to the Directors in charge of the internal control and risk management system, i.e. the Executive Chairman and the Chief Executive Officer, each with respect to their area of competence, to the Control and Risk Committee and, through the latter, to the Board of Directors, as well as to the Board of Statutory Auditors.

The Board of Statutory Auditors has acknowledged the overall assessment of the internal control and risk management system by the Head of the Audit Department, which is set forth below: “*With*

reference to the specific operating contexts analysed, considering the findings of the analysis of the internal control and risk management system, and having assessed the process of implementation of the improvement actions undertaken by the other control department, also taking account of the assessments of the Audit departments of the Group listed companies (TIMPart and INWIT), it should be noted that during 2017 no significant elements emerged that could have a negative effect on the overall adequacy and functioning of the Group Internal Control and Risk Management System”.

The Board of Statutory Auditors shares the assessment of overall adequacy of the internal control and risk management system as formulated by the Audit Department. The Control body, on its part, constantly monitored its effectiveness and monitored the work of the main players in the internal control and risk management system and, in particular, the implementation of risk improvement and mitigation actions identified and, in some cases, prompting further specific interventions to strengthen the controls.

In this context, the Board of Statutory Auditors has held periodic meetings with the Head of the Audit Department, the Group Compliance Officer, the Head of the IT & Security Compliance Function, the executive responsible for preparing the corporate accounting documents and the external auditor.

The Board of Statutory Auditors has exchanged information with the corresponding control bodies of the principal domestic subsidiary companies, taking note of the assessments that the internal control systems of the domestic Group companies are adequate overall.

The control body has also met, through its Chair, with the *Comitê de Auditoria Estatutário* of TIM Participações, taking note of the assessment that the internal control system of the Brazilian company is adequate overall.

The internal control and risk management system also includes the Organisational Model 231, the organisation and management model designed to prevent the commission of offences that could result in liability for the Company, pursuant to Legislative Decree No. 231/2001.

The Organisational Model 231 has 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 of transparency, fairness and loyalty that guide the Company in the organization and conduct of business are indicated;
- the "general principles of internal control", aimed 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 Organizational Model 231 is a dynamic instrument, which affects the corporate operation and must, therefore, be constantly checked and updated in the light of the elements that emerged from experience of its application and of the evolution of the regulatory framework. The amendments were drafted by a managerial committee called Steering Committee 231, briefed by the Supervisory Body and approved by the Board of Directors of the Company when of a significant nature.

The Organisational Model represents an integral part of the reference compliance program for the application of foreign anti-corruption legislation such as the US Foreign Corrupt Practices Act and the UK Bribery Act. In this context, a foreign version of the Organisational Model has been defined for adoption by the non-Italian subsidiaries, also taking account of the possible application of similar regulations at local level.

The functions of the Supervisory Body are assigned (from 2012) to the Board of Statutory Auditors, which as such oversees the operation and observance of the Organisational Model 231 and reports to the Board of Directors on the oversight and examination activities which it has performed and the corresponding outcomes. In this regard, the Board of Statutory Auditors expresses an opinion of conformity of the Organisational Model 231 adopted by the Company with the reference legal framework.

The Board of Statutory Auditors is supported by a dedicated corporate structure, within the Compliance Department.

The TIM Group has adopted an Enterprise Risk Management Model (ERM) which enables risks to be identified, assessed and managed in a homogenous way within the Group companies, highlighting potential synergies between the players involved in the assessment of the internal control and risk management system.

The process is governed by the ERM Steering Committee, which provides governance of the Group's risk management, aimed at containing the level of exposure within acceptable limits and guaranteeing the operational continuity of the business by monitoring the effectiveness of the countermeasures adopted.

The Board of Statutory Auditors has ascertained that, on 06 March 2018, the Board of Directors defined the risk that was acceptable for the Group (Risk Appetite) and the acceptable levels of deviation from the principle company objectives (Risk Tolerance).

The Board of Statutory Auditors has monitored compliance of the procedure for performing transactions with related parties in compliance with legal and regulatory provisions, its effective implementation and its actual functioning. In this context, to take account of the decision of 13 September 2017 by which Consob had decided that the Company is subject to the control of Vivendi, pursuant to art. 2359 of the Italian Civil Code, Art. 93 of Legislative Decree No. 58/1998 and the regulations on transactions with related parties, the Company has amended the aforementioned procedure through the elimination of point 3-bis (containing the voluntary treatment of Vivendi as a controlling shareholder, for the purposes of identifying the perimeter of TIM's related parties, already scheduled to start on 1 June 2017).

