



SHAREHOLDERS' MEETING ON 24 APRIL 2018

*2017 REPORT ON CORPORATE GOVERNANCE  
AND SHARE OWNERSHIP OF TIM S.P.A.*



TIM S.p.A.  
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# **2017 REPORT ON CORPORATE GOVERNANCE AND SHARE OWNERSHIP OF TIM S.P.A.**

*Pursuant to art. 123-bis CLF  
(Report approved by the Board of Directors at its meeting of 06 March 2018  
available on the website [www.telecomitalia.com](http://www.telecomitalia.com))*

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# GLOSSARY

**Sustainability Report:** the document approved annually by the Board of Directors of the Company and based on the Sustainability Reporting Guidelines of the Global Reporting Initiative, containing – from the 2017 edition – the consolidated non-financial statement of TIM S.p.A., pursuant to legislative decree no. 254/2016.

**Borsa Code/Corporate Governance Code:** the Corporate Governance Code of listed companies approved in July 2015 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, available to the public on <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>

**Civ.cod/ c.c.:** the Italian civil code.

**Issuer or Company:** Telecom Italia S.p.A. also referred to as TIM S.p.A.

**Corporate Governance Principles:** the document setting out the rules on corporate governance established by the Board of Directors of the Issuer, to supplement and complement the provisions of the Borsa Code to which the Company adheres

**Consob Issuers' Regulation:** the Regulation issued by Consob with resolution no. 11971 of 1999 (as subsequently amended).

**Consob Markets' Regulation:** the Regulations issued by Consob with resolution no. 20249/2007.

**Consob Related Party Regulations:** the Regulations issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently amended).

**Report:** the report on corporate governance and share ownership drawn up by the Issuer pursuant to art. 123-bis CLF.

**Remuneration Report:** the remuneration report drawn up pursuant to art. 123-ter of the CLF and art. 84-quater of the Issuers' Regulation, available pursuant to the law at the company headquarters, on the website of the Issuer at [www.telecomitalia.com](http://www.telecomitalia.com) About Us section Remuneration Channel, and through the 1Info authorised storage platform available on the website [www.1info.it](http://www.1info.it). Information on severance pay for directors is contained in the Remuneration Report.

**Consolidated Law on Finance/CLF:** Legislative Decree no. 58 of 24 February 1998 (as subsequently amended)

**TIM, Telecom Italia or the Company:** Telecom Italia S.p.A., an Italian joint stock company, subject to direction and coordination by Vivendi SA, with registered office in Milan at Via Gaetano Negri 1, and General Administration and Secondary Office in Rome at Corso d'Italia 41 – Corporate Website [www.telecomitalia.com](http://www.telecomitalia.com) – Commercial Website [www.telecomitalia.it](http://www.telecomitalia.it)

# 1. INTRODUCTION

The information contained in this Report refers to the 2017 financial year, and, with regard to specific issues, is updated to the date of the meeting of the Board of Directors that approved it (06 March 2018); see the Remuneration Report for details on pay issues; for social responsibilities, see the Sustainability Report.

Non-alignment or partial alignment with specific provisions of the Corporate Governance Code, updated to July 2015 to which Telecom Italia adheres, is justified in the section of the Report which deals with the governance practice otherwise applied by the Company, as per the comparison table below.

## 2. COMPARATIVE TABLE

Article 1 Role of the Board of Directors	Comply or explain
<b>Principles</b>	
1.P.1. The issuer is guided by a board of directors that meets regularly and is organised and operates in such a way as to guarantee the effective execution of its functions.	(see Chapter 5 of the Report on Corporate Governance and Share Ownership - RCG)
1.P.2. The directors act and resolve with full knowledge of the facts and autonomously, pursuing the priority objective of creating value for the shareholders with a medium-long term perspective.	(see Chapters 5.3 and 5.4 of the RCG)
<b>Application criteria</b>	
1.C.1. The board of directors:	
a) examines and approves the strategic, operational and financial plans of both the issuer and the group it heads, monitoring their implementation periodically; it defines the issuer's corporate governance system and the group structure;	(see Chapter 5.3 of the RCG)
b) defines the nature and level of risk compatible with the strategic objectives of the issuer, including in its assessments all the risks that can assume importance from a sustainability perspective in the medium-long period of issuer activity;	(see Chapter 5.3 of the RCG)
c) evaluate the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control system and risk management;	(see Chapters 5.3 and 12 of the RCG)
d) specifies the frequency, in any case no less than once every three months, with which the delegated bodies must report to the Board on the activities performed in the exercise of the powers delegated to them;	(see Chapter 5.4 of the RCG)
e) evaluate the general performance of the company, paying particular attention to the information received from the delegated bodies and periodically comparing the results achieved with those planned;	(see Chapters 5.3 and 5.4 of the RCG)
f) resolves upon transactions to be carried out by the issuer or its subsidiaries when such transactions have a significant impact on the issuer's strategies, profitability, assets and liabilities or financial position; to this end, the Board shall establish general criteria for identifying the material transactions;	(see Chapter 5.3 of the RCG)
g) perform at least annually an evaluation of the performance of the Board of Directors and its Committees, as well as their size and composition, taking into account the professional competence, experience (including managerial experience) and gender of its members, as well as the number of years for which they have served as director. Where the board of directors avails itself of external consultants for self-assessment, the report on corporate governance provides information on the identity of such consultants and on other services, if any, supplied by such consultants to the issuer or to companies having a control relationship with the issuer;	(see Chapters 5.3 and Table 2. of the RCG)
h) taking into account the outcome of the evaluation mentioned under the previous item g), reports to shareholders its view on the managerial and professional profiles deemed appropriate for the composition of the Board of Directors, prior to the appointment of the new board;	(see Chapter 5.3 of the RCG)
i) provides information in the Report on Corporate Governance on: (1) its composition, indicating for each member their title (executive, non-executive, independent), the role that they perform within the Board of Directors (for example, chairman or chief executive officer, as defined in article 2), their main professional characteristics as well as the length of time since their first appointment; (2) the procedures for applying this article 1 and, in particular, the number and average duration of meetings of the board and of the executive committee, if there is one, held during the fiscal year, as well as the corresponding attendance of each director; (3) the methods used to carry out the self-assessment procedure referred to in item g) above;	(see Chapters 5.3 and 5.4 and Table 2 of the RCG)



j) in order to ensure the correct handling of corporate information, adopts, upon proposal of the chief executive officer or the chairman of the Board of Directors, procedures for the internal handling and disclosure to third parties of documents and information concerning the issuer, having special regard to price sensitive information.	(see Chapters 5.4 and 6 of the RCG)
1.C.2. The directors accept office when they consider that they are able to dedicate the necessary time to the diligent execution of their duties, also taking account of the commitment connected to their own work and professional activities, the number of directorships or appointments as statutory auditor they hold in other companies listed in regulated markets (including foreign markets) in finance companies, banks, insurance companies or companies of significant size. Based on the information received from the directors, the board collects annually, and makes known in the report on corporate governance, the directorships or appointments as statutory auditor held by the directors in aforementioned companies.	(see Chapters 5.2 and Note to Table 2 of the RCG)
1.C.3. The board expresses its view of the maximum number of directorships or appointments as statutory auditor in the companies stated in the previous paragraph that can be considered compatible with the effective execution of the role of director of the issuer, taking account of the participation of directors in the internal board committees constituted. For this purpose, it identifies general criteria differentiated according to the commitment required for each role (executive director, non-executive director or independent director), also in relation to the nature and dimensions of the companies in which they hold office as well as their membership of the issuer's group, if applicable.	(see Chapter 5.2 of the RCG)
1.C.4. If the shareholders' meeting, in order to meet organisational requirements, should authorise derogations of the non-competition clause set out in art. 2390 of the Italian Civil Code, the board of directors considers the merits of each issue of this kind and reports any critical aspects to the first useful meeting of the shareholders. For this purpose, each director informs the board, upon acceptance of their appointment, of any activities undertaken in competition with the issuer and, subsequently, of all relevant changes.	(see Chapter 5.3 of the RCG)
1.C.5. The chairman of the board of directors uses his/her best endeavours for the documentation relating to the topics on the agenda to be brought to the knowledge of the directors and statutory auditors sufficiently in advance of the date of the board meeting. In its report on corporate governance, the board provides information on the timeliness and completeness of the pre-board reporting, also providing indications on the notice generally considered sufficient for the despatch of the documentation and indicating if this period of time has been respected normally.	(see Chapter 5.3 of the RCG)
1.C.6. The chairman of the board of directors, also at the request of one or more directors, may ask the chief executive officers that senior managers of the issuers, and those of the group companies that answer to it, responsible for the competent business functions according to the topic, are in attendance at board meetings to provide suitable in depth information on the items on the agenda. The report on corporate governance provides information on their actual attendance.	(see Chapter 5.3 of the RCG)
<b>Article 2 - Composition of the Board of Directors</b>	
<b>Principles</b>	
2.P.1. The board of directors is composed of executive and non-executive directors with adequate skills and professional capabilities.	(see Chapters 5.2 and 5.4 of the RCG)
2.P.2. The non-executive directors bring their specific skills to board discussions, contributing to informed decision-making and paying particular attention to those areas in which there may be conflicts of interest.	(see Chapter 5.3 of the RCG)
2.P.3. The number, skills, authority and available time of the non-executive directors shall be such as to guarantee that their opinion can have a significant weight in board decision-making.	(see Chapters 5.2 and 5.3 of the RCG)
2.P.4. It is advisable to avoid concentrating corporate offices in a single person.	(see Chapters 5.4 and 5.5 of the RCG)
2.P.5. Where the board of directors has conferred management powers on	(see Chapters 5.4 and 5.5 of the

the chairman, the board of directors provides an adequate explanation of the reasons for this organisational choice in the report on corporate governance.	RCG)
<b>Application criteria</b>	
<b>2.C.1.</b> The following are qualified as executive directors of the issuer:	
<ul style="list-style-type: none"> <li>– the chief executive officers of the issuer or of a company controlled by the issuer with strategic importance, including their chairmen, when individual management powers are granted to them, or when they play a specific role in the development of business strategies;</li> <li>– the directors who hold executive positions in the issuer or in a company controlled by the issuer with strategic importance, or in the parent company when the office also regards the issuer;</li> <li>– the directors who hold executive positions in the issuer or in a company controlled by the issuer with strategic importance, or in the parent company when the office also regards the issuer;</li> <li>– the directors who are members of the executive committee of the issuer, when a chief executive officer has not been identified, or when membership of the executive committee, taking the frequency of meetings and the object of its resolutions into account, means the de facto systematic involvement of its members in the current management of the issuer.</li> </ul> <p>The attribution of vicarious powers, or only for cases of urgency, to directors without management powers does not in itself mean that they are executive directors, unless such powers are in fact used with notable frequency.</p>	(see Chapters 5.4 and 5.5 of the RCG)
<b>2.C.2.</b> The directors are obliged to know the tasks and responsibilities inherent to their office. The chair of the board of directors ensures that directors and statutory auditors can participate, after their nomination and during their mandate, in the most opportune ways, in initiatives intended to provide them with adequate knowledge of the business sector in which the issuer operates, of the dynamics of the company and their evolution, and of the principles of correct risk management as well as the legal and self-regulatory framework of reference. In the report on corporate governance the issuer reports on the type and organisation of the initiatives that have taken place during the financial year of reference.	(see Chapter 5.2 of the RCG)
<b>2.C.3.</b> The board of directors designates an independent director as lead independent director in the following cases: (i) if the chairman of the board of directors is the principal person responsible for running the business (chief executive officer); (ii) if the office of chairman is filled by the person who controls the issuer. The board of directors of issuers who are part of the FTSE-MIB designates a lead independent director if this is requested by a majority of the independent directors, unless the board makes a different and reasoned assessment, to be published in the report on corporate governance.	(Although neither of the eventualities set out in the first part of the application criteria subsist, the BoD - as designated by the independent Directors - has appointed a Lead Independent Director - see Chapter 5.7 of the RCG)
<b>2.C.4.</b> The Lead Independent Director: a) represents a point of reference and coordination for the issues and contributions of the non-executive directors and, in particular, of those that are independent pursuant to article 3 below; b) collaborates with the chairman of the board of directors to guarantee that the directors receive complete and timely flows of information.	(see Chapter 5.7 of the RCG)
<b>2.C.5.</b> The chief executive officer of an issuer (A) may not assume the office of director of another issuer (B) that is not a member of the same group, of which an issuer (A) director is chief executive officer.	(Currently the CEO of TIM does not hold directorships in other companies in which a director of TIM is CEO; see Table 2 of the RCG)
<b>Article 3 – Independent Directors</b>	
<b>Principles</b>	
<b>3.P.1.</b> An adequate number of non-executive directors are independent, in the sense that they do not have relations such as to currently condition	(see Chapter 5.6 of the RCG)

their independence of judgement, nor have they recently had such relations, even indirectly, with the issuer or subjects linked to the issuer.	
<b>3.P.2.</b> The independence of the directors is assessed by the board of directors after their appointment and subsequently at yearly intervals. The outcome of the board's assessments is communicated to the market.	(see Chapter 5.6 of the RCG)
<b>Application criteria</b>	
<p><b>3.C.1.</b> The board of directors assesses the independence of its non-executive members having regard more to the substance than to the form, and bearing in mind the fact that a director does not normally appear independent in the following eventualities, which are not to be considered mandatory:</p> <ul style="list-style-type: none"> <li>a) if they control the issuer directly, indirectly or also through subsidiaries, trustee companies or nominees, or are able to exercise a significant influence over said issuer, or are party to shareholders' agreements through which one or more subjects can exercise significant influence or control over the issuer;</li> <li>b) if they occupy, or have occupied in the three preceding financial years, a prominent position in the issuer, in a company controlled by the issuer with strategic importance or in a company subject to joint control with the issuer, or in a company or body which, also together with others through a shareholders' agreement, controls the issuer or is able to exert significant influence over it;</li> <li>c) if, directly or indirectly (for example, through subsidiaries or companies in which they occupy a prominent position, or as a partner in a professional firm or consultancy company) they have, or have had in the preceding year, a significant commercial, financial or professional relationship: <ul style="list-style-type: none"> <li>– with the issuer, a company controlled by the issuer, or any person holding a prominent position in such a company;</li> <li>– with a subject that, also with others through a shareholders' agreement, controls the issuer, or - in the case of a company or body - with the persons in a prominent position in such a company or body;</li> </ul> or is, or has been in the preceding three years, an employee of one of the aforementioned subjects;</li> <li>d) if they receive, or have received in the preceding three years, from the issuer or from a company controlled by or that controls the issuer, a significant additional remuneration (by comparison with the "fixed" fee of a non-executive director of the issuer and the fee paid for participation in the committees recommended in this Code) also in the form of participation in incentive plans linked to company performance, including share-based plans;</li> <li>e) if they have not been a director of the issuer for more than nine of the last twelve years;</li> <li>f) if they have held office as an executive director of another company in which an executive director of the issuer serves as a director;</li> <li>g) if they are a shareholder or director of a company or entity belonging to the network of firms charged with the external audit of the issuer;</li> <li>h) if they have close family ties with a person who is in one of the situations set out in the previous points.</li> </ul>	(see Chapter 5.6 of the RCG)
<b>3.C.2.</b> For the above purposes the following are to be considered "persons in a prominent position" in a company or body : the chairman of the body, the chairman of the board of directors, the executive directors or key managers with strategic responsibilities in the company or body considered.	(see Chapter 5.6 of the RCG)
<p><b>3.C.3.</b> The number and skills of the independent directors are consistent with the size of the board and the activity undertaken by the issuer; they are also such as to permit the constitution of internal committees of the board, according to the indications contained in the Code.</p> <p>In issuers that are members of the FTSE-MIB index, at least one third of the board of directors is composed of independent directors. If this quota should not correspond to a whole number, this should be rounded down.</p>	(see Chapter 5.6 of the RCG)

