



Being sustainable at TIM



The expectations of the stakeholders of a TLC operator centre around the reliability, innovativeness, coverage and ubiquity of the network. TIM plays a significant role in the countries it operates in by virtue of the increasing importance of communication technologies for people's lives and for the economic and social development of communities. **[G4-2]** The Group's economic contribution in the countries where it operates is described in the TIM Group chapter, while the social aspects are reported in the Digitisation, connectivity and social innovation chapter. A sustainable company has a duty to do everything it can to reduce its environmental footprint: TIM takes many measures described in detail in the *Environmental Protection* chapter.

Finally, from a social perspective, the Group's operations are not carried out in high risk countries, and in any case Telecom ensures respect for social and Human Rights through the value chain (see *Human Rights Policy and People in TIM*).

HUMAN RIGHTS

[G4-DMA Investment], [G4-DMA Non-discrimination], [G4-DMA Freedom of Association and Collective Bargaining], [G4-DMA Child Labor], [G4-DMA Forced or Compulsory Labor], [G4-DMA Security Practices], [G4-DMA Indigenous Rights], [G4-DMA Assessment], [G4-DMA Supplier Human Rights Assessment], [G4-DMA Human Rights Grievance Mechanisms] The materiality analysis carried out by TIM in 2016 confirmed the defence of Human Rights a theme regarded as material by stakeholders and the Company. This result, which may seem surprising for a telecommunications operator that works in countries considered to be at low/medium risk of Human Rights violations, is based on two sets of reasons:

- the public outcry caused by Human Rights violation incidents, which can seriously affect business reputation;
- the very broad meaning given to the concept of "human right" by TM. This sphere includes not only basic Human Rights, such as the right to decent remuneration, non-discrimination, freedom from forced labour, etc., but also rights associated with the information society, such as the right to access information, the right to freedom of expression (in particular online), and the right to have one's privacy and safety protected online, are important issues for a telecommunications company

Relevant company policies: Human Rights Policy of the Group, Code of Ethics and Conduct of the Group, Group social responsibility Policy, Supplier Relations Policy, Internal Control Reporting Procedure, Board of Statutory Auditors Reporting Procedure, Service Charter and General Subscription Conditions, Self-regulation Code for mobile services and Code of Conduct for premium services, Guidelines for responsible marketing, TIM Disclosures pursuant to article 13 of the Privacy Code, available at www.telecomitalia.com.

Effectiveness and monitoring: the Human Rights Policy applies to every individual within the Group. The Human Resources & Organisational Development Department is responsible for observance of the Policy as regards the involvement of the people of TIM, the Procurement Department is responsible for seeing it is complied with in relation to the involvement of suppliers, the Compliance Department monitors the risk of non-compliance with the reference legislation, and the CSV Department is responsible for updating the Policy (at least every two years). CSV also coordinates the due diligence process with a view to continuous improvement. Finally, TIM carefully monitors and analyses reports of any Human Rights violations received via the reporting mechanisms made available to stakeholders. The scarcity of such reports is an indication of how effective the company's Human Rights protection processes are.



BUSINESS AND HUMAN RIGHTS: THE UN “GUIDING PRINCIPLES” AND EUROPEAN UNION DIRECTIVE NO. 95/2014

In 2011, the United Nations Human Rights Council unanimously approved the “UN Guiding Principles on Business and Human Rights” prepared by Prof. John Ruggie¹, considering it a global benchmark for “Business and Human Rights”.

The “Guiding Principles” were drawn up to implement the Human Rights framework² founded on the following three pillars:

- the duty of countries to protect people against Human Rights abuses by third parties, including companies (States must adopt suitable measures to prevent, investigate, punish and compensate these abuses through effective policies, legislation, regulations and pronouncements);
- the responsibility of companies to respect Human Rights (companies must avoid causing or contributing to causing - through their activities - negative impacts on the Human Rights);
- States and businesses must allow the fullest possible access to effective remedies for victims of Human Rights abuses (States must ensure - through judiciary, administrative, legislative or other appropriate means - that people have access to an effective remedy when these abuses occur on their territory. Businesses must remedy the negative impacts - or cooperate to this end - through legitimate processes when they recognize they have caused the negative impacts or have contributed to cause them).

European Union

In order to reinforce the responsibility and transparency of large companies, at the end of 2014 the Parliament and Council of the European Union published Directive 2014/95/EU in the Official Journal of the European Union; this Directive came into force on January 1st 2017 (after ratification by the Member States at the end of 2016), concerns the disclosure of non-financial information, including information relating to Human Rights.