The Board of Statutory Auditors has overseen the preparation by the Company of the Consolidated Non-Financial Statement - TIM's 2017 Sustainability Report and on the adequacy of the procedures, processes and structures that govern the production, reporting, measuring and representation of the results and of information of this nature. In this respect, the Control Body has reviewed the report issued by PricewaterhouseCoopers on 29 March 2018, pursuant to art. 3, subsection 10 of Legislative Decree No. 254/2016 and article 5 of Consob Regulation No. 20267, which, on the basis of the work carried out, concluded that there were no elements which came to its attention which would give reason to believe that the Consolidated Non-Financial Statement had not been drafted, in all significant aspects, in accordance with the provisions of articles 3 and 4 of the afore-mentioned legislative decree and with the "Global Reporting Initiative Sustainability Reporting Standards".

The Board of Statutory Auditors has ascertained that the Non-Financial Statement was prepared in compliance with the provisions of Legislative Decree No. 254/2016.

14. In order to guarantee compliance with the Italian and U.S. laws, TIM 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, brings together the internal controls associated with the risks identified on the financial reporting and the consequent assessment activities, with precise attributions of responsibility, in compliance with the principle of accountability.

The Board of Statutory Auditors supervised the adequacy of the administrative and accounting system of the Company and its reliability to fairly represent operations, also by collecting

information from Company management, examining company documents and analysing the results of the activities undertaken by the External Auditor. Also monitored the financial reporting process.

The Board of Statutory Auditors acknowledged the statements issued by the Executive Chairman, Chief Executive Officer and the Manager responsible for preparing the corporate accounting documents of TIM concerning the adequacy in relation to the characteristics of the company and the actual application during 2017 of the administrative and accounting procedures for the preparation of the financial statements and the consolidated financial statements.

At TIM the goodwill impairment test was applied in a consolidated and structured way, coordinated by the Administration, Finance and Control Department, with the intervention of independent external experts of acknowledged professional expertise. The implementation of the process is analysed and discussed in special joint meetings of the Control and Risk Committee and Board of Statutory Auditors, that precede the Board of Directors meetings to approve the financial reports to which the impairment test must be applied. The Board of Statutory Auditors has checked that the impairment test procedure applied to the 2017 financial statements was conducted in terms coherent with the procedure approved by the Board of Directors on 10 November 2017 and with the applicable IFRS standards.

For a more detailed analysis, the Board of Statutory Auditors refers to the explanations given in the "Goodwill" Note to the consolidated financial statements as of 31 December 2017 of the TIM Group.

Regarding the provisions of article 15, subsection 1, letter c, ii) of the Market Regulations (conditions for the listing of shares of controlling companies and of companies registered in and regulated by the laws of States that are not members of the European Union), the Board of Statutory Auditors has not ascertained facts and circumstances that would indicate that the administrative-accounting system of the controlled companies is not adequate to ensure that the data on the revenues, finances and assets of the companies needed for the preparation of the consolidated financial statements regularly reaches the management and auditor of the controlling company.

15. The Board of Statutory Auditors believes that the instructions imparted by TIM to its subsidiaries, pursuant to art. 114, subsection 2 of the CLF, are adequate to comply with the obligations regarding communication established by the law. In this respect it should be noted that the Company regulates the flow of information it receives from its subsidiary companies on transactions of particular impact, with specific procedures.

Following the coming into force in July 2016 of the so-called "Market Abuse Regulation", the Board of Directors approved a new inside information and insider dealing Procedure on 3 February 2017. The document also applies as an instruction to all subsidiaries in order to obtain from them, without delay, the information necessary for the timely and proper fulfilment of the public disclosure obligations.

After publication by Consob, on 13 October 2017, of a "Guidelines" dossier dedicated to the management of inside information, which contains "a possible reference prototype for the issuer, in part based on mandatory provisions and partly on Consob directions", whose content is not mandatory, the Company is considering, on the basis of a comparative analysis of the content of the document with those referred to in the internal procedures, the advisability of making any changes and/or additions to the latter.

16. The Board of Statutory Auditors has ascertained, from information obtained from Independent Auditor PricewaterhouseCoopers and from the management of the Company, that the IAS/IFRS principles, and the other legal and regulatory provisions that apply to the preparation and presentation of the separate financial statements, the consolidated financial statements and the accompanying report on operations are complied with.

On 29 March 2018, Independent auditor PricewaterhouseCoopers also issued the additional report envisaged in art. 11 of EU Regulation no. 537/2014, which highlights the presence of a significant shortcoming detected in the internal control system in relation to the financial reporting process regarding the monitoring of supply relationships which are complex and/or characterised by medium-long term time frames.