In any event there shall be no fewer than two independent directors.	
<p><b>3.C.4.</b> After the appointment of a director who qualifies as an independent, and subsequently, when circumstances relevant to their independence arise and in any event at least once a year, the board of directors assesses the relations that might be or appear to be such as to compromise the independence of judgement of said director, based on the information provided by the person concerned or available to the issuer.</p> <p>The board of directors makes the outcome of its assessments known, after the appointment, by means of a press release to the market and, subsequently, in its report on corporate governance.</p> <p>In these documents the board of directors:</p> <ul style="list-style-type: none"> <li>– will report if assessment parameters different to those indicated in the Code, also with reference to individual directors, have been adopted, and if so, for what reason</li> <li>– will illustrate the quantitative and/or qualitative criteria that might be used to evaluate the significance of the relationships assessed.</li> </ul>	(see Chapter 5.6 of the RCG)
<p><b>3.C.5.</b> The board of statutory auditors, as part of the duties assigned to it by law, checks that the criteria and procedures of ascertainment adopted by the board to assess the independence of its members have been correctly applied. The outcome of these controls is made known to the market in the report on corporate governance or the statutory auditors' report to the shareholders' meeting.</p>	(see Chapter 5.6 of the RCG)
<p><b>3.C.6.</b> The independent directors meet at least once a year in the absence of the other directors.</p>	(see Chapter 5.7 of the RCG)
<b>Article 4 – Institution and functioning of the internal committees of the board of directors</b>	
<b>Principles</b>	
<p><b>4.P.1.</b> The board of directors institutes from among its members one or more committees with consulting and proposing functions as indicated in the following articles.</p>	(see Chapter 7.5 of the RCG)
<b>Application criteria</b>	
<p><b>4.C.1.</b> The institution and functioning of the committees specified in the Code meets the following criteria:</p> <ol style="list-style-type: none"> <li>a) the committees are composed of no fewer than three members. However, in issuers whose board of directors is composed of no more than eight members, the committees may be composed of just two directors, provided they are independent. The works of the committees is coordinated by a chairman;</li> <li>b) the tasks of the single committees are established with the resolution constituting them, and they may be supplemented or modified with subsequent resolutions of the board of directors;</li> <li>c) the functions that the Code attributes to different committees may be distributed differently or assigned to a lower number of committees than specified, provided that the rules for the composition indicated case by case by the Code are respected, and that achievement of the objectives below is guaranteed;</li> <li>d) the meetings of each committee are minuted, and the chairman of the committee reports on them at the first possible board meeting;</li> <li>e) in carrying out their functions, the committees have the right to access the company departments and information necessary for the execution of their tasks, and to avail themselves of external consultants, within the terms established by the board of directors. The issuer makes available to the committees adequate financial resources for the fulfilment of their tasks, within the limit of the budget approved by the board;</li> <li>f) subjects who are not members may participate in the meetings of each committee, including other members of the board or the structure of the issuer, at the invitation of said committee, with reference to single items on the agenda;</li> <li>g) the issuer provides adequate information, in its report on corporate governance, about the institution and composition of the committees, the content of the office conferred on it and,</li> </ol>	(see Chapters 8 and 10 of the RCG)

based on the indications provided by each committee, on the activity actually carried out over the financial year, on the number and mean duration of the meetings held and on the percentage attendance of each member.	
<p><b>4.C.2.</b> The institution of one or more committees may be avoided, reserving their functions to the full board, under the coordination of the chairman, and at the following conditions: (i) the independent directors represent at least half the board of directors, rounding down to the nearest whole number if the board consists of an odd number of people; (ii) that adequate space is dedicated within board meetings to the execution of the functions that the Code attributes to said committees, of which an account is to be provided in the report on corporate governance; (iii) regarding the control and risk committee only, the issuer is not controlled by another listed company, or subject to direction and coordination.</p> <p>The board of directors illustrates analytically, in the report on corporate governance, the reasons underlying the choice to not institute one or more committees; in particular, it adequately motivates the choice to not institute the control and risk committee in relation to the degree of complexity of the issuer and the sector in which it operates. The board also proceeds to periodically reconsider the choice made.</p>	(Although the Board of Directors of TIM is composed in majority of directors who qualify as independent, both the Control and Risk Committee and the Nomination and Remuneration Committee have been instituted)
<b>Article 5 – Nomination of Directors</b>	
<b>Principles</b>	
<b>5.P.1.</b> The board of directors constitutes an internal nomination committee composed, in majority, of independent directors.	(see Chapter 8 of the RCG)
<b>Application criteria</b>	
<b>5.C.1.</b> The nomination committee is vested with the following functions:	
<ul style="list-style-type: none"> <li>a) to express opinions to the Board of Directors regarding its size and composition and express recommendations with regard to the professional skills necessary within the Board as well as with regard to the topics indicated by articles 1.C.3 and 1.C.4;</li> <li>b) to submit to the Board of Directors candidates for the office of director, in case of co-optation, should the replacement of independent directors be necessary.</li> </ul>	(see Chapter 8 of the RCG)
<b>5.C.2.</b> The board of directors assesses whether or not to adopt a plan for the succession of executive directors. If it should have adopted such a plan, the issuer will report this in its report on corporate governance. The investigation for the preparation of the plan is carried out by the nomination committee or such other internal board committee with responsibility to do so.	(see Chapter 5.1 of the RCG)
<b>Article 6 – Remuneration of Directors</b>	
<b>Principles</b>	
<b>6.P.1.</b> The remuneration of the directors and key managers with strategic responsibilities is established in an amount sufficient to attract, retain and motivate people with the required professional qualities to manage the issuer with success.	(see Chapter 9 of the RCG)
<b>6.P.2.</b> The remuneration of the executive directors and key managers with strategic responsibilities is defined in such a way as to align their interests with the pursuit of the priority objective of creating value for the shareholders with a medium-long term perspective. For the directors who are recipients of management powers or who perform, even on a de facto basis only, functions related to the management of the business as well as for key managers with strategic responsibilities, a significant part of the remuneration is linked to the achievement of specific performance objectives, including those of a non-economic nature, indicated beforehand and determined in coherence with the guidelines contained in the policy specified in principle 6.P.4 below.	(see Chapter 9 of the RCG)
The remuneration of the non-executive directors is commensurate with the commitment required of each, also taking account of any membership of one or more committees.	
<b>6.P.3.</b> The board of directors constitutes an internal remuneration committee composed of independent directors. Alternatively, the committee may be composed of non-executive directors, with a majority	(see Chapter 8 of the RCG)



of independent directors; in this case, the chairman of the committee is selected from among the independent directors. At least one member of the committee shall possess an adequate knowledge and experience of financial matters or pay policies, to be assessed by the board of directors at the time of appointment.	
<b>6.P.4.</b> The board of directors, at the proposal of the remuneration committee, defines a policy for the remuneration of the directors and key managers with strategic responsibilities.	(see Chapter 9 of the RCG)
<b>6.P.5.</b> The issuer, on the occasion of the cessation of office and/or termination of relations with an executive director or general manager, makes known, at the outcome of the internal processes that lead to the attribution or acknowledgement of indemnities and/or other benefits, detailed information in this regard, by means of a press release disseminated to the market.	(see Chapter 9 of the RCG)
<b>Application criteria</b>	
<b>6.C.1.</b> The remuneration policy for executive directors or directors vested with special offices defines the guidelines with reference to the issues and in coherence with the criteria indicated below <ul style="list-style-type: none"> <li>a) the fixed component and the variable component are adequately balanced according to the strategic objectives and risk management policy of the issuer, also taking account of the sector of activity in which it operates and the characteristics of the business activity actually carried out;</li> <li>b) maximum limits are set for the variable components;</li> <li>c) the fixed component is sufficient to remunerate the service of the director in the eventuality that the variable component should not be paid due to non-achievement of the performance objectives indicated by the board of directors;</li> <li>d) the performance objectives - namely the economic results and any other specific objectives to which payment of the variable components is linked (including the objectives defined for the share-based remuneration plans) - are predetermined, measurable, and linked to the creation of value for the shareholders in a medium-long term perspective;</li> <li>e) payment of a major portion of the variable component of the remuneration is deferred by an adequate period of time after the moment of its accrual; the measure of said portion and the duration of the deferment shall be coherent with the characteristics of the business activity undertaken and with the related risk profiles;</li> </ul>	(see Chapter 9 of the RCG)
f) contractual agreements are provided that enable the company to require the repayment, whole or in part, of variable components of the remuneration paid (or to retain sums that are deferred), determined based on data that are subsequently found to be manifestly incorrect;	(see Chapter 9 of the RCG)
g) any compensation that might be envisaged for termination of the directorship shall be defined in such a way that its total amount does not exceed a certain sum or certain number of years of remuneration. Said compensation is not paid if the termination of the directorship is due to the achievement of results that are objectively inadequate.	(see Chapter 9 of the RCG)
<b>6.C.2.</b> In preparing share-based remuneration plans, the board of directors ensures that: <ul style="list-style-type: none"> <li>a) the shares, options and every other right assigned to the directors to acquire shares or be remunerated based on the trend in the share price have an average vesting period of at least three years;</li> <li>b) the vesting referred to in point a) is subject to predetermined and measurable performance objectives;</li> <li>c) the directors maintain a quota of the shares allocated or acquired through the exercise of the rights referred in point a) until the end of their mandate.</li> </ul>	(see Chapter 9 of the RCG)
<b>6.C.3.</b> Criteria 6.C.1 and 6.C.2 apply, insofar as they are compatible, also to the determination - by the bodies delegated to do this - of the remuneration of key managers with strategic responsibilities.	(see Chapter 9 of the RCG)

The incentive mechanisms for the head of the internal audit department and the executive responsible for preparing the corporate accounting documents reflect the tasks assigned to them.	
<b>6.C.4.</b> The remuneration of the non-executive directors is not - except for a non-significant part - linked to the economic results achieved by the issuer. The non-executive directors are not the beneficiaries of share-based remuneration plans, unless decided, with reasoning, by the shareholders' meeting.	(see Chapter 9 of the RCG)
<b>6.C.5.</b> The Remuneration Committee: <ul style="list-style-type: none"> <li>- periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, also on the basis of the information provided by the managing directors; it shall formulate proposals to the Board of Directors in that regard</li> <li>- submit proposals or issue opinions to the Board of Directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration; monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives.</li> </ul>	(see Chapters 8 and 9 of the RCG)
<b>6.C.6.</b> No director takes part in the meetings of the remuneration committee where proposals for the board of directors are formulated relating to his/her own remuneration.	(see Chapters 8 and 9 of the RCG and art. 2.4 of the Regulations of the Nomination and Remuneration Committee)
<b>6.C.7.</b> If it should intend to avail itself of the services of a consultant in order to obtain information on market practices on pay policies, the remuneration committee checks in advance that it is not in situations that might compromise the independence of its judgement.	(see Chapters 8 and 9 of the RCG)
<b>6.C.8.</b> The communication to the market specified in principle 6.P.5. comprises: <ol style="list-style-type: none"> <li>a) adequate information on the compensation and/or other benefits, including their amount, and the timing of their payment - distinguishing the part paid immediately from any part subject to deferment mechanisms, and also distinguishing the components attributed by virtue of the office of director from those relating to any employment relationship, and any repayment clauses, with particular reference to: <ul style="list-style-type: none"> <li>- end of office or termination of employment compensation, specifying the circumstances in which a director is entitled to it (for example, due to expiry of the term of office, revocation of office or settlement agreement);</li> <li>- maintenance of the rights related to any incentive plan based on money or financial instruments.</li> <li>- benefits (monetary and non-monetary) after the director ceases to hold office;</li> <li>- non-competition obligations, describing their principal content;</li> <li>- any other compensation attributed for any reason and in any form;</li> </ul> </li> <li>b) information on the conformity or otherwise of the compensation and/or other benefits with the indications contained in the remuneration policy, in case of even partial non-respect of the indications in said policy, information on the resolution procedures followed in application of the Consob regulations on transactions with related parties;</li> <li>c) indications on the application or non-application of any mechanisms that place limitations or impose corrective measures on the payment of compensation in the case in which the termination of the relationship is due to objectively inadequate achievement of results, as well as on any formulation of request for the repayment of compensation already paid;</li> <li>d) information on the fact that the replacement of the executive director or general manager who has ceased to hold office is</li> </ol>	(see Chapter 9 of the RCG)

regulated by a succession plan adopted by the company, if this is the case, and, in any event, indications regarding the procedures that have been or will be followed in replacing the director or senior manager.	
<b>Article 7 – Internal control and risk management system</b>	
<b>Principles</b>	
<b>7.P.1.</b> Every issuer equips itself with an internal control and risk management system composed of the set of rules, procedures and organisational structures to identify, measure, manage and monitor the principal risks. This system is integrated into the more general organisational and corporate governance structures adopted by the issuer and gives due consideration to the existing national and international reference models and best practices.	(see Chapter 12 of the RCG)
<b>7.P.2.</b> An effective internal control and risk management system contributes to conduct of the business that is coherent with the company objectives defined by the board of directors, promoting knowledgeable decision-taking. It contributes to ensure that the equity of the company, the efficiency and effectiveness of its business processes and the reliability of the information supplied to the corporate bodies and the market are safeguarded, and that the laws and regulations, and the bylaws and internal procedures, are respected.	(see Chapter 12 of the RCG)
<b>7.P.3.</b> The internal control and risk management system also involves, each for those matters for which it is competent:	
a) the board of directors, which plays a directing role and assesses the adequacy of the system, and identifies from its members:	(see Chapter 12 of the RCG)
i. one or more directors, appointed to create and maintain an effective internal control and risk management system (in article 7 below, the "director in charge of the internal control and risk management system"), and	(see Chapter 12.1 of the RCG)
ii. a control and risk committee, with the characteristics indicated in principle 7.P.4., with the task of supporting, with adequate investigatory activity, the assessments and decisions of the board of directors regarding the internal control and risk management system, and the activities relating to the approval of the periodic financial reports;	(see Chapter 10 of the RCG)
b) the head of the internal audit department, appointed to check that the internal control and risk management system is functioning and adequate;	(see Chapter 12.2 of the RCG)
c) the other company roles and functions with specific tasks regarding internal control and risk management, articulated according to the size, complexity and risk profile of the business;	(see Chapter 12.6 of the RCG)
d) the board of statutory auditors, also as internal control and audit committee, which monitors the effectiveness of the internal control and risk management system. The issuer ensures arrangements for coordination between the subjects listed above in order to maximise the efficiency of the internal control and risk management system and to reduce duplication of activity.	(see Chapter 12.6 of the RCG)
<b>7.P.4.</b> The control and risk committee is composed of independent directors. Alternatively, the committee may be composed of non-executive directors, with a majority of independent directors; in this case, the chairman of the committee is selected from among the independent directors. If the issuer is controlled by another listed company or is subject to the direction and coordination of another company, the committee is in any event composed exclusively of independent directors. At least one member of the committee shall possess adequate experience of accounts and financial matters or risk management, to be assessed by the board of directors at the time of appointment.	(see Chapter 10 of the RCG)
<b>Application criteria</b>	
<b>7.C.1.</b> The board of directors, after having received the opinion of the control and risk committee:	
a) defines the broad policies of the internal control and risk management system in such a way that the principal risks pertinent to the issuer and the companies it controls are correctly	(see Chapters 10 and 12 of the RCG)



<p>identified, and adequately measured, managed and monitored, also determining the degree of compatibility of such risks with a business management that is coherent with the strategic objectives identified;</p> <p>b) assesses, at yearly intervals at least, the adequacy of the internal control and risk management system in relation to the characteristics of the business and the assumed risk profile, as well as its effectiveness;</p> <p>c) approves, at yearly intervals at least, the plan of work drawn up by the head of the internal audit department, having obtained the opinion of the board of statutory auditors and the director in charge of the internal control and risk management system;</p> <p>d) describes in the report on corporate governance, the principal characteristics of the internal control and risk management system and how the different subjects involved in it are coordinated, expressing its assessment of the adequacy of said system;</p> <p>e) assesses, after having obtained the opinion of the board of statutory auditors, the results set out by the external auditor in its letter of suggestions, if any, and in its report on the fundamental issues that emerged during the external audit.</p>	
<p>The board of directors, at the proposal of the director in charge of the internal control and risk management system, and having obtained the favourable opinion of the control and risk committee, and obtained the opinion of the board of statutory auditors:</p> <ul style="list-style-type: none"> <li>– appoints and terminates the appointment of the head of the internal audit department;</li> <li>– ensures that said person is equipped with adequate resources to fulfil their responsibilities;</li> <li>– defines their remuneration, in line with company policy.</li> </ul>	<p>(The current head of the Audit Department was appointed – with the involvement of all the components specified in the Corporate Governance Code – according to the process summarised in Chapter 12.2 of the RCG)</p>
<p><b>7.C.2.</b> The control and risk committee, in assisting the board of directors:</p> <p>a. together with the executive responsible for preparing the company's accounting documents, after having obtained the opinion of the external auditor and the Board of statutory auditors, assesses whether or not the accounting principles have been correctly applied, and, in the case of groups, their consistency for the purposes of preparing the consolidated financial statements;</p> <p>b. expresses opinions on specific aspects relating to the identification of the principal business risks;</p> <p>c. reviews the periodic reports that assess the internal control and risk management system, as well as those reports of the internal audit department that are particularly significant;</p> <p>d. monitors the independence, adequacy, efficiency and effectiveness of the internal audit department;</p> <p>e. may ask that the internal audit department review specific operational areas, giving immediate notice to the chairman of the Board of Statutory Auditors;</p> <p>f. reports to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half-year financial report, on the activity it has carried out, as well as on the adequacy of the internal control and risk management system;</p> <p>g. supports, with adequate investigatory activities, the Board of Directors' assessments and decisions on the management of risks arising from prejudicial facts which the Board of Directors may have become aware of.</p>	<p>(see Chapter 10 of the RCG)</p>
<p><b>7.C.3.</b> The chairman of the board of statutory auditors, or another statutory auditor designated by the chairman, attends the meetings of the control and risk committee, although the other statutory auditors may also attend.</p>	<p>(see Chapter 10 of the RCG)</p>
<p><b>7.C.4.</b> The director in charge of the internal control and risk management system:</p> <p>a) ensures that the principal business risks are identified, taking account of the characteristics of the activities carried out by the issuer and the companies it controls, and periodically submits</p>	<p>(see Chapter 12.1 of the RCG)</p>