TIM COMMITMENT

[G4-DMA Assessment] Between 2008 and 2011, TIM was a member of the UN Global Compact Human Rights Working Group set up by the Global Compact Board in 2006 with the aim of providing a strategic Human Rights input to the Global Compact.

Since 2012 TIM has been a member of the Peer Learning Group on Business and Human Rights, set up within the Global Compact Network Germany.

In 2016 the Peer Learning Group performed the following main activities:

- webinar in March on the topic of “observing the undertakings set out in the policy on Human Rights through training and raising awareness”;
- meeting in June on “Human Rights due diligence in the supply chain”;
- webinar in September on the topic of “attuning the future business strategy with respect for Human Rights”;
- meeting in November on “access to the remedy in practice - understanding and improving the reporting mechanism (with the participation of the British, Greek, Italian, Dutch, Spanish and German Global Compact Networks). The meeting will be held in the UN Office of the High Commissioner for Human Rights (Geneva)”.

¹ In 2005 Kofi Annan appointed Prof. Ruggie as “Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises”.

² Drawn up by Prof. John Ruggie and approved by the Human Rights Council in 2008.



Note that, given the cross-cutting nature of Human Rights with regard to the Group's stakeholders, this paragraph covers the [G4-HR3], [G4-HR8], [G4-HR9], [G4-HR12] KPIs of the GRI G4 standard. The Digitisation, connectivity and social innovation chapter sets out the [G4-HR1], [G4-HR4], [G4-HR5], [G4-HR6], [G4-HR7], [G4-HR10] and [G4-HR11] KPIs, while the TIM people chapter sets out the [G4-HR2], [G4-HR4], [G4-HR5], [G4-HR6] and [G4-HR7] KPIs.

DUE DILIGENCE ON THE HUMAN RIGHTS OF THE TIM GROUP

[G4-DMA-Reporting due diligence on Human Rights-a] As of 2012, TIM has been involved in the Company Coaching and Capacity Assessment on Business and Human Rights, organised by the Global Compact Network Germany, as part of which the OCAI¹ (Organisational Capacity Assessment Instrument) for Human Rights due diligence in companies was also illustrated (expressly required by the “Guiding Principles”). The OCAI is a self-assessment questionnaire that reflects the content of the “UN Guiding Principles on Business and Human Rights”, consisting of twenty-two questions concerning the main elements of corporate responsibility for Human Rights². In completing the OCAI questionnaire, for each question, the company or department must assess its own position – current and potential – on a spectrum of six levels that range from “non-responsive” to “Human Rights promoter”³.

The goals of the due diligence include:

- the identification and mapping of Human Rights risks resulting from the Company's operations⁴;
- confirmation that each topic is governed by a specific internal regulatory framework (e.g., policy, procedure), has a management system that regularly monitors and traces the performances (if possible through appropriate indicators, such as those concerning health and safety), and that the relative responsibilities have been assigned;
- the definition of a gradual improvement path which, starting with simple respect for the local laws, guides the policies and processes of Human Rights towards sharing with the appropriate stakeholders through appropriate involvement initiatives;
- the highlighting of any gaps or inconsistencies between the company's various departments and/or between the different companies of the Group;
- the possibility to discuss Human Rights with the other companies.

[G4-HR9] TIM carried out the first internal due diligence on Human Rights from autumn 2012 to spring 2014, on the basis of the “Guiding Principles”, the use of the OCAI questionnaire, and the involvement of the Group's two biggest entities in terms of workforce (the percentage of employees covered was 98%) and investments: BU Domestic (excluding Olivetti and TIM Sparkle) and the Brazil BU.

The entire due diligence process has been studied and coordinated by the CSV Department,

¹ Created by Twentyfifty Ltd with funding from the Global Compact Germany Foundation.

² Four questions concern the Human Rights policy that may be in place, four concern the assessment of the actual and potential impacts on Human Rights (deriving from company activities and relations), eleven concern the integration of respect for Human Rights in the company processes and departments, two questions concern tracing the company's response to the negative impacts it has caused or contributed to cause and the related communication, and finally the reporting mechanism.