This weakness was reported by the external auditor to the Board of Statutory Auditors, which will continue to carefully monitor the initiatives implemented to remedy it.

The Board of Statutory Auditors welcomed the findings by the Statutory Auditor that the shortcomings identified in the previous year are substantially resolved - and already communicated last year in the report pursuant to article 153 of the CLF - related to TIM Partecipações and referring to the accounting process for value added services and for the controls on critical SAP accesses.

17. The Company complies with the Corporate Governance Code of Borsa Italiana and the Board of Statutory Auditors has supervised the arrangements for the concrete implementation of the rules of corporate governance it contains.

TIM has adopted the criteria established by the Corporate Governance Code for the qualification of the independence of Directors.

At its meeting held on 6 March 2018 the Board of Directors verified that the requirements of independence pursuant to the law and the Corporate Governance Code of Borsa Italiana continued to be met in respect of Directors Antonini, Bernabè, Borsani, Calvosa, Cornelli, Frigerio, Herzog, Jones, Moretti and Vivarelli. The market was informed of the outcome of the verification.

At the meetings held on 8 and 9 March 2018, the Board of Statutory Auditors carried out the verification on the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members after which it found some irregularities which have been reported to Consob, pursuant to art. 149, subsection 3, of the CFL.

At its meeting on 5 March 2018, the Board of Statutory Auditors verified that the independence requirements incumbent on each of its own members continued to be satisfied, pursuant to art. 148, subsection 3 of the CLF and the Corporate Governance Code, as well as the professional parameters set out in art. 19, subsection 3, of legislative decree no. 2010/39 (as amended by Legislative Decree no. 135 of 17 July 2016).

The internal Board committees are a Nomination and Remuneration Committee, a Control and Risk Committee, and a Strategy Committee, the functions of which are described in the Corporate Governance Principles.

The Control and Risk Committee comprises non-executive Directors, all of whom are currently independent, with at least two Directors from a minority list. At least one member of this Committee possesses adequate expertise in accounting and finance or risk management. Without prejudice to the tasks attributed to it by the Corporate Governance Code, the Committee:

- provides high-level supervision related to corporate social responsibility, monitoring the consistency of the actions performed with the principles laid down by the Code of Ethics of the Group and the values of Telecom Italia;
- monitors observance of the Company's corporate governance rules, the evolution of rules and best practice in the field of controls, corporate governance and corporate social responsibility, also with a view to proposing updates to the internal practices and rules of the Company and the Group;
- performs other duties assigned to it by the Board of Directors.

The Nomination and Remuneration Committee comprises non-executive Directors, the majority of whom are independent directors, with at least one Director from a minority slate. At least one member of this Committee possesses adequate expertise in financial matters or remuneration policies. Without prejudice to the tasks assigned by the Corporate Governance Code to the

remuneration committee and to the nomination committee, the Nomination and Remuneration Committee:

- oversees the succession plan for Executive Directors, and monitors the updating of the company management replacement lists, prepared by the Executive directors;
- establishes the procedure and period for the annual evaluation of the Board of Directors;
- proposes the criteria for allocating the total annual remuneration established by the Shareholders' Meeting for the whole Board of Directors;
- performs other duties assigned to it by the Board of Directors.

The Strategy Committee is composed of the Chair of the Board of Directors, the Deputy Chairman and the Chief Executive Officer (who ensure its coordination with the management of the Group), as well as non-executive directors with expertise in technology, organizational strategies and corporate finance. The Committee carries out the duties of a fact-finding and consulting nature attributed to it by the Corporate Governance Principles. 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.

The Board of Statutory Auditors monitored the activities of the Control and Risk Committee, the Nomination and Remuneration Committee and the Strategy Committee by the attendance at their meetings by its Chairman or by a Statutory Auditor designated by the Chairman.

See the Report on the corporate governance and share ownership of TIM S.p.A. for the 2017 financial year for further detailed information on the composition and functions of the internal board committees as well as on the Company's corporate governance, which the Board of Statutory Auditors evaluates positively.

The point of reference and coordination for the issues and contributions of the independent Directors and non-executive Directors in general, is the Lead Independent Director, a role currently vacant - and covered until 22 March 2018 by Director Franco Bernabè.

The Lead Independent Director is granted the right to use corporate structures to perform the tasks entrusted to him and to convene special meetings of the Independent Directors to discuss issues affecting the functioning of the Board of Directors or the management of the business.