<p>them to review by the board of directors;</p> <ul style="list-style-type: none"> <li>b) implements the guidelines defined by the board of directors, overseeing the design, creation and operation of the internal control and risk management system and constantly checks its adequacy and efficacy;</li> <li>c) focuses on the adaptation of said system to the dynamics of the operating conditions and legislative and regulatory panorama;</li> <li>d) may request that the internal audit department review specific operational areas, and check that the internal procedures and rules are being respected in the execution of business transactions giving immediate notice to the chairman of the board of directors, the chairman of the control and risk committee and the chairman of the board of statutory auditors;</li> <li>e) promptly refers to the control and risk committee (or to the board of directors) any issues or critical points that have emerged from the execution of its activity or which have in some way come to its attention, in order that the committee (or the board) may take the appropriate initiatives.</li> </ul>	
<p><b>7.C.5.</b> The head of the internal audit department</p> <ul style="list-style-type: none"> <li>a) verifies, both on a continuous basis and in relation to specific needs and in conformity with international standards, the adequacy and effective functioning of the internal control and risk management system, through an audit plan approved by the board of directors, based on a process of structured analysis and prioritisation of the principal risks;</li> <li>b) is not responsible for any operational area and reports directly to the board of directors;</li> <li>c) has direct access to all information useful for the performance of his or her duties;</li> <li>d) drafts periodic reports containing adequate information on their own activity, and on the methods used to manage risks, as well as on compliance with the plans defined to mitigate them. The periodic reports contain an assessment of the adequacy of the internal control and risk management system;</li> <li>e) prepares timely reports on particularly significant events;</li> <li>f) submits the reports indicated under items d) and e) above to the chairs of the Board of Statutory Auditors and Control and Risk Committee and to the Chairman of the Board of Directors, as well as to the director in charge of the internal control and risk management system;</li> <li>g) tests the reliability of the information systems, including the accounting system, as part of the audit plan.</li> </ul>	<p>(see Chapter 12.2 of the RCG)</p>
<p><b>7.C.6.</b> The internal audit function, as a whole or by operational segment, may be assigned to a subject external to the issuer, provided it adequately meets the requirements of professionalism, independence and organisation. The adoption of such organisational choices, adequately reasoned, is communicated to the shareholders and to the market in the report on corporate governance.</p>	<p>N.A. (Responsibility for the Audit Department is assigned to a Company employee)</p>
<p><b>Article 8 – Statutory Auditors</b></p>	
<p><b>Principles</b></p>	
<p><b>8.P.1.</b> The statutory auditors act with autonomy and independence, also from the shareholders that elected them.</p>	<p>(see Chapters 14 and 15 and Table 3 of the RCG)</p>
<p><b>8.P.2.</b> The issuer puts in place suitable measures to guarantee the effective execution of the tasks assigned to the board of statutory auditors.</p>	<p>(see Chapters 14 and 15 and Table 3 of the RCG)</p>
<p><b>Application criteria</b></p>	
<p><b>8.C.1.</b> The statutory auditors are chosen from among people who can be qualified as independent also based on the criteria set out in this Code for directors. The board of statutory auditors checks that its members meet these criteria after nomination and at yearly intervals, informing the board of directors of the outcome of these checks. The board makes these results known, after the appointment, by means of a press release to the market, and subsequently in its report on corporate governance in the same way as prescribed for the directors.</p>	<p>(see Chapters 14 and 15 and Table 3 of the RCG)</p>
<p><b>8.C.2.</b> The statutory auditors should accept office when they believe they</p>	<p>(see Chapters 14 and 15 and</p>

can dedicate the necessary time to the diligent execution of their tasks.	Table 3 of the RCG)
<b>8.C.3.</b> The remuneration of statutory auditors is proportionate to the commitment required from each and to the importance of their roles, as well as to the size and business sector of the company.	(see Chapter 15 of the RCG)
<b>8.C.4.</b> A statutory auditor who, on their own account or on behalf of third parties, has an interest in a particular transaction of the issuer, promptly and thoroughly informs the other statutory auditors and the chairman of the board of directors of the nature, terms, origin and extent of their interest.	(see Chapters 14 and 15 and Table 3 of the RCG)
<b>8.C.5.</b> As part of their activities, the statutory auditors may ask the internal audit function to carry out audits of specific operational areas or company transactions.	(see Chapter 12 of the RCG)
<b>8.C.6.</b> The board of statutory auditors and the control and risk committee promptly exchange information relevant for the execution of their respective tasks.	(see Chapter 10 of the RCG)
<b>Article 9 – Relations with stakeholders</b>	
<b>Principles</b>	
<b>9.P.1.</b> The board of directors promotes initiatives to favour the broadest possible shareholder participation in meetings, and to facilitate the exercise of shareholders' rights.	(see Chapter 17 of the RCG)
<b>9.P.2.</b> The board of directors uses its best endeavours to establish a continuous dialogue with the shareholders based on understanding of one another's roles.	(see Chapter 17 of the RCG)
<b>Application criteria</b>	
<b>9.C.1.</b> The board of directors ensures that an executive in charge of managing relations with the shareholders is identified, and periodically assesses the advisability of proceeding to constitute a business structure charged with this function.	(see Chapter 16 of the RCG)
<b>9.C.2.</b> All the directors attend meetings of the shareholders, as a rule. Shareholders' meetings are also an occasion to communicate information on the issuer to the shareholders, in compliance with the regulations on inside information. In particular, the board of directors reports to the shareholders on the activities undertaken and planned, and uses its best endeavours to ensure that the shareholders have adequate information on the elements they need to take the decisions that are the responsibility of the shareholders' meeting with full knowledge of the facts.	(see Chapter 17 of the RCG)
<b>9.C.3.</b> The board of directors proposes to the shareholders' meeting, for its approval, regulations that indicate the procedures to be followed to enable the orderly and functional running of the shareholders' meetings, while also guaranteeing the right of each shareholder to speak on the topics for debate.	(see Chapter 17 of the RCG)
<b>9.C.4.</b> In the case of significant changes to the market capitalisation of the issuer's shares, or to the composition of its share ownership, the board of directors assesses the advisability of proposing to the shareholders' meeting amendments to the by-laws regarding the percentages set out for exercising shares and the prerogatives intended to protect minority holdings.	(see Chapter 17 of the RCG)

## 3. INFORMATION ON SHARE OWNERSHIP

(pursuant to Article 123-bis, subsection 1, CLF)  
as at 31 December 2017

### a) Share capital structure

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The structure of the subscribed and paid-up share capital, amounting to 11,677,002,855.10 euros at 31 December 2017, is set out in Table 1 – Information on share ownership.

The Company's ordinary and savings shares, without indication of the par value, are listed, as well as on the Italian stock exchange (Borsa Italiana), and on the New York Stock Exchange in the form of American Depositary Shares, each corresponding to 10 ordinary or savings shares, represented by American Depositary Receipts issued by JPMorgan Chase Bank.

The characteristics of the savings shares are governed by Article 6 of the By-laws (available on the website [www.telecomitalia.com](http://www.telecomitalia.com), About Us section - *Governance System/Company By-laws* channel).

In relation to the share-based incentive plan called the "2014-2016 Stock Option Plan", and the increase in capital to service it, see the note "Remuneration plans in the form of shareholdings in the capital" in the separate financial statements of the Company as at 31 December 2017 and the corresponding disclosure document that may be consulted in About Us section, *Remuneration* channel on the website [www.telecomitalia.com](http://www.telecomitalia.com)

### b) Restrictions on transfer of securities

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There are no limitations under the Company By-laws on the transfer of securities issued by the Company.

Telecom Italia is however subject to the special powers pursuant to legislative decree no. 21/2012 converted with amendments by law no. 56/2012. For a description of the prerogatives that government authorities are entitled to exercise, see letter d) below ("Shares that confer special rights").

The 2014-2016 Stock Option Plan does not envisage lock-up mechanisms.

### c) Significant shareholdings

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Significant holdings in the ordinary capital of TIM are shown in Table 1 – Information on share ownership.

### d) Securities that confer special rights

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The By-laws do not envisage shares with multiple or enhanced voting rights, and the Company does not issue securities that confer special control rights.

Furthermore, as ascertained with the Order of the Presidency of the Council of Ministers made on 28 September, the Company is subject to the obligations set out in legislative decree no. 21/2012 (the "Golden Power" decree) and possesses networks and equipment that perform "activities of strategic importance for the national security and defence system" (as specified in art. 1 of the Golden Power Decree) and possesses networks and equipment "necessary to ensure the minimal supply and operation of essential public services" in the communications sector (as specified in art. 2 of the Golden Power Decree). This means that TIM is subject to the Government's special powers regarding both the circulation of shareholdings of more than 3% of its capital with voting rights in ordinary shareholders' meetings, and the acts and resolutions of the Company regarding mergers or demergers, the transfer of the business or branches of the business (of TIM and its subsidiaries), transfer of the registered offices abroad, changes to the company purpose, winding up of the company, sales of real rights to dispose of or use tangible or intangible assets, or the assumption of constraints that condition their use. Both are in any event subject to a Government power to make them subject to conditions or prescriptions, in various ways according to whether the reference is to the national security and defence sector or the communications sectors.

With an Order made on 16 October 2017 the Presidency of the Council of Ministers exercised the special powers prescribed in article 1 of the Golden Power Decree through the imposition of specific prescriptions and conditions on TIM and its wholly owned subsidiaries Sparkle and Telsy. They are measures in the area of governance and organisation: in particular, the Presidency of the Council of Ministers imposes the presence on the Board of Directors of each company of a Director with powers over the security organisation (an Italian citizen, with a security clearance, deemed suitable for the role by the Government). . The organisational unit that undertakes activities that are relevant for national security, to be involved in all decision-making processes relating to strategic activities and the network, must be run by a security officer chosen from a trio of names proposed by the Department of Information for Security at the Presidency of the Council of Ministers. TIM and the subsidiaries cited above will also have to provide prior information on every decision that might, inter alia, reduce or transfer technological, operational or industrial capacity in strategic activities.

With an Order made on 2 November 2017 the Presidency of the Council of Ministers exercised the special powers prescribed in article 2 of the Golden Power Decree through the imposition of specific prescriptions and conditions. These measures essentially regard the plans for the development, investment and maintenance of the networks and equipment, in order to preserve their functionality and integrity, and the obligation to notify every action of the company that could have an impact on their security, availability and functioning.

### e) Employee shareholdings: mechanism for exercising voting rights

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No specific methods or limits on the ways in which employee shareholders can exercise their voting rights are prescribed, irrespective of the provenance of the shares held (including from specific employee share plans).

### f) Restrictions on voting rights

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There are no restrictions on voting rights of shares constituting the ordinary share capital of TIM.

Savings shares are not granted the right to vote at ordinary shareholders' meetings.

For a description of the restrictions to voting rights deriving from the exercise of the special powers reserved to the Government, see paragraph d) above.

### g) Shareholders' Agreements

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At present, the Company is not aware of shareholders' agreements relevant for TIM pursuant to article 122 of the CLF.

### h) Change of control clauses and statutory provisions on Tender Offers

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In a series of agreements to which TIM and/or the companies it controls are party, the duty to announce the change of control is specified, and sometimes the phenomenon of change of control means an amendment or extinction of the relationship. The situations not subject to contractual confidentiality constraints in which the change of control is significant are reported below.

Regarding the financing relationships set out below:

- the *Revolving Credit Facility* signed with a syndicate of banks on 16 January 2018 for 5 billion euros, expiring on 17 January 2023, currently not used;
- the *Facility Agreement* signed with Mediobanca - Banca di Credito Finanziario S.p.A. on 10 November 2014 for 134 million euros, expiring on 11 November 2019, as amended on 16 June 2016;

- the *Facility Agreement* signed with Mediobanca – Banca di Credito Finanziario S.p.A. on 3 July 2015 for 150 million euros, expiring 3 July 2020, as amended on 6 March 2017, 75 million euros of which partially repaid in advance on 3 July 2017 <sup>(1)</sup>;
- the *Facility Agreement* signed with ICBC - Industrial & Commercial Bank of China on 6 July 2015 for 120 million euros, expiring on 6 July 2020;
- the *Facility Agreement* signed with INTESA SANPAOLO on 05 August 2015 for 200 million euros, expiring on 5 August 2021.

Telecom Italia must promptly communicate any change of control to the bank, or to the agent, if there is one, within 5 working days, and the bank (or the agent, on behalf of the financing banks) will negotiate in good faith how the relationship will proceed within a period of 30 days, at the end of which a bank with which agreement has not been reached may ask for reimbursement for the quota of financing it provided, and/or the cancellation of the quota relating to its commitment. No change of control arises should the control be acquired (i) by shareholders who, at the date of signature of the agreement, directly or indirectly, held more than 13% of the voting rights at the shareholder's meeting, or (ii) by the parties to the Telco shareholder's Agreement (Generali Group, Mediobanca S.p.A., Intesa Sanpaolo S.p.A. and Telefónica S.A.), or (iii) by a pool of subjects belonging to these two categories. Breach of the obligation to communicate the change of control that has occurred, where not remedied, would imply that an Event of Default had occurred.

On 16 January 2018 the company signed a *Revolving Credit Facility* for 5 billion euros to expire on 17 January 2018, with concurrent early cancellation of two previous facilities expiring on 24 May 2019 and 26 March 2020, for 4 and 3 billion euros respectively, which included change of control clauses in the terms described above. For the new financing arrangement, Telecom Italia must communicate a change of control to the agent within 10 working days, and the agent will, on behalf of the bank, negotiate the continuation of the relationship in good faith within 30 days. After this period the bank with which agreement has not been reached may ask for cancellation of their quota of the commitment and/or repayment of the quota disbursed by the first date on which interest or commission is due. No change of control arises should the control be acquired (i) by shareholders that, at the date of signature of the agreement, directly or indirectly, held more than 13% of the voting rights at the shareholder's meeting, or (ii) by the direct or indirect majority shareholder, or any entity that is an investee of said shareholder, or (iii) by a combination of subjects belonging to these two categories. Breach of the obligation to communicate the change of control that has occurred, where not remedied, would imply that an Event of Default had occurred.



Compliance with the ISDA Master Agreements signed by TIM and/or its subsidiaries:

- *Merrill Lynch International, whose underlying contracts expire on 15 November 2033 and a total notional amount of 474 million euros*
- *Natixis, whose underlying contracts expire on 18 July 2036 and a total notional amount of 651 million euros,*
- *SMBC (Sumitomo Mitsui Banking Corporation) whose underlying contracts expire on 30 September 2034 and a total notional amount of 180 million euros and*
- *Unicredit whose underlying contracts expire on 18 July 2036 and a total notional amount of 2.8 billion euros.*

should one of the expected change of control events occur, giving rise to a substantial worsening of the company's credit rating compared to before the event, the following are envisaged: i) TIM's duty of immediate notification, breach of which implies that an Event of Default has occurred; and ii) the right of other party to terminate the existing contracts in advance giving twenty days' notice.



In the *Loan Agreement* between TIM Celular S.A. and KfW and KfW Bank GmbH, with repayment 15 April 2019, for the sum of 111 million Reais, there is a change of control clause that can also be triggered in case of change of control events that affect Telecom Italia. If a change of control should occur, the bank is entitled to request early repayment of the loan, after the expiry of a period within which any consultations that might be requested of the bank are to be held.



The regulations of the fixed rate equity-linked loan, optionally convertible into ordinary Telecom Italia shares (Equity linked Bond - Convertible), issued by the Company in 2015, for 2 billion euros, with maturity 2022, envisage that the Issue must communicate a change of control to the Trustee, and the bond-holders have the

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<sup>(1)</sup> On 21 December 2017 TIM S.p.A. informed Mediobanca that the right to early repayment had been exercised, effective as of 3 January 2018, under the bilateral Term Loan of 150 million euros expiring in July 2020, for the entire residual amount of 75 million.



right to request, within the 60 calendar days following the communication, alternatively, (i) the conversion of the loan into ordinary shares of the Company, or (ii) the repayment in cash of the par value of the loan and the accrued interest. No change of control arises should the control be acquired (i) by shareholders who, at the date of signature of the trust deed, held more than 13% of the voting rights at the shareholder's meeting, directly or indirectly, or (ii) by the parties to the Telco shareholder's agreement (Generali Group, Mediobanca S.p.A., Intesa Sanpaolo S.p.A. and Telefónica S.A.), or (iii) by a pool of subjects belonging to these two categories.



In the relations with the European Investment Bank (EIB).

- in the first set of contracts signed in 2010 for an amount of 0.3 billion euros, there is an obligation to promptly notify the EIB of any amendments to the Bylaws or any redistribution of capital among the shareholders that may lead to a change of control. Failure to provide this notification entails the termination of the contract. In addition, if a shareholder who at the date of signature of the contract does not hold at least 2% of the share capital comes to hold more than 50% of the voting rights at the ordinary Shareholders' Meeting, or in any event, of the share capital, and, according to the reasonable opinion of the EIB, this could prejudice or compromise the execution of the funding project, TIM must immediately inform the Bank which will have the right to consult TIM and request information. If the Bank should deem that the corporate changes may have negative consequences on the financial capacity of Telecom Italia, it is entitled to ask that guarantees be constituted, or the contract be amended. If TIM does not comply with the EIB's request, the latter has the right to terminate the contract;
- in the contracts entered into in 2011, 2013, 2014 and 2015, for a total amount of 1.65 billion euros, the obligation was specified for TIM to notify the EIB immediately of any substantial alteration regarding the Company Bylaws or its share ownership. Failure to provide this notification, after a notice to comply, entails the termination of the contract. Under the terms of the contracts under examination, a change of control is produced if a party or group of parties acquire control of TIM, or of the entity that directly or indirectly controls it. In the contracts signed in 2011, 2013 and 2014 a change of control is not brought about if control is acquired (i) by any shareholder who at the date of the contract holds directly or indirectly at least 13% of the voting rights in the ordinary shareholders' meeting or (ii) by the investors Telefonica S.A., Assicurazioni Generali S.p.A., Intesa San Paolo S.p.A. or Mediobanca S.p.A. or subsidiaries thereof. In the contract signed in 2015 there is no change of control if control is acquired directly or indirectly by: (i) any shareholder of TIM which at the date of the contract should hold, directly or indirectly, at least 13% of the rights to vote in an ordinary shareholders' meeting, or (ii) any shareholder which at the date of the contract should hold, directly or indirectly, the majority of the rights to vote in the ordinary shareholders' meeting as specified in point (i) above. If a change of control should occur, in all the contracts in question the EIB is entitled to request early repayment of the loan after the expiry of a period within which any consultations that might be requested by the EIB are to be held.