³ The two lowest levels identify a reactive approach to Human Rights (“non-responsive” and “reactive” respectively), the third is an active approach (“efficient management”), the three higher levels represent a proactive approach to Human Rights (rising from “proactive experimentation” to “strategic integration” and finally “Human Rights promoter”). The tool does not operate as a compliance expert.

⁴ TIM's activities include supply chain. Among the groups deemed vulnerable, in addition to children, elderly and disabled people and local communities, TIM has identified indigenous people and the work done by migrants.



which invited the Departments and companies of the Group to fill in the self-assessment questionnaire¹. CSV department examined the questionnaires that had been filled in and conducted the related feedback with the Italian departments in order to further examine the contributions provided and define the action plans for the level two and three self-assessments (respectively 3.1% and 8.6% of all the responses²).

In fact, if the self-assessment process reveals a potential risk situation with reference to Human Rights, the Department concerned is required to communicate the corresponding action plan to CSV which monitor the progress achieved in the work.

In Italy, at the end of the feedback, the following emerged:

- on a scale of one to six, the average score of all the answers was 4.4;
- the need to prepare the TIM Group's Human Rights policy (around 2/3 of the insufficient self-assessments regarded this aspect);
- the usefulness of organising internal Human Rights training courses.

The feedback meetings planned in Brazil were postponed until 2017 in view of the preparation and dissemination of the online Human Rights Information and training course, which is expected to improve knowledge on the subject, with a positive effect on the results of the due diligence itself.

[G4-HR10] [G4-HR11] Even the results of the audit on Human Rights carried out on the Suppliers of the Group are reported in the Sustainability Report and in the Sustainability section on the Group's website.

THE GROUP'S HUMAN RIGHTS POLICY

[G4-DMA-Reporting due diligence on Human Rights-b] The purpose of the new Policy is to make respect for Human Rights an essential requirement in the performance of the operational activities of TIM.. In Italy as well as in foreign companies, the Group has set up processes through which it undertakes to respect Human Rights and has identified those that may be negatively influenced by the Company's activities, such as:

- Essential Human Rights (e.g. working hours, equal pay, minimum age to enter the world of work, accessibility for disabled people, maternity protection, forced/compulsory/restricted work);
- health and safety rights;
- rights agreed with the unions and included in National Labour Agreements (in line with the principles of the International Labour Organization).

[G4-DMA Non-discrimination] Rights concerning diversity, equality and non-discrimination The Policy applies to every individual within the Group and the rights set out above also concern third parties who have business dealings with TIM.

The internal processes of the Group also consider a series of individual rights affected by the core business, including rights:

- associated with access to telecommunications services and innovation;
- associated with the privacy of the people and customers of the Group, and the protection of their personal data;
- associated with freedom of expression, in particular online, supported by access to telecommunications technologies;

¹ TIM has not considered the question relating to "conflict-affected areas" as the Group does not operate in any such areas

² No level one response was supplied during the first round.



- deriving from the company's zero tolerance approach to any form of corruption;
- potentially violated by added value services (for example, services with content reserved for adults and gambling);
- of children and young people to be protected from (cyber)bullying or harassment;
- of our customers concerning responsible advertising;
- associated with environmental protection (in particular electromagnetic fields);
- of the Community in which TIM carries out business, with particular attention to vulnerable groups of people (e.g., disabled people, minors, the elderly);
- associated with the use of armed security in accordance with the highest standards and international practices and with the highest transparency possible.

The Policy sets out the unfiltered and anonymous reporting mechanisms in line with the requirements of the company procedures, available on the Group's website. The Group Policy was approved by the Chairman of TIM.

INFORMATION AND TRAINING ON HUMAN RIGHTS

[G4-DMA-Reporting due diligence on Human Rights-b] After publication of the Policy a classroom training course was organized and attended by representatives of the various company departments. The course was run by an external company with expertise in sustainability issues¹ and was attended by the General Manager of Amnesty International Italia.

Moreover, an online course was prepared for everyone in the company, available on the e-learning platform since the end of 2015, with further invitations to participate in 2016. Both the workshop and the online course highlighted, among other things:

- what Human Rights are and the main international Institutions that govern them;
- businesses and Human Rights, focusing on any impacts their activities may have on Human Rights;
- the importance of businesses that operate in the telecommunications industry in the defence of Human Rights:
- TIM and Human Rights: what can be done - in the case of doubt - by individuals of the Group who perform sensitive activities for the defence of Human Rights;
- how and when to use the reporting mechanism.