18. As already noted in the previous report, in the second half of 2016 the Board of Statutory Auditors started an analysis to check if the conditions existed to qualify Vivendi as TIM's controlling shareholder, pursuant to the provisions on transactions with related parties in art. 2359 of the Italian Civil Code and art. 93 of the CLF.

In January 2017, at the end of the analysis carried out, the Board of Statutory Auditors, came to a conclusion about the existence of the conditions to qualify Vivendi as TIM's controlling shareholder for the purposes of the Consob regulations on the subject of transactions with related parties and, consequently, deemed it necessary to change the categorisation of Vivendi's relationship to TIM from notable influence to control. In the meantime, the Board of Statutory Auditors deemed that the conditions to qualify Vivendi as the company that controls TIM are not met at the present time, pursuant to art. 2359, subsections 1 ad 2 of the Italian Civil Code and of art. 93 of the CLF. Nevertheless, the Board of Statutory Auditors had expressed the view that the situation continues to be monitored should new circumstances arise.

On 23 March 2017 the Board of Directors decided that it did not need to redefine the relationship between Vivendi and TIM from notable influence to control, pursuant to the rules in relation to transactions with related parties (hereinafter referred to as the "RPT Regulation") and therefore disagreed with the conclusions reached by the Board of Statutory Auditors. Consequently, the Control Body notified Consob, pursuant to art. 149, subsection 3, of the CLF, of the lack of any

requalification, and also the failure to update the mapping of TIM's related parties and the risk that in the future transactions would not be qualified as of greater importance that would not be classified as such by virtue of the continuation of the qualification of the relationship between Vivendi and TIM as one of notable influence.

After the Shareholders' Meeting of 4 May 2017, the newly-appointed Board of Directors proceeded to reassess the position of Vivendi, confirming that the conditions are not met to requalify the status of the relationship between Vivendi and TIM from one of notable influence to one of control for the purposes of the RPT regulations. The Board of Statutory Auditors, believing that the qualification of the status of the relationship between Vivendi and TIM in terms of control for the purposes of the RPT regulations were strengthened by the evidence provided at the meeting, proceeded to inform Consob, pursuant to art. 149, subsection 3 of the CLF, of the irregularities concerning the non-requalification, having deemed that the voluntary application of these safeguards, achieved through the amending of the Procedure for performing transactions with related parties, was not sufficient.

Following the results of the meeting of 4 May 2017, the Board of Statutory Auditors also started an investigation to reassess the position of Vivendi as TIM's controlling shareholder. At the end of the discussion, the Board of Statutory Auditors decided that the conditions to qualify Vivendi as controlling TIM pursuant to article 93, subsection 1, of the CFL, article 2359, subsection 1, no. 2 of the Italian Civil Code, as well as of IFRS. 10, were met. This assessment was communicated to Consob, in response to a request for information pursuant to art. 115, subsection 1, of the CFL. Confirmed no

The conclusions reached by the Board of Statutory Auditors, formalised to the Company and to Consob on 5 September 2017, confirmed in a decision dated 13 September 2017 by the Supervisory Authority which reached the conclusion that "Vivendi exercises control over TIM pursuant to articles 2359, subsection 1, no. 2, of the Italian Civil Code and art. 93 of the CLF, as well as pursuant to the Consob RPT Regulation".

In the second half of 2017, the Board of Statutory Auditors undertook an in-depth investigation in relation to the creation of a (possible) *joint venture* in *the content business* with Canal+ International. In this sense, the Control Body has supervised the observance of the law and any other provision applicable to the transaction, by conducting specific investigations, also with the support of external legal advisors.

The profile of the qualification of the transaction in terms of greater or lesser importance pursuant to the Consob Regulation on transactions with related parties and the process consequently followed by the Board of Directors for its approval were particularly examined.

After the analysis was carried out, the Board of Statutory Auditors concluded that it believed that (i) the operation should have been qualified as a transaction of greater (instead of lesser) importance, pursuant to the regulations on transactions with related parties (ii) the prescriptions indicated in art. 7, letter a) and c) of Consob Regulation had not been correctly followed and, finally, (iii) the board resolution to approve the transaction has not been analytically reasoned and had not set out the reasons and interests whose assessment had influenced the decision, as prescribed in art. 2497-ter of the Italian Civil Code (as an operation affected by the direction and coordination activity exercised on TIM by Vivendi).

The Board of Statutory Auditors has therefore reported this irregularity to Consob, pursuant to art. 149, subsection 3, of the CFL.

On the other hand, the Board of Statutory Auditors deemed it appropriate to invite the Board of Directors meeting to rethink the revocation of the resolution adopted on 20 October 2017, on the creation of a joint venture with Canal+, as a related party transaction of lesser importance, and to start of the process to renew the decision by applying the procedure for transactions of greater importance.