The Master Service Agreement for the provision by Inwit to Telecom Italia of an integrated service consisting of the making available (i) of physical spaces suitable for hosting and installing Telecom Italia equipment, (ii) of power supply and conditioning systems, (iii) of monitoring and security services, as well as (iv) management and maintenance at the sites that have been transferred to Inwit, should also be noted. The duration of the MSA was agreed to be 8 years from the date the agreement came into force (1 April 2015), with tacit renewal for a further eight years up to a maximum of 24 years, unless cancelled before each of these expiry dates with at least 12 months' notice.

The contract contains a clause by virtue of which, if there is a change of control within 7 years of the date the agreement came into effect, either party will have the right of option to automatically renew the MSA for a further period of 8 years (and hence until the end of the 16th year after the date the agreement came into effect). In this case, the cancellation right that either party can exercise before the expiry of the first period of 8 years from the date of effect, as prescribed above, shall not apply, and, if already exercised, shall be understood to be without effect.



Regarding the commercial contracts, the following should be noted:

- Contract with Poste Mobile S.p.A. for the supply of traditional fixed telephony, VOIP and data transmission services, signed on 29 October 2012 with expiry on 31 December 2017, and currently extended until 30 June 2018. The value of the contract is approximately 32 million euros a year. Poste Mobile S.p.A. has the right to withdraw from the contract in case of change of control of the company pursuant to art. 2359 of the Italian Civil Code. TIM would have to inform Poste Mobile within 15 days of the date of the event, and Poste Mobile would then be able to exercise its withdrawal within the following 90 days.
- Contract with Havas Media s.r.l. for activities in support of the negotiation and acquisition of advertising spaces, and the planning, programming, implementation and control of the advertising campaigns of TIM

and/or the Group Companies. The prescribed duration is to 31 December 2019, for an indicative value of more than 75 million euros per year. Either party has the right of withdrawal in case of a change in the controlling shareholding of either, with the duty to notify within 15 days of the date of the event and the right of withdrawal within the following 60 days.



In relation to the regulations on special powers of the Government pursuant to Legislative Decree no. 21/2012, see paragraph d) above.

The duty to communicate the change of control, provided for by Italian law on licences, is also contained in the general authorisation certificates granted to TIM for operating and providing the network and for offering electronic communications services as well as in the general concession/authorisation certificates granted to subsidiary Persidera for the network operator business.

A similar obligation is regulated by local legislation and in the concession/licence certificates for telecommunication services held by the foreign subsidiaries of the Group, to which is added, in some Countries, the obligation for specific approval by the competent Authorities.



The By-laws do not contain derogations of the regulations on the passivity rule, nor of the so-called neutralisation rules in the case of public offerings to purchase or exchange securities issued by the Company.

## i) Powers to increase share capital and authorisations of share buy-backs

TIM owns 37,672,014 treasury shares; TIM Finance owns 126,082,374 TIM ordinary shares. No authorisations to purchase treasury shares nor assignment of powers to the Board of Directors to increase the share capital pursuant to art. 2443 of the Italian Civil Code, that is to issue financial instruments of equity, are currently in force.

## j) Direction and coordination

On 27 July 2017 the Board of Directors of the Company took note of the start of direction and coordination activity over TIM by Vivendi S.A.

On 13 September 2017, the stock exchange regulator, the Commissione Nazionale per le Società e la Borsa (Consob), issued an order in which it maintains that the reference shareholder, Vivendi S.A. (which currently holds 23.94% of the ordinary share capital), also “exercises de facto control over TIM pursuant to article 2359 of the Italian civil code and pursuant to article 93 of the CLF, as well as pursuant to the regulation on related parties”. The Company considers that the order differs notably from the consolidated interpretation on corporate control, with which TIM (and, justifiably, the whole market) has always adhered. TIM, while complying with it, has challenged it before the Lazio Administrative Court.

# 4. COMPLIANCE

TIM is a limited company with registered office in Italy, subject to Italian and European Community law. Moreover,

- in relation to the listing of its shares on Borsa Italiana and of some of its bonds on the Vienna Stock Exchange, it is required to comply with corresponding regulations;
- solely in its capacity as a foreign issuer, registered at the U.S. Securities and Exchange Commission and listed on the New York Stock Exchange, it is subject to U.S. law.

As stated in the introduction, TIM adheres to the Corporate Governance Code of Borsa Italiana updated to July 2015, and adapts its own system of corporate governance to Italian and international best practices.



At 31 December 2017 the subsidiaries of TIM included the Tim Brasil Group companies, the holding company of which Tim Participações S.A. is a company registered and listed in Brazil, and also registered with the US Securities and Exchange Commission and listed on the New York Stock Exchange. The corporate governance structure of TIM is not affected by the legal provisions governing Tim Participações.



## 5. BOARD OF DIRECTORS

### 5.1 Appointment and replacement

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In accordance with Article 9 of the Bylaws, the Board of Directors (composed of a minimum of 7 to a maximum of 19 Directors) is appointed on the basis of slates submitted by shareholders holding a total of at least 0.5% of the ordinary share capital.

Two thirds of the directors to be elected shall be chosen from the slate which has obtained the greatest number of votes (the "Majority Slate"), in the order in which they are listed on said slate, rounding any fractions down. The remaining Directors shall be chosen from the other slates proportionally (the "quotients" method). At least half of the directors chosen from each slate (with rounding up) must fulfil the requirements of independence specified in art. 148 of the CLF and/or the Corporate Governance Code. If necessary, the last names elected from a slate that do not fulfil these requirements will be replaced, in order, by the first of those not elected from the same slate who fulfil said requirements; in the absence of a sufficient number of independent candidates in a slate to be able to make the replacements, the Shareholders' Meeting shall complete the board with the legal majorities, ensuring that the requirement is fulfilled. If the composition of the board resulting from the slate voting system does not reflect gender balance, the necessary number of the last candidates of the more represented gender elected from the Majority Slate shall forfeit their post to ensure compliance with this requirement, and shall be replaced by the first candidates not elected from the same slate who are of the less represented gender. In the absence of candidates of the less represented gender on the Majority Slate in sufficient number to proceed with the replacement, the Shareholders' Meeting shall supplement the board with the majorities required by law, thus ensuring that the requirement is met.

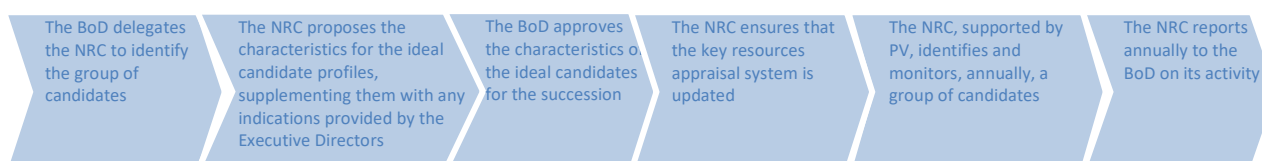
For the appointment of Directors, for any reason not appointed pursuant to the procedure described above, the Shareholders' meeting shall vote on the basis of the majorities required by law.

For the prescriptions imparted by the Government pursuant to the Golden Power Decree that are relevant for the purpose of the composition of the Board of Directors, see paragraph 3. Information on the share ownership in point d) Securities that confer special rights of the Report.

#### **Succession Plans**

The Board of Directors has had a procedure for Executive Director succession planning since December 2011. The Board of Directors has assigned the content, updating and monitoring of the succession plan to the Nomination and Remuneration Committee, which utilises the support of the company structure responsible for human resource management.

The architecture of the process is divided into the phases summarised below:



If an Executive Director must be replaced early, the Nomination and Remuneration Committee formulates a non-binding recommendation which it passes on to the Board. Moreover, it has been established that, when the Chief Executive Officer ceases to hold office, his or her powers are as a rule temporarily assigned to the Chairman until the new Chief Executive Officer takes office; where it is the Chairman who ceases to hold office, his or her replacement as chairman of the board is regulated by the By-laws (which provide for the Vice Chairman, if appointed, to take the role), while any management powers will as a rule be assigned to the Chief Executive Officer until the new Chairman takes office.

### 5.2 Composition

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Table 2 provides information on the composition of the Board of Directors.

The Shareholders' Meeting of 4 May 2017 appointed the current Board of Directors. The number of members of the Board was determined at 15 and their term of office was determined as three financial years (until the

shareholders' meeting called to approve the financial statements for the year ended 31 December 2019). The Directors have also been authorized to continue their activities as indicated in their curricula vitae, releasing them from the non-competition clause contained in Article 2390 of the Italian Civil Code.

Pursuant to the provisions in the Bylaws, two slates were presented, respectively, by relative majority shareholder Vivendi S.A. and by a group of asset management companies (SGRs) and institutional investors, and specifically, the following fund managers: Aberdeen Asset Management PLC, Aletti Gestielle SGR S.p.A., Anima SGR S.p.A., APG Asset Management N.V., Arca S.G.R. S.p.A., Eurizon Capital SGR S.p.A., Eurizon Capital SA, Fideuram Asset Management (Ireland), Fideuram Investimenti SGR, Interfund Sicav Interfund Equity Italy, Generali Investments Europe S.p.A., Generali Investments Luxembourg SA, Kairos Partners SGR S.p.A. as Management Company of Kairos International SICAV Comparti, Mediolanum Gestione Fondi SGR S.p.A., Pioneer Investment Management SGRpa, Pioneer Asset Management SA and Zenit SGR S.p.A.. The Vivendi S.A. slate obtained the greatest number of votes (49.35% of the capital voting in the Shareholders' Meeting). All 10 of the candidates in this list were therefore appointed Member of the Board of Directors - Arnaud Roy de Puyfontaine, Hervé Philippe, Frédéric Crépin, Giuseppe Recchi, Flavio Cattaneo, Félicité Herzog (independent), Franco Bernabè (independent), Marella Moretti (independent), Camilla Antonini (independent) and Anna Jones (independent). The following 5 candidates listed in the SGR and International Investors Slate were also appointed Member of the Board of Directors: Lucia Calvosa, Francesca Cornelli, Dario Frigerio, Danilo Vivarelli and Ferruccio Borsani, who all declared themselves independent.

Ascertainment that the board as a whole and the individual newly appointed Directors possessed the requirements was undertaken by the Board of Directors in its first meeting after appointment.

After the resignation of Flavio Cattaneo on 24 July 2017, with effect from 28 July, the Board of Directors, on 28 September 2017, proceeded to appoint Amos Genish as a Member of the Board of Directors by cooption (and hence until the next Shareholders' Meeting), appointing him to the office of Chief Executive Officer. Amos Genish was also appointed General Manager of TIM (a role previously held by Flavio Cattaneo).

The curricula vitae of all the members of the administrative body are available on the website [www.telecomitalia.com](http://www.telecomitalia.com), About Us Section - Corporate Bodies/Board of Directors channel.

#### **Diversity policies**

In May 2012 the Company amended the Bylaw provisions on the appointment of the Board of Directors, to take account of regulatory provisions that include the obligation to reserve a set quota of members to the less represented gender. For a description of the procedure for submitting slates that ensure the presence of the less represented gender in line with the set proportion, refer to article 9 of the Bylaws.

At present the Company has not adopted further diversity policies relating to the age and career/educational path of the directors.

#### **Maximum accumulation of offices held in other companies**

According to Telecom Italia's Corporate Governance Principles, acting as a director of the Issuer 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 its subsidiaries or affiliates, which are listed companies included in the FTSE/MIB index and/or companies operating principally in the financial sector dealing with the public and/or companies that perform banking or insurance activities. In the case of executive directors in companies with the characteristics listed above, the limit is reduced to three. No diversified thresholds are envisaged to take account of the Directors' participation in the internal board committees. The Board of Directors may, however, make a different assessment (to be published in the Report), even if departing from the stated criteria. 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 Directors who served during the 2017 financial year respected the accumulation limits indicated above.

#### **Induction Programme**

During 2017 the Directors attended meetings with the management that focussed on governance, organisational and internal control topics, as well as on the business, aimed at illustrating the sector of activity in which the Company operates, the safeguards, and the business dynamics.

The Company organised personalised induction meetings for all those Directors who requested them (or allowed them to participate in external initiatives).

## 5.3 Role of the Board of Directors

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During 2017, thirteen meetings of the Board of Directors were held; documentation was sent to the Directors, as promptly as compatible with the circumstances of the case (as a rule, the Friday of the week preceding the day on which the meeting is to be held), to enable informed participation in the meetings. In some cases the need for confidentiality or urgency have prevented respect of the aforementioned notice period, and the information needed for directors to exercise their duties in an informed way was provided directly in the meeting, in some cases to the detriment of the efficiency and duration of the meeting: board activity unfortunately suffered a series of leaks which led to a particularly cautious approach in the prior distribution of documentation on the subjects that would be discussed in meetings. When required by the topics dealt with, representatives of the Company management and of the Group Companies, or external consultants, were invited to participate in meetings, ensuring the necessary technical and professional support.

The average duration of the meetings was approximately 3 hours and thirty minutes. The percentage of attendance was 94.76% (93.40% for independent Directors).

The 2018 calendar envisages six scheduled meetings, to which further possible meetings are added in response to operational needs. In this regard, from the start of the year to the date of approval of the Report, four meetings have already taken place.

### *Tasks reserved to the Board*

Without prejudice to the application of the Borsa Code regarding matters reserved to the full board, pursuant to the Corporate Governance Principles, the following matters are deemed to have a notable effect on the business of the Company and the Group, and as such are subject to prior resolutions of the board:

- agreements with competitors which, considering the subject, commitments, conditions, or limits that they may produce, have long-term effects on the freedom of strategic entrepreneurial decisions;
- investments and divestments exceeding 250 million euros, and in any event purchases or sales of shareholdings, or businesses or business units that are of strategic significance in the overall framework of the business; transactions that, in their execution or upon their completion, can create commitments and/or purchases and/or sales of this nature and scale;
- the acceptance of loans for amounts exceeding 500 million euros and the granting of loans and guarantees in favour of non-subsidiary companies for amounts exceeding 250 million euros; transactions that, in their execution or upon their completion, can create commitments and/or deeds of this nature and scale;
- the above transactions, to be performed by unlisted subsidiaries of the Group, excluding those controlled by listed subsidiaries;
- the listing and delisting of financial instruments issued by the Company or Group companies in regulated markets inside or outside Europe;
- instructions to be given to listed subsidiaries (and their subsidiaries), when the Parent Company exercises its direction and coordination activity for the performance of transactions with the characteristics indicated above.

The general performance was assessed from time to time in the various meetings and specifically when examining financial reports and data on the progress of operations, with a detailed comparison of the results obtained and the budget targets.

The Board of Directors assessed the adequacy of the organisational, administrative and general accounting structure of the business, based on the information supplied by the management, which include continuous information on the changes in the company organisation chart, down to the second level of hierarchical reporting to the Executive Directors, and in any case when developing the strategic plan, identifying the strategic management of the business. Regarding the internal control and risk management system, the Board avails itself of the investigation undertaken by the Control and Risk Committee.

### *Self-assessment*

The self-assessment of the Board and its Committees was carried out for 2017, as for every year since 2005. Taking account of the fact that 2017 was the current Board's first year of office, it was deemed advisable to make use of the support of a consultant, identified as Eric Salmon & Partners due to their independence, also to establish a structured work process.

The advisor developed a questionnaire, sharing it with the Nomination and Remuneration Committee, and submitted it to all the Directors (as well as the Chair of the Board of Statutory Auditors) prior to the interviews. After the individual phase, there was a meeting to share and discuss the results of this activity, as summarised in a summary report.

More specifically, the areas considered were: the Board's effectiveness on key issues; the working method and ways of interacting; the organization of activities; the roles and responsibilities of the Board Directors; the organization and activities of the Committees; the processing of financial and non-financial reporting; the size and composition of the Board and its Committees.

The following were thus identified as strong points:

- the sense of belonging transmitted by all Directors;
- the awareness of the need to make joint decisions that have been appropriately studied to meet the challenges posed by rapid market evolution in a timely manner;
- freedom of opinion;
- the level of involvement and commitment of the members of the Board;
- the independent nature of the debate;
- the personal and professional characteristics of the Board directors, whose mix represents an important value, even if not fully expressed.

Vice versa, the matters that were thought to require work were:

- in-depth analysis of the strategies and business elements;
- an induction process that enhances the corporate governance principles applicable to Italian listed companies;
- improved cohesion on the Board and helping Directors get to know each other;
- perfecting of the timing and structure of the information notices sent out;
- risk analysis;
- management succession process.

Finally, corporate governance qualifies as an area that needs further commitment, from the perspective of continuous improvement, and thus the aims achieved are only the starting point for the pursuit of new and more challenging objectives.

### **Competing activities**

During 2017 there were no circumstances that were problematic in terms of the specific law on competition and directors' interests.

The Shareholders' Meeting of 4 May 2017 authorised the Directors it had appointed to continue their activities, waiving the competition prohibition pursuant to art. 2390 of the Italian Civil Code.