Activities are under way to adapt this to the reality in Brazil and translate the course into the local language in order to allow all the employees of TIM Brasil voluntarily to use the information contained in the online course easy and direct.

REPORTS AND INCIDENTS

[G4-DMA Human Rights Grievance Mechanisms] The Group's Code of Ethics and Conduct requires employees, collaborators, consultants, as well as third parties who have business relations with the Group and all the stakeholders affected by the Human Rights Policy - in respect of activities and services of interest to the Group - to promptly inform the Head of the TIM Audit Department, either directly or via their line manager, of any violations or collusion to violate:

- legal or regulatory requirements,
- provisions of the Code of Ethics,



- policy and internal procedure.
and any irregularities and/or negligence.

The handling of reports, including those for which the Head of the Audit Department is responsible (known as “whistleblowing”), is a requirement of the Sarbanes-Oxley Act and of the “UN Guiding Principles on Business and Human Rights”.

The Internal Control reporting procedure (see the *TIM Group* chapter, *The Corporate Governance system* paragraph) requires the Head of the Audit Department, who answers directly to the Board of Directors, independently of the senior executives:

- to ensure that reports are received, logged and analysed;
- based on the results of the preliminary analysis, to launch a structured audit activity (if required);
- to communicate the results of the analyses to the relevant departments so that they may take the appropriate corrective actions (if required). The non-compliance is only closed once the Audit Department has verified the effectiveness of the corrective actions implemented by the relevant departments;
- to ensure the traceability and retention of the documentation regarding the reports received and their analysis;
- to update the reporting procedure and disseminate it in agreement with the Human Resources & Organisational Development department.

The procedure is available both on the company intranet and at www.telecomitalia.com website. Employees were made aware of this in a letter from the CEO and a news item published on the company intranet.

During 2016, a total of 219 reports were received in Italy and 518 in Brazil. In the case of Italy, of the 219 reports, 73 were anonymous and 146 non-anonymous, classified as follows:

- 110 in the context of the whistleblowing procedure;
- 89 not covered by the procedure and sent to the relevant departments for the respective checks, informing the Audit Department of the result, including:
 - 50 customer complaints (poor service);
 - 39 other;
- 20 “irrelevant” ones in terms of the purpose of the procedure.

In the case of Brazil, of the 518 reports, 220 were anonymous and 298 non-anonymous, classified as follows:

- 264 of a “business” nature (processes that could be improved, etc.);
- 10 of a “personal” nature (employees in difficult situations, etc.);
- 214 customer complaints (poor service);
- 30 “irrelevant” ones in terms of the purpose of the procedure.

[G4-HR12] The Human Rights-related reports received through the main tool provided by the Company for all stakeholders to report any kind of regulatory irregularity or breach of the Code of Ethics, the Human Rights Policy and the “UN Guiding Principles” i.e. the whistleblowing procedure are given below. Note that the concept of Human Right used to complete the tables is the same as the one used for the due diligence described above. the tables therefore only show the complaints not included in the specific paragraphs (e.g., TIM people, requests for information sent to the Agency by the Data Protection Authority, suppliers’ employees).



Reports received and handled in Italy regarding Human Rights

	2016	substantiated	2015	substantiated	2014	substantiated
Total number of reports regarding Human Rights received through the main reporting mechanisms	0	0	4	2	7	3
Handled during the reporting period	0	0	4	2	7	3
Resolved during the reporting period	0	0	4	2	7	3
Total number of reports received prior to the survey period which were resolved during the reference period	0	0	0	0	1	1

[G4-HR12]

Reports received and handled in Brazil regarding Human Rights

	2016	substantiated	2015	substantiated	2014	substantiated
Total number of reports regarding Human Rights received through the main reporting mechanisms	8	4	0	0	5	2
Handled during the reporting period	8	4	0	0	5	2
Resolved during the reporting period	8	4	0	0	4	2
Total number of reports received prior to the survey period which were resolved during the reference period	0	0	1	0	0	0

[G4-HR3],[G4-HR8] Over the past 3 years, 2 cases have been reported in the Group, 1 of which was investigated and resolved, relating to discrimination or violations of the rights of indigenous people¹.

¹ **[G4-DMA Indigenous Rights]** The only geographical area with indigenous people in which TIM operates is Brazil. However, telecommunications activities do not have negative impacts on these people. Finally, during 2016, one case was investigated and resolved regarding ethnic discrimination.