The demands of the Board of Statutory Auditors, repeated in light of notification served on the Company by Consob, were finally incorporated by the Board of Directors which at its meeting on

17 January 2018, agreed to resume the negotiations with Canal+, by applying the procedure for performing transactions with related parties of greater importance.

Supported by the Audit Department, the Board of Statutory Auditors performed an in-depth investigation regarding certain organizational changes which from the end of 2017 has involved the *Procurement Unit & Real Estate* Department. In light of the results of the investigation carried out overall, in respect of which the Board of Statutory Auditors has also provided information by the Chief Executive Officer and the Head of the Company's *Human Resources & Organizational Development*, the Control Body noted that there is a lack of a *Procurement Unit & Real Estate* Department in the Organisational Structure acknowledging, however, the planned improvement actions, as reported by the Company's Executive Directors, designed to overcome the critical issues encountered.

It nevertheless reported the irregularity to Consob, pursuant to art. 149, subsection 3, of the CFL.

The Board of Statutory Auditors supervised compliance with the law and any other provision applicable to the overall sale process of the investment held by TIM in the share capital of Persidera S.p.A., most recently subject to a resolution by the Board of Directors on February 23, 2018.

With specific reference to the issuing by the Chief Executive Officer of Advolis - in his capacity as Divestiture Trustee pursuant to the decision of the European Commission on 30 May 2017 in the case Vivendi/Telecom Italia - of a power of attorney regarding the execution, in coordination with the same Chief Executive Officer, of the afore-mentioned board resolution, the Board of Statutory Auditors found some irregularities, which were reported to Consob, pursuant to Art. 149, subsection 3, of the CFL.

Finally, the Board of Statutory Auditors found some irregularities with respect to the application of the assessment criteria and procedures that were adopted by the Board of Directors on 6 March 2018 to assess the independence of its members. These breaches were reported to Consob, pursuant to art. 149, subsection 3, of the CFL.

The Board of Statutory Auditors reports that no observations or problems have emerged from its analysis of the information flows received in relation to the activity carried out by the control bodies of the subsidiary companies or the representations the external auditor has made in its reports on said subsidiaries.

Equally, no observations or problems have emerged from the review of the reports by the external auditor and the Boards of Statutory Auditors of Inwit S.p.A., Olivetti S.p.A. and Telecom Italia Sparkle S.p.A. pursuant to and for the purposes of article 153 of the CLF, article 2429, subsection 2, of the Italian Civil Code, article 14 of legislative decree no. 39 of 27 January 2010 and article 10 of EU Regulation no. 537/2014.

Finally, the Board of Statutory Auditors examined the external auditor's reports on Tim Participações S.A. on the financial statements at 31 December 2017, which contained no observations or remarks.

19. Having acknowledged the 2017 financial statements of TIM, the Board of Statutory Auditors had no objections to formulate on the proposed resolution presented by the Board of Directors on the payment to savings Shareholders of the privileged dividend in the amount of 0.0275 euros per savings share, gross of legal withholdings.

With respect to the proposed plan referred to as the "Long Term Incentive Plan 2018-2020", the Board of Statutory Auditors issued a negative opinion on the first tranche. See the provisions specified in paragraph 9 of this report.

With regard to the appointment of external auditors for the period 2019-2027, see the reasoned recommendation of the Board of Statutory Auditors, prepared in accordance with the applicable regulations and attached to the explanatory report of the Board of Directors on the topic submitted for your approval.

The mandate conferred on the Board of Statutory Auditors by the Shareholders' Meeting of 20 May 2015 expires with the Shareholders' Meeting called to approve the financial statements as at 31 December 2017. The Board of Statutory Auditors therefore invites the Shareholders to make the resolutions reserved to them for the renewal of the Control Body.

Finally, regarding the request formulated by shareholders Elliot International LP, Elliott Associates LP and The Liverpool Limited Partnership, to include the items on the agenda for the Shareholders' Meeting of 24 April 2018, regarding the revocation of six Directors and the appointment of six candidates to replace them submitted by the requesting shareholders, the Board of Statutory Auditors, having acknowledged the position taken by the Board of Directors on 22 March 2018, decided, of its own volition, to implement the agenda of the meeting in the terms requested. For further details, please refer to the specific report of the Board of Statutory Auditors on the topic, made available to shareholders, together with the remaining documentation for the shareholders' meeting.

Milan, 30 March 2018

For the Board of Statutory Auditors
The Chairman
Roberto Capone