From the meeting on 5 May 2017. Mr de Puyfontaine stated that he had an interest deriving from his role as CEO of Vivendi, the major shareholder of the Company, and it had been stated that Mr Crépin and Mr Philippe had similar interests, in their respective roles as General Counsel and CFO of Vivendi,

In acknowledging this, the Board agreed that scrupulous observance of the regulations on directors' interests, and of the procedure for performing transactions with related parties was important, and committed to monitor it carefully. Should problematic circumstances occur, the Board of Directors would evaluate them on their merits, reporting them to the Board of Directors.

## **5.4 Delegated bodies**

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The assignment (and revocation) of powers to Directors is reserved to the Board, which defines the purpose, limits and methods of exercising the assigned powers, and receives a flow of information on their activities, the overall management performance and the most significant transactions.



After its renewal by the Shareholders' Meeting on 4 May 2017, the Board of Directors, in its meeting on 5 May 2017, appointed Giuseppe Recchi, Arnaud de Puyfontaine and Flavio Cattaneo as, respectively, Executive Chairman, Deputy Chairman and Chief Executive Officer of TIM S.p.A., confirming their existing powers and responsibilities.

In addition to the powers and responsibilities laid down by law and in the Bylaws, the Executive Chairman was also tasked with

- identification of the guidelines for the development of the Group, in agreement with the Chief Executive Officer, and supervision the elaboration and delivery of its strategic, industrial and financial plans;
- supervision of the definition of the organisational arrangements, economic and financial operations, and the process of defining the guidelines of the internal control and risk management system;
- organisational responsibility for Legal Affairs, Institutional Communication, Public Affairs, Brand Strategy and Media and Corporate Shared Value, and the running of Fondazione TIM; supervision of security issues and of TI Sparkle; the power represent the Company and the Group in any external relationship with authorities, institutions and investors.

The Deputy Chairman was assigned only deputy functions, as laid down in the Bylaws, without the conferment of powers, and, in addition to the legal representation of the Company, as laid down in the Bylaws, the Chief Executive Officer was assigned:

- all the powers needed to accomplish acts pertinent to the company's business, excepting those powers reserved to the Board of Directors and those delegated to the Executive Chairman;
- responsibility for the overall governance of the Company and the Group, including responsibility for defining and proposing strategic, industrial and financial plans to the Board of Directors, and then implementing and developing them;
- responsibility for defining the arrangements and all organisational responsibilities to ensure the management and development of the business in Italy and South America.

On 1 June 2017 the Board of Directors of TIM, having noted the green light for the Vivendi-TIM concentration issued by the European Commission on 30 May 2017, renewed the governance arrangements, appointing Arnaud Roy de Puyfontaine Executive Chairman and Giuseppe Recchi Deputy Chairman. The responsibilities and powers previously assigned to Giuseppe Recchi were confirmed to the Executive Chairman, with the exception of supervision of security matters and the company TI Sparkle. Deputy functions only were assigned to the Deputy Chairman.

On 24 July 2017 Chief Executive Officer Flavio Cattaneo tendered his resignation with effect from 28 July 2017. Until the succession process had been completed, the Executive Chairman received all the powers previously held by the Chief Executive Officer on an interim basis, with the sole exception of the powers relating to the Security Department and Sparkle, which were conferred, ad interim, on the Deputy Chairman.

Upon the conclusion of the succession process, on 28 September 2017, the Board of Directors co-opted Amos Genish, appointing him Chief Executive Officer.

The powers were therefore confirmed/reassigned as follows:

- The Executive Chairman, in addition to the powers and responsibilities laid down by law and in the Bylaws, was assigned the following powers deemed functional to perform the role of institutional representative of the Company before third parties and to coordinate the activities and responsibilities of the Board as a whole:
  - identification of the guidelines for the development of the Group, in agreement with the Chief Executive Officer, and supervision the elaboration and delivery of its strategic, industrial and financial plans;
  - supervision of the definition of the organisational arrangements, economic and financial operations, and the process of defining the guidelines of the internal control and risk management system;
  - organisational responsibility for Legal Affairs, Institutional Communication and Public Affairs, and the running of the Fondazione TIM;
  - representation of the Company and the Group in external relations with the authorities, institutions and investors;
- To the Deputy Executive Chairman: the deputy functions and organisational responsibility for the Security function, responsible - *inter alia* - for oversight of every activity and asset relevant for security and national defence purposes inside TIM and the other Italian Group companies (in particular, TI Sparkle S.p.A. and Telsy S.p.A).
- To the Chief Executive Officer, in addition to legal representation of the Company, pursuant to the Bylaws:
  - all the powers needed to accomplish acts pertinent to the company's business, excepting those powers reserved to the Board of Directors and those delegated to the Executive Chairman and the Deputy Executive Chairman;
  - responsibility for the overall running of the Company and the group, and therefore responsibility for defining, proposing to the Board of Directors and then implementing and developing strategic, industrial and financial plans;
  - responsibility for defining the arrangements and all organisational responsibilities to ensure the management and development of the business in Italy and South America.

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Given the frequency with which the Board of Directors meets, the Executive Directors normally report on the activities they have carried out during board meetings, as a rule after prior transmission of specific information documents.

## 5.5 Other Executive Directors

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On 31 December 2017, only the Chairman, the Deputy Chairman and Chief Executive Officer were considered executive directors, as set out in point 5.4.



## 5.6 Independent directors

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

Of the 15 Directors currently in office, 10 have been found to possess the independence requirements (Directors Antonini, Bernabè, Borsani, Calvosa, Cornelli, Frigerio, Herzog, Jones, Moretti, and Vivarelli), as ascertained by the Board in its meeting on 6 March 2018 pursuant to the Borsa Italiana Code, on the basis of the information made available by those concerned in accordance with the same Borsa Italiana Code and Issuers' Regulations, in keeping with the specific recommendation Consob made to the Company. None of the serving independent Directors committed to maintaining their independence for the entire duration of their mandate, when they became candidates; however, the Directors appointed by the Shareholders' Meeting of 4 May 2017 committed to promptly communicate to the Company any changes in the information they had supplied, including that on their possession of the requirements.

As of the date of reference of this document (6 March 2018) the check by the Board of Statutory Auditors on the ascertainment that the Directors possess the requirements, including the application of the independence criteria, has not yet been made.

## 5.7 Lead Independent Director

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In the meeting on 1 June 2017, the Board of Directors appointed Mr Bernabè as the Lead Independent Director for 2017 (to ensure that the various directors take turns in the role, during the course of the Board's mandate), with the roles and responsibilities set out in the current governance documents.

The figure (introduced into TIM in 2004, regardless of the conditions laid down in the Borsa Code) represents the point of reference and coordination for the issues raised and contributions made by the independent Directors and the non-executive Directors in general. The Lead Independent Director is acknowledged to have the right to use the company structures to perform the tasks assigned to him and to convene special meetings of only the independent Directors to discuss issues affecting the functioning of the Board of Directors or the management of the business, and he or she may invite representatives of the management of the Group to these meetings.

In the course of 2017 there were three such meetings. Attention was focussed on the analysis of organisational and strategic issues, according to the topics that were discussed by the board. The independent directors have not met in 2018.

# 6. PROCESSING OF CORPORATE INFORMATION

TIM adopted over time an articulated set of rules and procedures for the correct management of the information processed in the company, in compliance with the laws applicable to the various types of data; these rules act on the organisational and technical plan and on the operating procedures. The handling of information, in particular, is supported by information systems and processes linked to their development, maintenance and use, which are governed by specific company rules and requirements, are the object of dedicated organisational oversight carried out by the Security department for ICT Risk Management and information protection aspects, and by the IT & Security Compliance department for policy and compliance control aspects.

After EU Regulation 596/2014 (the "Market Abuse Regulation" or MAR) came into force in July 2016, the Board of Directors, on 3 February 2017, approved a new inside information and insider dealing procedure, available on the website [www.telecomitalia.com](http://www.telecomitalia.com), *About Us* section, *Governance System/Regulations* channel. The document:

- provides rules for the identification of inside information (defining criteria and responsibilities/processes). Decisions are to be taken with the necessary intervention of the General Counsel and Chief Financial Officer, for those aspects within their respective remits, and with the aim of making the judgement uniform;
- confirms the extension of the safeguards to protect the confidentiality of inside information to information that still does not possess the requirements of precision, but which, if it should become precise, would be liable to be qualifiable as inside information;
- sets out the obligations and prohibitions deriving from access to inside information, or from the possibility of generating such information (which is a typical characteristic of insiders), emphasising the principle that knowledge and application of the regulation that applies to informed people and/or insiders are the personal responsibility of the respective recipients;
- provides rules for the phase of public disclosure (and delay in disclosure ) of inside information, setting out

- the roles and responsibilities of the various subjects involved;
- describes the ways in which the obligation to draw up lists of people who have access to inside information may be complied with, envisaging the activation of a specific supplementary section applicable only to those who have permanent access to all the Company information that qualifies as inside information (essentially: the Executive Directors and the departments structurally involved in the phase of establishing the inside nature of the information);
- provides a series of operational references, principles of application and criteria for interpretation on the topic of insider dealing and the closed period;
- sets out the legal penalty regime that applies in case of non-compliance with the relevant law, also setting out the contractual responsibility aspects of breaching this regime (and its possible consequences).

On 13 October 2017, Consob published a “Guidelines” document on the management of inside information, which contains “a possible reference prototype for the issuer, in part based on cogent provisions and in part based on Consob directions”, without prescriptive content. After a comparative analysis of the content of this document with those referred to in the internal procedures, the Company is considering whether or not to amend and/or supplement the latter.



In its meeting on 17 January 2013, the Board of Directors resolved to avail itself of the right to waive the obligations to publish information documents in case of significant merger or de-merger, purchase or sale operations, or operations to increase the share capital by investment in kind.

## 7. INTERNAL BOARD COMMITTEES

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 Chairs of each Committee (who all have consultative and investigative functions) report to the full board on the issues discussed at the first useful meeting.

The conclusion of relevant transactions with related parties is subject to examination by the Control and Risk Committee in case of transactions of lesser importance, or by a Committee made up of all the independent Directors in case of transactions of greater importance (see paragraph 13).

## 8. NOMINATION AND REMUNERATION COMMITTEE

### *Composition and functioning*

The regulations of the Nomination and Remuneration Committee are contained not only in the Corporate Governance Principles but also in the special Regulations approved by the Board of Directors at its meeting of 5 August 2014 (document available on the website [www.telecomitalia.com](http://www.telecomitalia.com), About Us section, Governance System/Regulations channel; including, in particular, the principle for drawing up the minutes of Committee meetings).

The Committee comprises non-executive Directors, the majority of whom are independent directors, with at least one Director from a minority slate submitted pursuant to the Bylaws. The members of the Committee must possess adequate skills for the tasks they are called on to carry out; at least one member shall possess adequate skills in financial matters or pay policies. In its current composition, all the Directors who sit on the Committee possess adequate skills in financial matters and pay policies.

At its meeting on 15 June 2017 the Committee nominated as its Chairman the Director Anna Jones. The composition is shown in Table 2.

### *Functions and activities performed*

The Committee, which combines – on the basis of operational efficiency considerations – the duties and the responsibilities attributed to the nomination committee and the remuneration committee by the Borsa Code, also, pursuant to the corporate governance principles:

- 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 compensation established by the Shareholders' Meeting for the whole Board of Directors;
- performs other duties assigned to it by the Board of Directors.

During 2017 the Committee defined the planning of its activities for the execution of the tasks assigned to it, and there were seventeen meetings (average length: 1 hours and 10 minutes). In particular, in the 14 meetings following the renewal of the Board of Directors, the Committee managed the process for the departure and succession of Chief Executive Officer Flavio Cattaneo, and then (with the support of executive search firm Egon Zehnder), the selection and definition of the financial terms for his replacement, Amos Genish; it defined the allocation of the remuneration of the Board of Directors pursuant to art. 2389, subsection 1 of the Italian Civil Code, determined as a total sum of 2.2 million euros by the Shareholders' Meeting; it defined the arrangements for the conduct of the 2017 board evaluation, and proceeded to select the external consultant for this process; with the management, and the support of consultant Willis Tower Watson, it investigated the new company remuneration policy, described in the Remuneration Report, defining the proposal for the new long term remuneration measure, submitted to the Shareholders' Meeting called for 24 April 2017 for approval. For further information on the work of the Committee see the Remuneration Report.

The Committee (whose meetings are attended by the Chair of the Board of Statutory Auditors or any other Auditor delegated by said Chair, without prejudice to the possibility for all Statutory Auditors to attend) was able to access the information and company departments necessary to carry out its tasks, inviting the managers responsible for the areas being discussed in each case to provide support. The Committee was not assigned financial resources of a predetermined amount, but was able autonomously to bring in external consultants.

The percentage of attendance at meetings in 2017 was 100%. In 2018 two Committee meetings were held, and were attended by all its members.

## 9. REMUNERATION OF DIRECTORS, GENERAL MANAGERS AND KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES

Information on the general remuneration policy, share-based remuneration plans, as well as the pay of directors, general managers and managers with strategic responsibilities (as well as Auditors) is provided in the Remuneration Report (see the comparison table).

## 10. CONTROL AND RISK COMMITTEE

### *Composition and functioning*

The regulations of the Control and Risk Committee are contained not only in the Corporate Governance Principles but also in the specific Regulations approved by the Board of Directors at its meeting of 5 August 2014 (available on the website [www.telecomitalia.com](http://www.telecomitalia.com), About Us section, Governance System/Regulations channel; including, in particular, the principle for drawing up the minutes of Committee meetings).

The Committee comprises non-executive Directors, all of whom are independent directors, at present, with at least two from a minority slate submitted pursuant to the Bylaws. The members of the Committee have adequate skills for the tasks they are called on to carry out and at least one member shall possess adequate skills in accounting and finance or risk management, as assessed by the Board of Directors at the time of appointment. At its meeting on 22 June 2017 the Committee nominated as its Chairman the director Lucia Calvosa. The composition is shown in Table 2.

### *Functions and activities performed*

Without prejudice to the duties attributed by the Borsa Code and the internal corporate rules (which, in particular, assign to the Committee the oversight of transactions with related parties:(see paragraph 13 below ), 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 Chairman of the Board of Statutory Auditors attends those Committee meetings that are not held jointly with the former (or, if he cannot attend, another Auditor delegated by him will take his place) without prejudice to the possibility for all Statutory Auditors to attend. With reference to control issues, the Director who represents the link between the Board of Directors and the control structures that report directly to the Board (see paragraph 12.6) participates; furthermore, on 27 July 2017 said role was assigned to Ms Calvosa, who had performed this role during the mandate of the previous Board, and chairs the Committee.

During 2017 the Committee also: investigated a series of issues linked to financial disclosure; discussed the plan for PricewaterhouseCoopers' audit of the 2017 financial statements; expressed its opinion on governance issues (including the Group Regulations and the new Procedure containing guidelines for assigning tasks to the independent auditor); investigated Enterprise Risk Management issues, supporting the Board of Directors in defining the risk appetite statement and monitoring the development over time of the risk tolerance indicators; it expressed the opinions it is called upon to make in the procedure on related party transactions of greater importance; it analysed the reports of the control departments, acquiring their assessment of the internal control and risk management system, which it adopted and endorsed; it expressed its opinion on the planning of the activities of the control departments, monitoring progress and asking for specific interventions where necessary. The Board of Directors and management were informed of all of the above as they occurred. The Committee had access to the necessary information and corporate departments for performing its tasks. Financial resources of a predetermined amount were not assigned for this purpose, but the Committee was able autonomously to bring in external consultants of its choice.

During 2017 the Committee held fourteen meetings (of which 7 jointly with the Board of Statutory Auditors), supported, from time to time - upon invitation - by the Executive Directors and/or by the specialist contributions of company management or consultants. The average duration of meetings was approximately 3 hours and thirty-five minutes and the percentage attendance was 93.60%. In 2018, the Control and Risk Committee has already met five times.

## 11. STRATEGY COMMITTEE

### *Composition and functioning*

The regulations of the Strategy Committee are contained not only in the Corporate Governance Principles but also in the specific Regulations (available on the website [www.telecomitalia.com](http://www.telecomitalia.com), About Us section, Governance System/Regulations channel; including, in particular, the principle for drawing up the minutes of Committee meetings).

The 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 reports on the activities performed to the Board of Directors in the most appropriate manner, and in any case on each occasion at the first possible meeting, through its Chairman.

The composition of the Committee is shown in Table 2.

### *Functions and activities performed*

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.

Meetings are called at the request of the Chairman of the Board of Directors or the Chief Executive Officer. During 2017 there were three such meetings, and they lasted an average of one hour. All members attended, and they focussed on organisational issues (firstly: the appointment of a Chairman, identified in the Deputy Chairman of the Board of Directors, on 28 September 2017), and on the strategic planning activity of the Company. The Committee has not met in 2018.

## 12. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

### *General*

The internal control and risk management system (hereafter, for brevity: the Internal Control System) is organised and operates according to the principles and criteria set out in the Corporate Governance Code. It is an integral part of the general organisational structure of the Company and the Group, 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 monitor and manage, the responsibility of the Control and risk Committee and the Head of the Audit Department to overview and provide support to the Board of Directors, and the supervisory responsibilities of the Board of Statutory Auditors.