OPPORTUNITIES AND SOCIO-ENVIRONMENTAL RISKS OF THE GROUP'S OPERATIONS

[G4-2], [G4-14] However, as we have repeatedly stressed, although telecommunications can make a significant contribution to improving the environment and quality of life, ICT services aimed, for example, at reducing energy consumption or tele-medicine, account for a small percentage of the turnover of telecommunication companies. However, they are seeing positive growth rates and are likely to be widespread in the future. TIM's laboratories have long been engaged in researching and developing these kinds of services, some of which are already being tested on the market. Thus customers already have a wide range of solutions available to them to cut energy consumption, reduce CO₂ emissions, improve health services and bureaucracy, increase security for citizens. Many of the social-environmental services offered by TIM are discussed in the chapters Digitisation, connectivity and social innovation (see Customers) and Safeguarding the environment (see TIM eco-friendly). Furthermore, examples of the economic opportunities arising from sustainable management of the company's activities are discussed in the Social and environmental impacts of operations and their economic aspects chapter of the Group's Annual Financial Report.

Listed below are the most common risks associated with the telecommunications sector which are classifiable as socio-environmental risks, accompanied by a quick summary of the mitigation actions implemented by TIM.

SOCIAL RISKS

Beyond the risks common to any large company, associated with labour exploitation, which are meticulously avoided, within TIM, by a management system that starts with the Group Social Responsibility Policy available at www.telecomitalia.com and trade union agreements, and is based on detailed monitoring procedures that required the presence of workers' representatives), the social risks most closely connected with the telecommunications business come from:

- breaches of network security and privacy systems, with consequent access to personal and sensitive data, to mitigate which TIM has equipped itself with a specific organisational structure and skills to predict and combat such breaches;
- use of telecommunications services that causes harm to the mental and physical well-being of children or of anyone who lacks sufficient protection, which is mitigated by TIM through a series of actions described in the Digitisation, connectivity and social innovation/ Customers chapter, under Child protection;
- discrimination of some subjects who, for geographical or social/cultural reasons, do not have access to Internet and to the benefits it brings with it. TIM implements digital inclusion by developing its infrastructure and spreading the digital culture (see *Digital culture*).

ENVIRONMENTAL RISKS

This area includes two types of risks:

- the risks that external environmental conditions can pose for business continuity (for example, earthquakes can destroy telephone exchanges, the depletion of energy resources can create unsustainable costs for the Company etc.). These include risks determined by climate change, such as flooding caused by rising oceans and precipitation or increasing



- energy costs caused by rising temperatures;
- potential damage caused to the environment by the Company's activities.

The first type of risks, which is a threat to the operation of the company, is considered and monitored carefully by means of appropriate Business Continuity strategies and procedures (see *The business continuity management system* section of this chapter).

As regards the potential environmental damage caused by the Company, the delivery of telecommunications services does not pose serious risks, other than those associated with the supply chain:

- the indirect risks arising from energy use - as TIM is not an energy producer, the only mitigation tools available to the Company are to optimise its energy consumption (discussed in the chapter *Safeguarding the Environment*) and to select suppliers (discussed in the *Digitisation, connectivity and social innovation//Suppliers* chapter);
- the "sourcing" of these technologies, i.e. the purchase of technological products, the production of which can cause serious environmental damage, and the disposal of technological waste (by the Company's suppliers). These aspects are governed by the Group Green Procurement policy available at www.telecomitalia.com and by the sustainable supply chain management system described in the *Digitisation, connectivity and social innovation/Suppliers* chapter of this report.

TIM monitors the aforementioned types of risk using the tools it considers most appropriate for each type, briefly described in the *Environmental Protection, Digitisation, connectivity and social innovation/Suppliers, People in TIM* chapters and in the *Human Rights* paragraph of this chapter. Precise targets have only been set for the types of risk for which these targets may actually be useful. In particular, targets have been set for:

- new generation network coverage;
- supplier sustainability;
- reducing energy consumption.

(see *Digitisation, connectivity and social innovation/Suppliers and Appendix*).

THE ENTERPRISE RISK MANAGEMENT SYSTEM

[G4-2], [G4-14]

The Group has adopted an Enterprise Risk Management (hereinafter ERM) Model which allows risks to be identified, assessed and managed uniformly, highlighting potential synergies between the parties involved in assessing the Internal Control and Risk Management System. The ERM process is designed to identify potential events that may influence the business, in order to manage risk within acceptable limits and provide a reasonable guarantee that business objectives will be achieved.