In particular, the internal control 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. As such this process is aimed at pursuing the values of both procedural and substantial fairness, transparency and accountability, which are considered key factors for managing TIM's business, in compliance with the Code of Ethics and Conduct of the Group (available on the website [www.telecomitalia.com](http://www.telecomitalia.com), About Us section - Governance system/Codes channel) and the Corporate Governance Principles. This process, constantly monitored with a view to progressive improvement, is intended to ensure, in particular, the efficiency of company operations and entrepreneurial conduct, its transparency and verifiability, the reliability of information and management and accounting data, and compliance with applicable laws and regulations as well as the safeguarding of company integrity and its assets, in order to prevent fraud against the Company and the financial markets.

The Board of Directors (which is responsible for approving annually the work plans of the control departments that report directly to it, after having obtained the opinions of the Board of Statutory Auditors and the Executive Directors) defines the guidelines for the Internal Control System, verifying its adequacy, effectiveness and proper functioning, so that the main corporate risks (including, among others, operational, compliance-related, economic and financial risks) are properly identified and managed over time. In carrying out its assessment compared to 2017, the Board endorsed the judgement expressed by Audit Department (already shared by the Control and Risk Committee), according to which, with reference to the specific operational contexts analysed during the year, given the weaknesses of varying intensity found, and having assessed the process of implementation of the improvement initiatives undertaken by the owner functions to quickly overcome these weaknesses, the internal control system can be considered capable of reducing the risk profiles to a level acceptable for the correct operation of the business processes.

### *Enterprise Risk Management*

The TIM Group has adopted an Enterprise Risk Model (or ERM) which enables risks to be identified, assessed and managed in a homogeneous way within the Group companies, highlighting potential synergies between the players involved in the assessment of the Internal Control System. There is particular focus on the relationship between the ERM process and the business planning process, particularly in proposing the acceptable level of risk for the Group (Risk Appetite), as well as its distribution in levels of acceptable deviation on the principal corporate objectives (Risk Tolerance).

The process is directed by the ERM Steering Committee This Committee ensures governance of the Group's risk management, aimed at containing the level of exposure to risk within acceptable limits and ensuring the operational continuity of the business, monitoring the progress and effectiveness of the countermeasures adopted. The ERM process is designed to identify potential events that may impact on business activity, to bring the risk back within acceptable limits and to provide reasonable assurance of the achievement of the corporate objectives.

The process adopted is cyclical and consists of the following output:

#### 1. *Definition of Risk Appetite and Risk Tolerance*

- Risk Appetite is the amount and type of risk that a company is willing to take, overall, to create value, that is in order to meet their strategic objectives (the Committee of Sponsoring Organizations of the Treadway Commission definition, CoSO 2013). It is defined annually by the Board of Directors when it approves the Strategic Plan, after evaluation by the Control and Risk Committee. If the Risk Appetite level is exceeded, the Board assesses the reasons for this, and the adequacy of the recovery plans.
- Risk Tolerances represents the level of risk that the Company is willing to take, with reference to the single categories of objectives (strategic, operational, compliance and financial: according to the CoSO

classification). Within each category of objectives (Strategic, Operational, Financial), the relevant KPIs in the Strategic Plan are identified, on which the Risk Tolerance thresholds that are coherent with the aforementioned definition of Risk Appetite are expressed.

Monitoring of compliance with Risk Appetite and Risk Tolerances is quarterly, and is reported to the Control and Risk Committee.

#### 2. *Identification of the Risk Profile*

The Risk Profile is defined through a process of identifying and assessing all risks, and involves the whole company. The risks are positioned on a specific matrix, the dimensions of which are inherent risk level, linked to the potential deviation from the Strategic Plan that might derive from the occurrence of a risk event, and the level of oversight. The matrix enables intervention priorities for the mapped risks to be directed.

#### 3. *Mitigation Actions*

The risks that present incomplete levels of oversight are dealt with through specific mitigation actions with associated projects overseen by the process owner, with the support of the Enterprise Risk Management function.

#### 4. *Reporting*

Periodic reporting to the ERM Steering Committee, the Corporate Bodies involved, and the Executive Directors, on the outputs mentioned above.

### *Financial risks*

Regarding financial risks, the Group is exposed to:

- market risk: arising from variations in interest and exchange rates related to financial assets and financial liabilities incurred;
- credit risk: representing the risk of non-fulfilment of obligations assumed by a counterparty in relation to the utilization of liquidity;
- liquidity risk: related to the need to meet short-term financial liabilities.

These risks are faced through (i) the definition of guidelines which must motivate the operations, (ii) the operation of an internal management committee which monitors the level of risk exposure in line with the pre-set objectives, (iii) monitoring the results achieved. In particular, management policies include:

- for market risk: fully hedging the exchange risk and minimizing exposure to interest rates through appropriate diversification of the portfolio, including through derivative financial instruments;
- for credit risk: liquidity management based on prudential criteria and articulated primarily in money market management activities (investment of temporary cash surplus) and bond portfolio management (investment of a permanent level of liquidity). In both situations, in order to reduce the risk of non-fulfilment of the obligations assumed by a counterparty, the counterparties and selected issuers have a credit rating within the limits established by the guidelines, and a careful policy is pursued to diversify the use of liquidity and allocate credit positions among the different banks;
- for liquidity risk: an adequate level of financial flexibility obtained by maintaining a Treasury margin that allows the refinancing requirements to be covered for at least the next twelve months.

### *Financial Reporting*

Financial information plays a central role in maintaining positive relationships between the company and those it interacts with, contributing to both the company performance and the creation of value for the shareholders.

The internal control system on financial reporting is aimed at supplying reasonable assurance of the trustworthiness, accuracy, reliability and promptness of the financial reporting. For that purpose, TIM has prepared and constantly updates a regulatory/documentary system including accounting principles of the Group, administrative and accounting procedures, guidelines, operation instructions, accounting manuals and a chart of accounts, intended to guarantee an efficient coordination and exchange of information between the Parent company and the subsidiaries as well as the correct drafting of the separate and consolidated financial statements. In order to guarantee compliance with the Italian and U.S. laws, the Company 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.

TIM's system for internal control over financial reporting is a process that operates continuously, for which periodic assessment phases are prescribed, intended to document and assess its planning and operational effectiveness. The process starts with the identification and assessment of the risks regarding financial reporting. For that purpose, TIM defines identification criteria of the organization limits and of the "significant" processes in terms of potential impact on the financial reporting (understood as the reporting contained in the financial statements prospectuses and the explanatory notes), as well as on the risks resulting from non-

achievement of the control objectives, due to potential non-intentional errors or frauds, if capable of having a significant impact on the financial reporting. In particular, the annual process starts with the identification of the accounts and disclosures in the financial statements that are deemed significant, whether in terms of their quality value or with reference to updated materiality parameters. The reporting units that contribute significantly to the composition of the selected items are then identified. In parallel, the processes associated with these items are identified, and, for each process, the inherent risks are assessed, contextualising the risk of non-achievement of the general control objectives, phase by phase. The frequency of this assessment, at least once a year, allows the new risks inherent in the financial reporting, deriving from the evolution of exogenous or endogenous factors. The process continues with a more operational phase that involves determining the controls for the risks identified, during which TIM updates and documents the controls carried out in the company that are able to mitigate the identified risks. TIM uses different types of controls in its model, in order to assess all the components of the control system relating to the objective of trustworthy financial reporting. The Entity Level Controls are defined at Group/Company/Organisational Unit level, and have a pervasive impact on the effectiveness of the controls defined at process, transaction or application level; this set of controls therefore provides a representation of how sensitive the organisation is on topics such as corporate governance, risk management, responsibilities for the internal control system, the attribution of powers and responsibilities. The IT General Controls are controls that are applicable to all the systems, processes and data of the IT organisations, and they meet specific objectives<sup>2</sup>. The Process Controls are the controls to protect the company processes and are carried out through human intervention and/or by IT applications.

The assessment phase of the controls against the risks identified is carried out through test activities, managed by a methodology guide and a strategy that are updated annually. Using top-down and risk-based logic, the test activities are differentiated by timing and depth, in relation to the type, classification and other characteristics of the controls. The test activities are designed to check both the efficacy of the design and the operational effectiveness of the control. If there is a negative outcome, due to a lack of efficacy in the design and/or operation of a control, the risk of error is then assessed in terms of probability and impact. The risk is then managed through the opening of a formal control shortcoming and with the definition, scheduling, and assignment of responsibilities for specific remedial plans.

The certification process is guided by an organisational procedure that identifies the roles and responsibilities for the different phases of its execution. The Chief Financial Officer retains the final responsibility for the whole process, and has a direct responsibility in the periodic definition of the perimeter of application of the reference standards, in the final and overall assessment of the financial reporting internal control system and in the management of relations with the Independent Auditor, assisted by his own specialist departments. The management, with the support of resources who coordinate the activities planned in the certification calendar in each business function/company, is responsible for identifying, implementing and assessing the controls against the risks identified, and consequently for the assessment and management of the control shortcomings, as well as for the execution of the remedial plans needed to overcome them. The offices of the Group Compliance Officer are responsible for the definition and updating of the methodology for monitoring the end-to-end process; together with the IT& Security Compliance function for the technological area, they supervise the designing of the controls and are responsible for the assurance activities (independent testing, follow-ups to check the assessment of the overcoming of the control shortcomings) to strengthen the management certification, and they provide support to the management and the Chief Financial Officer in all phases of the process. The Chief Financial Officer receives periodic reports from the Group Compliance Officer on the progress of the activities and the results of the certification process.

Furthermore, the Group Compliance Officer, in coordination with the Chief Financial Officer, assures the necessary information flows with the Control and Risk Committee and the Board of Statutory Auditors on the findings of the above (and in particular, any control shortcomings deemed significant/material in terms of potential impact of error/fraud on the financial reporting), as well as a summary of the evolution of control shortcomings for the current certification year.

## 12.1 Director in charge of the Internal control and risk management system

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The institution and maintenance of the internal control system are assigned to the Executive Directors, each with respect to the area delegated to him/her, and to the Executive responsible for preparing the corporate accounting documents (i.e. Piergiorgio Peluso) for his area of competence, so as to ensure the overall adequacy of the Internal Control System and its practical functionality, in a risk-based perspective.

The Executive Directors oversee in the context of the ERM process the identification of the major company risks (strategic, operational, financial and compliance) in the operational areas covered by their mandates. They implement the guidelines defined by the Board, overseeing the design, creation and management of the Internal

Control System and constantly checking the system's adequacy and efficacy. They report on issues and critical points that emerge during the execution of their activities to the Board of Directors. They may also ask the Internal Audit department to carry out audits on specific operational areas and on compliance with the internal rules and procedures in the execution of the company operations, giving simultaneous notice to the Chairman of the Board of Directors, and the Chairs of the Control and Risk Committee and the Board of Statutory Auditors.

## 12.2 Head of audit department

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Pursuant to the Corporate Governance Principles, in exercising the responsibility of the Board of Directors for the Internal Control System, the Board, in addition to the Control and risk Committee, also utilises the Head of the Audit Department.

The Head of the Audit Department of Tim S.p.A. is Daniele Gulinatti, appointed, after having obtained the favourable opinion of the Control and Risk Committee, and having consulted the Board of Statutory Auditors, by the Board of Directors on 26 July 2016. Mr Gulinatti, appointed following the designation and investigation process set out in the Company's Corporate Governance Principles, has organisational independence such as to assure that he exercises his responsibilities in executing his interventions and communicating their results without conditioning in the definition of the sphere of coverage of his tasks. To do this he has adequate and sufficient resources to carry out his 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, consequently, for proposing corrective measures in case of anomalies and/or deficiencies. His remuneration is defined in line with the company's policies, which pursue alignment with the reference pay markets. .

In accordance with the provisions of the Corporate Governance Code, the Head of the Audit Department:

1. verifies, both on a continuous basis and in relation to specific needs and in conformity with International standards, the adequacy and effective functioning of the internal control and risk management System, through an audit plan approved by the Board of Directors, based on a process of structured analysis and prioritisation of the principal risks;
2. is not responsible for any operational area and reports directly to the Board of Directors;
3. has direct access to all information useful for the performance of his or her duties;
4. drafts periodic reports containing information on his or her own activity, and on the risk management process, as well as about compliance with the plans defined to mitigate these risks. Such periodic reports contain an evaluation of the adequacy of the Internal Control System;
5. prepares timely reports on particularly significant events;
6. transmits the reports specified in points 4) and 5) to the Chairs of the Control and Risk Committee and the Board of Statutory Auditors, as well as to the Chairman of the Board of Directors and the Chief Executive Officer in relation to the powers assigned to them for Internal Control issues;
7. tests the reliability of the information systems, including the accounting system, as part of the audit plan.

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, homogeneity and methodological approach, compatible with respect for the applicable regulations and the responsibilities of said structures.

The Audit Department executes its mandate by providing the following services:

- assurance, through interventions to assess the governance, risk management and control processes of the organisation (audits and complementary activities, "third level" controls, including the monitoring and follow-up on the implementation of the improvement plans defined by the structures in question);
- consultancy to support company departments on the subject of governance, risk management and control (including, for example, participation in company work groups, training initiatives and risk response tables initiated as part of the risk management process, as well as specific analyses for professional contributions).

These services regard, in particular, the following business areas:

- Enterprise and Financial - dealing with commercial, financial and transverse support processes;
- Technical - dealing with processes with technological content (IT, Network Services and ICT supplies, and Infrastructure).
- Forensic - dealing with forensic audit activities and managing complaints/whistleblowing<sup>3</sup>.

The Head of the Audit Department, in line with company policy, uses adequate professional and financial resources to fulfil its responsibilities in compliance with the independence, adequacy, efficiency and effectiveness requirements prescribed by the Borsa Code.



The Head of the Audit Department promotes, develops and supports a quality improvement and assurance programme that covers all aspects of internal audit activities. The programme includes an assessment of compliance with the International Professional Practices Framework (IPPF) and the company internal audit procedures, and a continual assessment of the effectiveness and efficiency of its work, also with reference to best practice for the sector. The Head of the Audit Department periodically reports to the Board of Directors, through the Control and Risk Committee, on the results of these assessments.

In application of the aforementioned quality improvement and assurance programme, during 2017 the Audit Department underwent External Quality Assessment by a team of assessors from the Institute of Internal Auditors (IIA), and received the assessment “generally conforms”, the highest rating of conformity with international professional standards.

### 12.3 Organizational model pursuant to Legislative Decree 231/2001

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The Internal Control System is completed with the Organisational Model 231, an organisation and management model, intended to prevent offences that can result in liability for the Company pursuant to legislative decree no. 231/2001 (for which they are considered the predicate offences, excluding those deemed not of direct pertinence for the Group).

The Organisational Model has also 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 (transparency, fairness, loyalty) that guide the Company in the organization and conduct of business are indicated;
- the "general principles of internal control", aimed at providing a guarantee with regard 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 internal control schemes have been prepared in accordance with the following basic principles: (i) the separation of roles in undertaking the principal activities involved in business processes; (ii) the traceability of decisions, to allow for identification of specific points of responsibility and the motivations for the decisions themselves; and (iii) the objectification of the decision-making processes, so that decisions are not made on the basis of purely subjective considerations, but based on pre-established criteria.

The Organisational Model is a dynamic instrument, which affects the corporate operation, which in turn must be checked and updated in the light of feedback, as well as the evolution of the regulatory framework. The amendments were drafted by a managerial committee called 231 Steering Committee, briefed by the Supervisory Board (i.e. The Board of Statutory Auditors: see below) and approved by the Board of Directors when of a significant nature.

The Organisational Model also constitutes an integral component of the reference compliance program for the application of anti-corruption legislation such as - in particular - the *US Foreign Corrupt Practices Act* and the *UK Bribery Act*. In this context, a foreign version of it has also been defined for adoption by the non-Italian subsidiaries, also taking account of the possible application of similar regulations at local level. In particular, a specific Organisational Model is adopted for TIM Participações, in application of Brazilian anti-corruption law.

The types of offences contemplated in the company's Organizational Model are: corporate crimes, corruption, unlawful inducement to promise or give profit, fraud against the state, hindering the operation of public supervisory authorities, undue receipt of disbursements, embezzlement, child pornography, manslaughter, serious or extremely serious injuries caused by workplace accidents, abuse of inside information, market manipulation, handling stolen goods and recycling, cyber crime, breach of trademark/patent rights and copyright, environmental crimes, employment of third country nationals who have stayed in the country illegally, criminal conspiracy and self-laundering.

The functions of the Supervisory Body are assigned to the Board of Statutory Auditors, which as such oversees the operation and observance of the Organisational Model and reports to the Board on the oversight and examination activities which it has performed and the corresponding outcomes. In this regard, the Board of Statutory Auditors is supported by the Compliance Department.

There is a section dedicated to the 231 Organisational Model adopted on the TIM website ([www.telecomitalia.com](http://www.telecomitalia.com), About Us section - Governance System/231 Organisational Model channel).

## 12.4 Independent Auditor

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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 full external audit of TIM's Annual Report on Form 20-F pursuant to the US Securities Laws, for the nine year period 2010 - 2018.

Given that this mandate is about to expire, pursuant to the new legal and regulatory provisions consequent on the EU Directive on the external audit of accounts, the process to select the new Sole External Auditor of the Group for the nine year period from 2019 - 2027 has been started, under the responsibility and supervision of the Board of Statutory Auditors of TIM. This preparation was necessitated by the need to respect the prohibition to receive any "Design and implementation of internal control or risk management procedures related to preparing and/or controlling financial reporting, or designing and implementing IT systems for financial reporting" services from the New Sole External Auditor of the Group (or members of its network) in the 12 months prior to the start of the period of audit (cooling-in period).

The Shareholders' Meeting of 24 April 2018 will be called on to resolve to appoint the new Sole External Auditor upon the motivated proposal of the Board of Statutory Auditors, and to determine the fee for the Independent Auditor to apply for each year of the nine year period 2019-2027 and the criteria for its adaptation.

It should be noted that, pursuant to the applicable legal and regulatory provisions, PricewaterhouseCoopers S.p.A. is also the designated sole external auditor for the audit of TIM's "Consolidated Non-Financial Statement", drawn up pursuant to Legislative Decree no. 254/2016.

## 12.5 Executive responsible for preparing the corporate accounting documents and other corporate roles and functions

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As per the Bylaws (Art. 13), the Board of Directors appoints the Executive responsible, after hearing the opinion of the Board of Statutory Auditors and – for corporate governance principles – of the Control and Risk Committee. Upon appointment, his/her tasks and powers are defined. These are covered in the specific Regulations, available at the website [www.telecomitalia.com](http://www.telecomitalia.com), About Us Section - Governance System/Regulations channel.

The renewal of the Board of Directors entailed, at the meeting of 05 May 2017, proceeding with the renewal of the executive responsible for preparing the corporate accounting documents. The Board confirmed in this role the Head of the Administration Finance and Control Department, Piergiorgio Peluso.

As the person legally responsible for the preparation of suitable administrative and accounting procedures to draw up the annual accounts and consolidated financial statements as well as any other financial communications, the appointed executive is one of the main subjects involved in the operation of the Internal Control System and the management of risks. The Regulations acknowledge his functional responsibility (organizational and for topics) with regard to the internal controls for financial reporting, clarifying that, in this context, he or she is supported by the Executive Directors, as well as by the Management of the Company. The Manager reports to the Board of Directors, the Control and Risk Committee and – for those matters within its competence – the Board of Statutory Auditors.



On the question of internal control and risk management, players other than the "typical" ones are added in TIM, without entailing any contrast with the principles of the Borsa Code, including, the Head of the Compliance Department (otherwise known as the Group Compliance Officer, currently Giampaolo Leone) and the Head of IT & Security Compliance (Roberto Mazzilli), who report directly to the Board of Directors, and who are responsible for Group oversight activities regarding respectively institutional/regulatory and commercial compliance (Compliance Department) and technological and security process compliance (IT & Security Compliance).

## 12.6 Coordination of subjects involved in the internal control and risk management system

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The main subjects involved in the operation of the Internal Control System are:

1. the Board of Directors, which provides direction and periodic (annual) assessment of the system;
2. the Executive Directors, as Directors charged with the establishment and maintenance of the system, in accordance with the guidelines defined by the full Board of Directors (see preceding paragraph 12.1);
3. the Control and Risk Committee, with the role of providing investigative support to the Board in relation to

- its internal control and risk management duties (see preceding Chapter 10);
4. the Head of the Audit Department (the person with sole responsibility for third level controls), who reports directly to the Board of Directors and whose mission, briefly, is to test the functioning and adequacy of the system (see preceding paragraph 12.2);
  5. the executive responsible for preparing the accounting documents of the Company, appointed by the Board, with the competences provided for by law and rights defined in the specific internal regulations (see preceding paragraph 12.5);
  6. the Board of Statutory Auditors which, borrowing the expression used in the Borsa Code, represents the top of the supervisory system. In addition to the competences provided for by law of the Board of Statutory Auditors, it also has the following functions, by internal corporate governance choice: (i) the audit committee functions pursuant to the United States' laws applicable to TIM as a private foreign issuer registered with the SEC and listed on the NYSE, and (ii) the functions of supervisory board pursuant to Legislative Decree no. 231/2001.

In addition to these "typical" players, at the date of this Report the following roles are present in TIM:

- a. the Head of the Compliance Department (otherwise known as the Group Compliance Officer) and the head of the IT & Security Compliance Function, who report directly to the Board of Directors, and who are responsible for Group oversight activities regarding both institutional/regulatory and commercial compliance (Compliance Department) and technological and security process compliance (IT & Security Compliance Function);
- b. the non-executive Director who represents the link between the Board of Directors and the control structures that report directly to the Board (currently: Director Calvosa, who also acts as Chairman of the Control and Risk Committee)

The competences of the figures specified from numbers 1 to 6 correspond to those recommended by the Borsa Code, to which, on this matter, TIM adheres without exceptions. The establishment of the managerial figures specified in letter a. meets the specific internal control needs of the Group, and as such is set out in the Corporate Governance Code, which refers to the organisational assessments of the issuer (also with reference to the corresponding hierarchical relations). The "facilitator" Director (letter b.) performs the essential guarantee function, in the presence of a Chairman of the Board of Directors with executive functions. This director does not concern him- or her-self with the operational aspects of control, but is called on to facilitate board oversight of the control departments that are hierarchically answerable to the Board of Directors.

The Executive Directors are instead responsible for the bureaucratic aspects of the employment relationship of the managers responsible for these departments. Said managers do not have a single reference point, and it is normal that the administrative aspects mentioned are assigned to legal representatives (who by the will of the board are its representatives to the outside world), avoiding the need to issue an *ad hoc* delegation of powers.

As for the Chairman of the Control and Risk Committee, he exercises a role serving the organisation and operation of the meetings of the Committee: the board is too broad a body to govern the controls, and the fact that many Internal Control System responsibilities cannot be delegated (and/or the choice of the Board not to delegate them) emphasises the prominent role of the Committee, given its focussed and specialised internal articulation.



## 13. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

In terms of corporate governance, there is no rule in TIM governing departure from meetings and/or compulsory abstention from voting of a Director with a non-shareholding interest, but a disclosure regime applies in accordance with the applicable laws. The subject of directors' interests in company activity and the decisions brought to the attention of the Board of Directors is however the object of specific attention (with written reports by the Chairman in his opening remarks at individual meetings), as well as checking by the Board of Statutory Auditors.



The corporate procedure for carrying out transactions with related parties, drawn up in accordance with the Related Party Regulations and adopted in November 2010, was most recently updated on 28 September 2017 and may be consulted on the website [www.telecomitalia.com](http://www.telecomitalia.com), *About Us* section - *Governance System/Procedures* channel. Compared to the preceding versions, to take account of the order with which Consob decided that the Company is subject to Vivendi's control, the procedure has been amended by removing point 3-bis (regarding the voluntary equating of Vivendi to a controlling shareholder, for the purposes of identifying the perimeter of TIM's related parties, already in force from 1 June 2017), subject to the favourable opinion of the Control and Risk Committee.

In short, the company procedure classifies the transactions into different categories and applies different validation and approval itineraries, when these transactions are to be carried out with related parties. There are two main differences:

- a qualitative distinction, by subject, between ordinary and non-ordinary transactions;
- a quali-quantitative distinction, by significance, between relevant transactions, to which the Regulations on Related Parties is applied, and non-relevant transactions, to which the Regulations on Related Parties is not applied, but that are regulated by governance principles.

According to the definition provided by Consob, ordinary transactions are those included in the ordinary business and related financial activities; in short, (i) all the main activities generating revenues for the Company and (ii) all the other management activities, as long as they are not classified as investment or finance activities.

As regards the nature of transactions with related parties, the TIM procedure provides that:

- it does not apply to intra-group transactions not qualified as above and those worth less than 100,000 euros;
- ordinary transactions at conditions determined in advance by independent regulators, that cannot be changed, or defined after a tender, without limits on their value, and ordinary transactions at standard or market conditions not determined in advance or defined after a tender, worth up to 5 million euros fall within the competence of the management and do not require prior *ad hoc* approval;
- ordinary transactions at standard or market conditions not determined in advance by independent regulators, that can be changed, or that were not defined after a tender, worth between 5 and 10 million euros, and non-ordinary transactions worth up to 2 million euros require the authorisation of a Management Committee (composed of the Group Compliance Officer, the General Counsel, the Chief Financial Officer and the TIM at the top of the hierarchy competent to decide on the merit of the transaction);
- all transactions reserved to the Board pursuant to the law, By-laws or Corporate Governance Code are considered relevant, and require a prior opinion from the Control and Risk Committee (or all the independent directors who are members of this Committee, when the transactions are of "greater importance": see below), as are ordinary transactions at standard or market conditions not determined in advance, nor defined after a tender, worth more than 10 million euros, and non-ordinary transactions worth more than 2 million euros.

The distinction between transactions of major or minor importance is made according to the indexes of importance established by Consob, according to the threshold set by the same Authority of 5% in terms of the ratio between transactions value and the net equity(consolidated)/capitalization of the company; ratio between total assets of the entity involved in the transaction and the total (consolidated) assets of the company; ratio between the total liabilities of the entity acquired and the total (consolidated) assets of the company.

To conclude transactions of greater importance, the procedure always requires the approval of the Board of Directors, subject to the prior opinion of a Committee comprised of all the independent directors in office. For transactions of lesser importance, the decision may be made under standard responsibilities: Board of Directors, Chief Executive Officer or management, depending on the case, which must however have acquired the prior

opinion of the Control and Risk Committee. As deemed opportune, moreover

- the Board of Directors may from time to time categorise any transaction carried out by TIM or a TIM subsidiary as relevant;
- the Control and Risk Committee may classify a transaction submitted for its assessment as being of major material relevance;
- the Management Committee may devolve single transactions for assessment by the Control and Risk Committee.

The opinions concern the Company's interests in the execution of the transaction as well as the substantial correctness and suitability of the conditions. In order to express their opinions, the Committees carry out specific investigations, with which the management must collaborate. If the opinions on the interest and conditions of the transactions are favourable, the transaction is completed, according to the responsibilities cited. There is no provision for the negative opinion on transactions of greater importance to be overcome by a resolution of the Shareholders' Meeting, with a "whitewash".

An IT application is used to support the correct application of the procedure; it allows verification of the correlation and the authorisation process necessary for its completion. The application also ensures initiatives with related parties can be traced.

## 14. APPOINTMENT OF STATUTORY AUDITORS

Pursuant to article 17 of the By-laws, the Board of Statutory Auditors consists of five standing auditors, including at least two from the less represented gender. The Shareholders' Meeting also appoints four alternate auditors, two of each gender.

Appointments are made based on slates presented by shareholders who, jointly or separately, hold shares representing at least 0.5% of the voting capital. The slates are divided into two sections: one for candidates for the office of standing auditor and the other for candidates for the office of alternate auditor. Sections that contain a number of candidates greater than or equal to three must ensure that both genders are present, in such a way that candidates of the less represented gender are at least one third of the total, rounding any fractions up to the whole number. The first candidate in each section shall be selected from among the independent auditors entered in the appropriate register who have worked on external audits for a period of not less than three years. Three standing and two alternate auditors are chosen from the slate that obtains the majority of the votes (so-called Majority Slate), while the remaining standing and alternate auditors are chosen from other slates (so-called Minority Slates) proportionally (the quotients method). If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected a statutory auditor is elected or, subordinately, there is a tiebreaker vote by the Shareholders' Meeting.

If the composition of the resulting board or category of alternate auditors does not reflect the gender balance, taking into account the ranking order in the respective sections, the necessary number of the last candidates of the more represented gender elected from the Majority Slate shall forfeit their position to ensure compliance with this requirement, and shall be replaced by the first unelected candidates of the less represented gender on the same slate and the same section. In the absence of candidates of the less represented gender in the relevant section of the Majority Slate in sufficient number to proceed with the replacement, the Shareholders' Meeting shall appoint the standing or alternate auditors that are missing with the majorities required by law, ensuring that the requirement is met.

In the event that a statutory auditor chosen from the Majority Slate or one of the Minority Slates should cease to serve, the alternate auditors from the Majority Slate or the Minority Slates shall take his/her place, in order of age, respecting the requirements for the composition of the body. Appointments to fill vacancies on the Board of Statutory Auditors pursuant to Article 2401 of the Italian Civil Code shall be approved by the Shareholders' Meeting with the affirmative vote of the absolute majority of those voting and in compliance with the principle of the necessary representation of the minority shareholders, and of the requirements of the Bylaws regarding gender balance. In the event that a Standing Auditor chosen from the Minority Slates should cease to serve, the principle of necessary representation of the minorities shall be deemed to have been respected if one of the alternate auditors chosen from the Minority Slates takes his/her place.

## 15. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

The Shareholders' Meeting of 20 May 2015 appointed the serving Board of Statutory Auditors, whose term will expire with the Shareholders' Meeting on 24 April 2018, to approve the financial statements for financial year 2017.

At that time two slates were presented within the terms and according to the procedure required by the applicable regulations, by the relative majority shareholder at that time, Telco S.p.A., and by a group of Asset Management Companies (SGRs) and international institutional investors (specifically: Aletti Gestielle S.G.R. S.P.A., Anima S.G.R. S.p.A., APG Asset Management N.V., Arca S.G.R. S.p.A., Eurizon Capital S.G.R. S.P.A., Eurizon Capital S.A., Fil Investments International, Fideuram Investimenti S.G.R. S.p.A., Fideuram Asset Management (Ireland), Interfund Sicav, Legal & General Investment Management Limited - Legal & General Assurance (Pensions Management) Limited, Mediolanum Gestione Fondi S.G.R. S.p.A., Mediolanum International Funds – Challenge Funds – Challenge Italian Equity; Pioneer Investment Management S.G.R.P.A., Pioneer Asset Management S.A., Standard Life Investments Limited. From the Telco slate, which obtained more votes (78.75% of the voting capital), three standing auditors and two alternate auditors were appointed: Gianluca Ponzellini (Standing Auditor), Ugo Rock (Standing Auditor), Paola Maiorana (Standing Auditor), Francesco Di Carlo (Alternate Auditor) and Gabriella Chersicla (Alternate Auditor). The remaining appointees were chosen from the Asset Management Companies slate (which obtained 18.52% of the votes) : Roberto Capone (Standing Auditor), Vincenzo Cariello (Standing Auditor), Piera Vitali (Alternate Auditor) and Riccardo Schioppo (Alternate Auditor).

The Shareholders' Meeting also appointed Roberto Capone as Chairman of the Board of Statutory Auditors. The annual remuneration was established, as proposed by shareholder Telco, as 95,000 euros for each Standing Auditor and 135,000 euros for the Chairman of the Board of Statutory Auditors.

On 11 September, after the resignation of Standing Auditor Paola Maiorana, originally appointed from the Telco slate, the composition of the Board of Statutory Auditors was made up with the appointment of Alternate Auditor Gabriella Chersicla, who had been a candidate on the same slate. Ms Chersicla's mandate will expire with the next Shareholders' Meeting, with that of the whole Board.

The *curricula vitae* of the members of the control body are available on the website [www.telecomitalia.com](http://www.telecomitalia.com), About Us Section - Corporate Bodies/Board of Statutory Auditors channel.

The Board of Statutory Auditors verified that its members held the requirements for independence in its meeting on 5 March 2018.



### *Diversity policies*

In May 2012 the Company amended the Bylaw provisions on the appointment of the Board of Statutory Auditors, to take account of regulatory provisions that include the obligation to reserve a set quota of members to the less represented gender. For a description of the procedure for submitting slates that ensure the presence of the less represented gender in line with the set proportion, refer to article 17 of the Bylaws.

The Company has not adopted further diversity policies relating to the age and career/educational path of the Statutory Auditors.



The Statutory Auditors attended the meetings with the management (including that of the subsidiaries), to provide the members of the Board of Directors with knowledge of the business sector in which the Company operates, the corporate safeguards and dynamics, and the evolution of the latter.



The practice is for the Auditors to report any interests in the topics to be discussed.



The Board of Statutory Auditors undertakes the activities assigned to it by Italian regulations, as well as the duties of an 'audit committee' pursuant to the United States' regulations, applicable to the Company by virtue of its status as a foreign issuer listed on the New York Stock Exchange. The Board of Statutory Auditors is also assigned the functions of supervisory body pursuant to legislative decree no. 231/2001.

It has access to the necessary information and corporate functions (first and foremost the control functions) for performing its tasks. The control body was not assigned financial resources of a predetermined amount, but the Board of Statutory Auditors was able autonomously to bring in external consultants of its choice.

During 2017, 44 meetings were held (7 of which jointly with the Control and Risk Committee, which all the Statutory Auditors always have the possibility to attend). The average duration of the meetings was 2 hours and

56 minutes. The average percentage of attendance was around 85 %.

Table 3 presents information on the composition of the Board of Statutory Auditors.

For detailed information on the activities performed by the Board of Statutory Auditors refer to the report to the Shareholders' Meeting prepared pursuant to article 153 of the CLF.

## 16. SHAREHOLDER RELATIONS

Within the Administration Finance and Control Function, Alex Pierre Bolis is the executive appointed to manage relations with the financial community and with all the shareholders (Investor Relations Manager). The contact information is:

- Institutional investors:  
TIM S.p.A. - ref. *Investor Relations*  
Via Gaetano Negri, 1  
20123 Milan  
Telephone: +39 02 85954131  
E-mail: [investor\\_relations@telecomitalia.it](mailto:investor_relations@telecomitalia.it)
- Individual investors:  
TIM S.p.A. - ref. *Investor Relations*  
Via Gaetano Negri, 1  
20123 Milan  
Telephone: +39 02 85954131  
E-mail: [investitori.individuali@telecomitalia.it](mailto:investitori.individuali@telecomitalia.it)

Important information for shareholders and, in general, for current or potential investors (also with bonds) is available on the website [www.telecomitalia.com](http://www.telecomitalia.com) in the *Investors* section.

## 17. SHAREHOLDERS' MEETINGS

Pursuant to law, the shareholders entitled to attend the Meeting and to vote are those for whom the reference intermediary sent the Company specific communication certifying such right at the record date (seventh working day prior to the meeting first call).