The process is managed by the ERM Steering Committee, which is chaired and coordinated by the head of the Administration, Finance and Control Department. The Steering Committee meets every three months (or when specifically required) and is intended to ensure the governing of the Group risk management process, which is designed to guarantee the operational continuity of the company's business, monitoring the effectiveness of countermeasures adopted.

The process adopted is cyclical and includes the following stages:

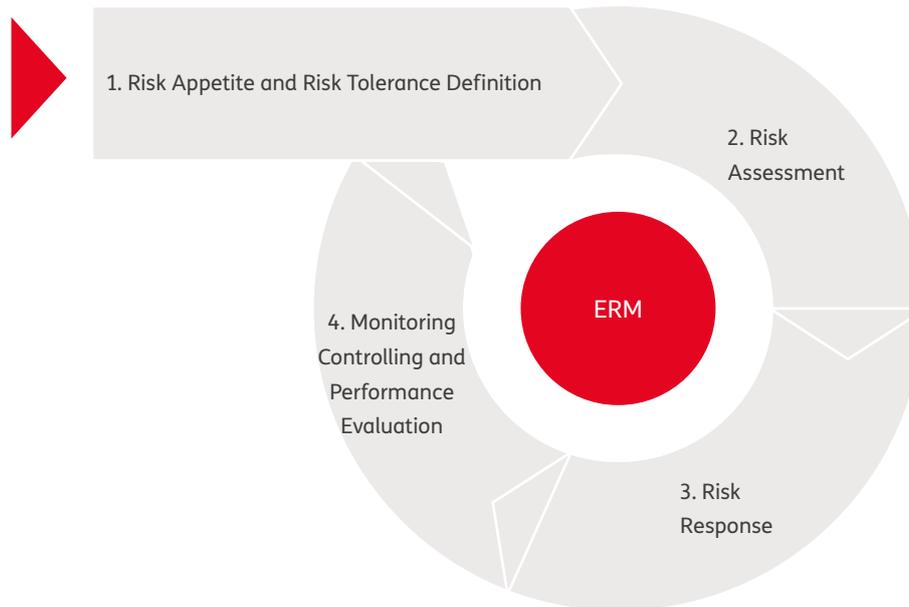
- definition of the Risk Appetite and of the Risk Tolerances:
 - Risk Appetite is the amount and type of Risk, overall, that a company is willing to accept



in the creation of value, namely in the pursuit of its strategic objectives¹. It is discussed and defined annually by the BoD at the sessions held to approve the Business Plan. The Risk Appetite is broken down into Risk Tolerances;

- the Risk Tolerances represent the level of risk the Company is willing to assume, with reference to the individual objective categories (strategic, operational, compliance, reporting)².

Compliance with the Risk Tolerances and Risk Appetite is monitored quarterly and reported to the BoD, after the CRC has been informed.



- Risk Assessment: this phase covers the identification, definition and assessment of the risks. It starts with the fine-tuning of the Risk Universe, namely the document that contains the description of the main characteristics of all the risks identified; the risks are presented, in interviews, to the process owners who, together with Risk Management, assess their severity and document the mitigating actions in order to position them on a specific 3X3 matrix (Risk and Control Panel - R&CP). The matrix dimensions are:
 - the “level of inherent risk”, namely the level of variance with respect to the Business Plan deriving from the occurrence of an event (risk);
 - “monitoring level”, based on the evaluation of the mitigating actions implemented.

This matrix allows the action priorities for the mapped risks to be set. All the risks assessed as High in the R&CP matrix form the Corporate Risk Profile (CRP). The CRP risks that have a partial or non-existent monitoring level are subject to a Root Cause Analysis aimed at grouping related risks into homogeneous improvement areas. The positioning of the risk in the matrix described above is also the result of:

- collaboration with the Compliance department, which considers the monitoring level with regard to non-compliance aspects and
 - synergies with the Audit Department relating to the evaluation analysis of the suitability and efficiency of the mitigating actions identified.
- Risk Response: the aim of this phase is to identify and implement the strategic options for responding to risk and to bring the risks back to or maintain them at acceptable levels.