Furthermore, in TIM, the ordinary shareholders may also exercise their voting rights by post, and the Board of Directors has the power to permit electronic voting, specifying the arrangements for this in the call notice. For this purpose, it is practice to activate a special platform that can be accessed through the Company website. In order to facilitate the collection of proxies among employee ordinary shareholders of the Company and its subsidiaries who belong to shareholder associations satisfying the requirements established by law, special areas and instruments are made available for communication and performance of the activity. More generally, the Board of Directors shall use its best endeavours to ensure that Shareholders have adequate information about the elements necessary for taking decisions within the competence of the Shareholders' meeting, with full knowledge of the facts.

The Shareholders' Meeting resolves on legal matters, but the Bylaws provide that decisions on mergers into TIM or demergers in favour of Telecom Italia of companies of which TIM owns at least 90% of the share capital, the reduction of the share capital in the event of the withdrawal of shareholders, the revision of the Bylaws to conform with statutory provisions, the relocation of the Company's registered office within Italy, and the opening and closing of secondary offices are matters that are remitted to the competence of the Board of Directors.

To ensure the regular conduct of shareholders' meetings, since 2000 the Company has adopted the Regulations for the Shareholders' Meetings, available at the website [www.telecomitalia.com](http://www.telecomitalia.com), *About Us* section, *Governance System/Regulations* channel.

Seven of the 16 serving Directors attended the Shareholders' Meeting on 4 May 2017. When calling the Shareholders' Meeting, the Board of Directors did not consider it opportune to appoint the designated representative of the Company to issue proxies to participate in the Shareholders' Meeting, and instead allowed the shareholders to vote electronically.



During the financial year, the single largest shareholder remained Vivendi S.A., whose percentage of the voting capital is set out in Table 1 "Information on Share Ownership."

## 18. FURTHER CORPORATE GOVERNANCE PRACTICES

### *Subjection to Vivendi's direction and coordination activity*

On 10 November 2017, after the start of Vivendi's direction and coordination activity, the Board of Directors adopted a specific policy intended to regulate internal processes and behaviours in response to acts of direction and coordination originating from the shareholder, in order to properly respect the legal provisions.

Acts of direction and coordination can only be accepted by TIM's delegated bodies, which track them and report on them to the Board of Directors at the first available meeting, ensuring that such a meeting is called if their object is a transaction that falls within the remit of the board.

### *Group Regulations*

TIM acknowledges Vivendi as the only entity to whose direction and coordination activity it is subject, and is the sole recipient of its acts of direction and coordination. In turn the Company exercises direction and coordination over its direct and indirect subsidiaries, which recognise TIM as the sole entity to whose direction and coordination they are subject.

In its meeting on 3 May 2017, the Board of Directors approved a Group regulation, available on the website [www.telecomitalia.com](http://www.telecomitalia.com), About Us Section - Governance System/Regulations channel. The document contains provisions that bind both the Parent Company and its subsidiaries, which have individually adopted it.

The regulations define the arrangements (in terms - inter alia - of overall strategic, industrial and financial planning, guidance, policies and guidelines, prior review of management acts, specific directives) and discipline the principal procedural profiles of the direction and coordination activity of the Parent Company. Belonging to the TIM Group and adhering to the regulation do not compromise the independence of the directed and coordinated companies, which exercise their business activity independently, within the single Group design, and to which responsibility for compliance with the regulations they are subject to, and for the prevention of the predicate offences, responsibility of legal persons and the companies, is imputed separately, in accordance with the values of the TIM Group.

## 19. CHANGES SINCE THE END OF THE REFERENCE YEAR

Nothing to indicate.

## 20. CONSIDERATIONS ON THE LETTER OF 13 DECEMBER 2017 FROM THE CHAIRMAN OF THE ITALIAN CORPORATE GOVERNANCE COMMITTEE

The letter of the Chairman of the Italian Corporate Governance Committee was circulated to the Control and Risk Committee (which in TIM is also competent for monitoring best practice in governance issues) in its meeting on 19 February 2018, which reviewed the overall approach of this Report, in light of the format published by Borsa Italiana on 30 January 2018.

With particular reference to the areas on which issuers were urged to adhere better to the recommendations contained in the Borsa Code, we would comment:

- the Company considers the level of transparency assured to its governance practices to be adequate, including with reference to the topic of information in advance of board meetings, which was the object of special attention also in the Board self-assessment (see point 5.3 of the Report);
- the Company has for some time adopted a contractual clawback mechanism, and specific policies for severance payments, as described in the Remuneration Report. With reference to the variable components of long term remuneration, the Shareholders' Meeting to be held on 24 April 2018 is called on to review a proposed long term plan intended to reintroduce this measure among the company's remuneration policy tools;

- the Company does not feel the need to institute a permanent internal committee focused on issuing opinions/recommendations regarding the composition of the Board (an activity that is apparently relevant before renewal of the board and before the formulation of the guidance for the Shareholders' Meeting), on the selection of candidates before the replacement of any independent directors who might have ceased to hold office, on the accumulation of offices by the Directors (in the presence of a predefined limit, not reached by anyone, so far); there will therefore be a separate call and minuting of the meetings of the Nomination and Remuneration Committee, depending on whether the subjects raised are its responsibility as a nomination committee or that attributed by the Borsa Italiana Code to the remuneration committee. As for the assessments of any problematic circumstances, in case of derogation by the shareholders' meeting of the legal competition prohibition, the issue is in fact already effectively overseen by the Control and Risk Committee, and, in general, by the discussion at full meetings of the board;

Finally, TIM feels it already fully complies with the considerations of the Corporate Governance Committee on succession plans (see point 5.1 of the Report), assessments of whether Directors meet the independence requirements (see point 5.6 of the Report) and the process and content of the board review activity (see point 5.3 of the Report).



## TABLE 1 – INFORMATION ON SHARE OWNERSHIP

### Share capital structure up to 31 December 2017

	No. shares	% of share capital	Listed (indicate markets) / unlisted	Rights and obligations
Ordinary shares	15,203,122,583	71.61%	Listed on Borsa Italiana S.p.A.	Voting rights at the Company Ordinary and Extraordinary Meetings
Savings shares	6,027,791,699	28.39%	Listed on Borsa Italiana S.p.A.	Right to vote in special shareholders' meetings; capital privileges contemplated in Article 6 of the By-laws: preference dividend 5%, biennial carrying over of the right to a preference dividend, dividend 2% higher than the dividend on ordinary shares.

### Other financial instruments (attributing the right to subscribe newly issued shares)

	Listed (indicate markets)/non listed	Number of instruments in circulation	Category of shares available for conversion/subscription	Number of shares available for conversion/subscription
Convertible Bonds <sup>(1)</sup>	Vienna Stock Exchange	20,000	TIM ordinary shares	<sup>(2)</sup>

(1) Bonds entitled “€2,000,000,000 1.125 per cent. Equity-Linked Bonds due 2022” issued by TIM S.p.A.

(2) Exclusively to service the bond issued by TIM S.p.A., the Company resolved to increase the share capital for payment, for a total maximum amount, including any share premium, of 2 billion euros. The maximum number of conversion shares that may be issued shall be determined by the issue price of the shares. Each instrument in circulation is worth 100,000 euros.

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Significant shareholdings

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Declarant	Direct shareholder	% of ordinary capital	% of voting capital
Vivendi S.A.	Vivendi S.A.	23.94%	23.94%

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# TABLE 2 – STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES AND OTHER OFFICES HELD

Position	Members	Year of Birth	Date of first appointment	Serving since	Serving until	Board of Directors							Control and Risk Committee		Nomination and Remuneration Committee		Strategy Committee		
						Slate (M/m) (*)	Exec.	Non exec.	Indep. Code	Indep. The CLF (Consolidated Law on Finance)	(**)	Number of other appointments (***)	(****)	(**)	(****)	(**)	(****)	(**)	
Chairman	Arnaud Roy De Puyfontaine <sup>(1)(2)</sup>	1964	15/12/2015	15/12/2015	31/12/2019	VS	X					13/13	1			M	3/3	C	3/3
Chief Executive Officer	Amos Genish <sup>(2)(3)</sup>	1960	28/09/2017	28/09/2017	31/12/2019	V	X					4/4	1					M	2/2
Deputy Chairman	Giuseppe Recchi <sup>(4)</sup>	1964	16/04/2014	16/04/2014	31/12/2019	VS	X					13/13	2					M	3/3
Director	Camilla Antonini <sup>(5)</sup>	1966	04/05/2017	04/05/2017	31/12/2019	VS		X	X	X	10/10	=		M	6/6				
Director	Franco Bernabè <sup>(6)</sup>	1948	04/05/2017	04/05/2017	31/12/2019	VS		X	X	X	9/10	1						M	2/2
Director	Ferruccio Borsani	1958	04/05/2017	04/05/2017	31/12/2019	SGRS		X	X	X	10/10	=			M	14/14			
Director	Lucia Calvosa	1961	04/08/2011	16/04/2014	31/12/2019	SGRS		X	X	X	13/13	1		C	14/14				
Director	Francesca Cornelli	1962	16/04/2014	16/04/2014	31/12/2019	SGRS		X	X	X	13/13	3		M	14/14				
Director	Frédéric Crépin <sup>(7)(8)</sup>	1969	04/05/2017	04/05/2017	31/12/2019	VS		X			10/10	2		M	3/3	M	14/14	M	2/2
Director	Dario Frigerio	1962	04/05/2017	04/05/2017	31/12/2019	SGRS		X	X	X	10/10	2						M	2/2
Director	Félicité Herzog	1968	15/12/2015	15/12/2015	31/12/2019	VS		X	X	X	12/13	=		M	13/14				
Director	Anna Jones	1975	04/05/2017	04/05/2017	31/12/2019	VS		X	X	X	10/10	=			C	14/14			
Director	Marella Moretti	1965	04/05/2017	04/05/2017	31/12/2019	VS		X	X	X	10/10	=		M	8/9				
Director	Hervé Philippe	1958	15/12/2015	15/12/2015	31/12/2019	VS		X			13/13	2				M	14/14		
Director	Danilo Vivarelli	1964	04/05/2017	04/05/2017	31/12/2019	SGRS		X	X	X	10/10	=			M	14/14			
<b>Directors who resigned during financial year 2017</b>																			
Director	Flavio Cattaneo	1963	16/04/2014	16/04/2014	31/12/2016	T	X					7/8	1					M	1/1
Director	Tarak Ben Ammar	1949	14/04/2008	16/04/2014	31/12/2016	T		X				3/3	2						
Director	Davide Benello	1954	16/04/2014	16/04/2014	31/12/2016	SGRS		X	X	X	3/3	2			C	3/3	M	1/1	
Director	Laura Cioli	1963	16/04/2014	16/04/2014	31/12/2016	T		X	X	X	3/3	=		M	5/5			M	1/1
Director	Jean Paul Fitoussi	1942	06/05/2004	16/04/2014	31/12/2016	T		X		X	2/3	1							
Director	Giorgina Gallo	1960	16/04/2014	16/04/2014	31/12/2016	T		X	X	X	3/3	3		M	5/5				
Director	Denise Patricia Kingsmill	1947	16/04/2014	16/04/2014	31/12/2016	TS		X	X	X	1/3	4							
Director	Luca Marzotto	1971	16/04/2014	16/04/2014	31/12/2016	T		X	X	X	3/3	1			M	3/3			
Director	Stéphane Roussel	1961	15/12/2015	15/12/2015	31/12/2016	V		X			3/3	1			M	3/3			
Director	Giorgio Giannino Valerio	1966	16/04/2014	16/04/2014	31/12/2016	T		X	X	X	3/3	=		M	3/5	M	3/3		
<b>Number of meetings held during the reference year:</b>												<b>BOD: 13</b>		<b>CRC: 14</b>		<b>NRC: 17</b>		<b>SC: 3</b>	
Quorum required to submit slates by the minorities for the election of one or more members (for the purposes of art. 147-ter of the CLF): 0.5%																			

**NOTES:**

\* In this column (i) SGRS refers to those Directors appointed/confirmed by the Shareholders' Meeting of 4 May 2017 if appointed by slate voting and as candidates of the SGR and Institutional Investors' slate, VS to those appointed by slate voting and as candidates of the Vivendi S.A. slate, V to those appointed by co-option of the candidate proposed by shareholder Vivendi S.A. during the Board Meeting on 28 September 2017; (ii) SGRS refers to those Directors appointed/confirmed by the Shareholders' Meeting of 16 April 2014 if appointed by slate voting and as candidates of the SGR and Institutional Investors' slate, TS to those appointed by slate voting and as candidates of the Telco slate, T to those appointed originally candidates on the Telco slate but appointed by the Shareholders' Meeting by ordinary voting (see Paragraph 5.2), V if appointed as a candidate proposed by shareholder Vivendi S.A. during the Shareholders' Meeting on 15 December 2015.

\*\* This column shows the attendance of the directors respectively at the Board of Directors and Committee meetings (the number of meetings the Director attended is indicated with respect to the total number of meetings he/she could have attended, no. of attendances/no. of meetings held during the actual period of office of the person concerned).

\*\*\* This column indicates the number of offices as director or statutory auditor held by the person concerned in other companies listed in regulated markets, including foreign markets, in finance, banking, insurance companies or in companies of substantial dimensions. The offices are detailed below. For further information on offices held, see the curricula vitae available on the website [www.telecomitalia.com](http://www.telecomitalia.com), About Us section, Corporate Bodies/Board of Directors channel.

\*\*\*\* This column shows the status of the Director within the Committee "P" chairman, "M" member.

- (1) Chair of the Strategy Committee until 28 September 2017
- (2) Director in charge of the internal control and risk management system:
- (3) Person responsible for managing the Issuer
- (4) Chair of the Strategy Committee from 28 September 2017
- (5) Member of the Control and Risk Committee from 27 July 2017
- (6) Lead Independent Director (LID) from 1 June 2017
- (7) Member of the Control and Risk Committee from 27 July 2017
- (8) Member of the Strategy Committee from 27 July 2017

The offices held by the Directors are detailed below.

Arnaud Roy de Puyfontaine	Chairman of the Management Board of Vivendi S.A.
Amos Genish	Member of the Board of Directors of Itaù Unibanco Holding S.A.
Giuseppe Recchi	Member of the Boards of Directors of Unipol Sai Assicurazioni S.p.A. and of Esaote S.p.A..
Camilla Antonini	=
Franco Bernabè	Chairman of the Board of Directors of Nexi S.p.A.
Ferruccio Borsani	=
Lucia Calvosa	Member of the Board of Directors of Crescita S.p.A.
Francesca Cornelli	Member of the Boards of Directors of Intesa SanPaolo S.p.A., Swiss RE Europe and Swiss RE International
Frédéric Crépin	Member of the Management Board and General Counsel of Vivendi S.A.
Dario Frigerio	Member of the Board of Directors of Leonardo S.p.A. and Poste Vita S.p.A.
Félicité Herzog	=
Anna Jones	=
Marella Moretti	=
Hervé Philippe	Member of the Management Board and Chief Financial Officer of Vivendi S.A.
Danilo Vivarelli	=

## TABLE 3 – STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Position	Members	Year of Birth	Date of first appointment *	Serving since	Serving until	Slate **	Independence as per Code	Attendance at Board meetings ***	Number of other offices ****
Chairman	Roberto Capone	1955	16/09/2012	20/05/2015	31/12/2017	m	X	44/44	18
Standing auditor	Vincenzo Cariello	1965	20/05/2015	20/05/2015	31/12/2017	m	X	37/44	1
Standing auditor	Gabriella Chersica	1962	20/05/2015	20/05/2015	31/12/2017	M	X	11/13	7
Standing auditor	Gianluca Ponzellini	1947	08/04/2009	20/05/2015	31/12/2017	M	X	42/44	14
Standing auditor	Ugo Rock	1950	08/04/2009	20/05/2015	31/12/2017	M	X	28/44	12
Alternate Auditor	Piera Vitali	1949	20/05/2015	20/05/2015	31/12/2017	m	X	=	=
Alternate Auditor	Francesco Di Carlo	1969	20/05/2015	20/05/2015	31/12/2017	M	X	=	=
Alternate Auditor	Riccardo Schioppo	1950	20/05/2015	20/05/2015	31/12/2017	m	X	=	=
<b>Statutory auditors who resigned during financial year 2017</b>									
Standing auditor	Paola Maria Maiorana	1965	20/05/2015	20/05/2015	11/09/2017	M	X	26/31	=
<b>Number of meetings held during the relevant year: 44</b>									
<b>Quorum required to submit slates by the minorities for the election of one or more members (for the purposes of art. 148 of the CLF): 0.5%</b>									

### NOTES

\* Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time (overall) to the Board of Statutory Auditors of TIM.

\*\* This column indicates the slate from which each statutory auditor was chosen ("M": majority slate; "m": minority slate).

\*\*\* This column shows the attendance of the statutory auditors at the Board of Statutory Auditors meetings (the number of meetings the statutory auditor attended is indicated with respect to the total number of meetings he/she could have attended, no. of attendances/no. of meetings held during the actual period of office of the person concerned).

\*\*\*\* This column indicates the number of offices as director or statutory auditor held by the person concerned, considered significant pursuant to Article 148 bis of the CLF and the relative implementing provisions contained in the Consob Issuers' Regulation. The complete list of offices held is published by Consob on its website, pursuant to article 144 quinquiesdecies of the Consob Issuers' Regulation.