¹ 2013 CoSO Definition

² According to the CoSO definition



The responsibility for identifying and implementing the risk response lies with the Process Owner, with the support of RM to overcome the monitoring gaps identified in the Risk Assessment phase. A suitable risk response must be defined for each risk, in line with the action priority represented by its positioning in the Risk & Control Panel. The Risk Response is broken down into the following “sub-phases”:

- planning;
 - execution;
 - stocktaking and measuring of the performances.
- processing of Reporting flows: when each ERM process cycle is completed, the overall risk profile is represented, with reference also to the effects of the mitigation actions. All this information represents an input for the new business planning and therefore the definition of the Risk Appetite and the related Risk Tolerances.

A brief summary of the main types of risk identified by the ERM system is contained in the *Main Risks and Uncertainties* chapter of the Annual Report.

THE BUSINESS CONTINUITY MANAGEMENT SYSTEM

[G4-EC7], [G4-EC8] TIM pays attention to Business Continuity¹, a key element for protecting the value and reputation of the Group in delivering its services/products and in full compliance with the terms of its contracts with customers, industry regulations and, more generally, in accordance with the relevant international methodologies and standards.

At Group level, TIM adopts a Business Continuity Management System (BCMS) as a control and management model for the operational continuity of the processes also through prevention activities, considering both the technological aspects (IT systems, networks, facilities, etc.) and the organizational ones (Human Resources, contractual constraints, logistical aspects, etc.).

The BCMS follows the indications contained in the international standard of reference for Business Continuity, namely ISO 22301, which emphasises, inter alia, the importance of:

- understanding the needs of the organisation and stakeholders in terms of Business Continuity;
- implementing and operating the controls and measures needed to manage the company’s capacity to deal with interruptions in operation due to accidental causes;
- monitoring and reviewing the performance and effectiveness of the business continuity management system;
- disseminating the Business Continuity culture;
- managing communications between the parties involved regarding Business Continuity themes.

The BCMS is based on the Plan-Do-Check-Act Deming Cycle and is broken down into four phases: Governance & Planning (Plan), Execution (Do), Performance Evaluation (Check) and Improvement (Act).

At the Governance&Planning stage, the Group examines the relevant context, identifying the needs of the Company and its Stakeholders, as well as the contractual/regulatory constraints on Business Continuity. Based on these elements and the Risk Tolerance and Risk Appetite, the Company determines the scope of the Policy and the main strategic objectives for Business

¹ “Business continuity” is understood to mean the ability to ensure continuity of service, based on predefined and acceptable levels, following a disruptive incident.



Continuity. This preliminary analysis goes on to identify the processes/services that are most important for the Company and the resources supporting the ongoing availability of these processes and services. The activities carried out at this stage allow a Business Continuity strategy to be devised that guarantees an appropriate response for each process and service, in terms of operating levels and acceptable recovery times during and after a damaging event.

This stage includes, inter alia:

- the Business Impact Analysis (BIA), which is an assessment of the impact on the business where significant events occur that may affect business activities and the delivery of services.
- the Risk Assessment (RA), according to the model adopted in the ERM and aimed at identifying and assessing threats that may affect corporate assets, making them unavailable for a more or less long period of time;
- identification of the Risk Profile resulting from the BIA/RA joint assessment;
- the Business Continuity strategies following the Risk Profile analysis based on the Costs/Benefits evaluation.

The execution phase involves approving the Business Continuity strategy, and the respective budget, allowing the executive stage to be launched, with the development of Risk Treatment and Business Continuity Operational Plans. The respective planning is carried out by the operational departments, each to the extent of its responsibilities, while the ERM carries out checks to verify the consistency between the operational plans and the Business Continuity Strategic Plan, particularly in order to standardise and correlate mitigation activities throughout the company processes involved.

An overall analysis of the performances of the BCMS (Performance Evaluation stage) is planned at least annually, in particular analysing:

- actual data (incident history) regarding recovery times and economic impacts of events;
- operational test data;
- internal assessments;

The Performance Evaluation is used to identify any corrective actions to be undertaken (e.g. specific initiatives for risk prevention, procedural reviews, etc.). The Improvement phase obtains the results of the Performance Evaluation phase and any corrective actions to be taken are defined. These are then presented to the Company's Executive Directors for a periodic Management Review.

In this phase the Company's Executive Directors:

- examine and verify the BCMS's suitability level based on the Performance Evaluation, in agreement with any requirement or regulatory developments;
- assess and approve any corrective actions.

The possible corrective actions to be taken, the policies and the objectives of Business Continuity result in the continuous improvement of the BCMS.