



TIM Group



TIM GROUP'S PROFILE

[G4-3] The TIM Group offers fixed and mobile communication services and ICT solutions¹. In Italy, the Group operates the biggest fixed voice and data infrastructure, covering the whole territory and provides one of the country's most extensive and advanced mobile network platforms. **[G4-6]** In addition to its domestic leadership, the Group has a significant international presence in South America, particularly in Brazil. **[G4-17a]** For the details of the countries where TIM operates see Note 45 of the Group's consolidated financial statements, which also lists the Group companies, subdividing them by consolidation method. **[G4-13]**, **[G4-22]** No significant changes in operations and in the consolidation scope took place during 2016.; For details of the changes that did take place, see Notes 1 and 3 of the Group Consolidated Financial Statements. The main changes over the past three years include the Sofora – Telecom Argentina Group being recorded among discontinued operations the creation of INWIT S.p.A., listed on the Milan stock exchange, which operates in the electronic communication infrastructure sector, specifically in those dedicated to hosting radio transmission equipment for mobile voice networks both of TIM and the other operators.

[G4-8] [G4-9] All the Group's activities are encompassed in the following Business Units:

- **"Domestic"** operates primarily in the field of domestic fixed and mobile voice and data services for end customers (retail) and other operators (national wholesale), as well as in the domestic Information Technology products and services sector. In addition to the management of the digital multiplexes through Perdisera S.p.A.², the Business Unit also includes the activities of INWIT S.p.A. and on an international note, the activities related to the development of fibre optic networks (international wholesale) in Europe, the Mediterranean and South America;
- **"Brasile"** (TIM Brasil Group) provides mobile telecommunications services. Furthermore, as a result of the acquisition of a number of fixed line operators, it also offers fibre optic data transmission and residential broadband services;
- the **"Other Activities"** include the financial companies and other minor companies not strictly connected with the Group's "core business."

THE GROUP'S MAIN BRANDS

[G4-4] [G4-8] The main brands market voice/data and information technology products and services for residential and business customers, public administration, national and international operators. The Group also provides transmission capacity and technological solutions for TV sector operators.

TIM is the single brand for the whole Group, which operates in the domestic market offering fixed and mobile telephony, internet, digital content and cloud services. TIM is supporting Italy in its quest for full digitisation by building an ultrabroadband network infrastructure and providing next generation services. In **Brazil**, TIM markets mobile phone, mobile internet and fixed line services

Through the **Sparkle** brand, the Group offers international voice, data and internet solutions to fixed and mobile telecommunications operators, Internet Service Providers/Application Service Providers, content and media players and multinational companies.

¹ **[G4-3]** For general information about the Group, see the consolidated financial statements of the TIM Group.

² Perdisera S.p.A. stems from the joint venture stipulated between the network operators Telecom Italia Broadcasting (TIMB) and Rete A, owned by Gruppo Editoriale L'Espresso. The company owns five national digital multiplexes and is the supplier of reference for the most important television editors operating in Italy



The **Olivetti** brand markets information technology products and services for residential and business customers.

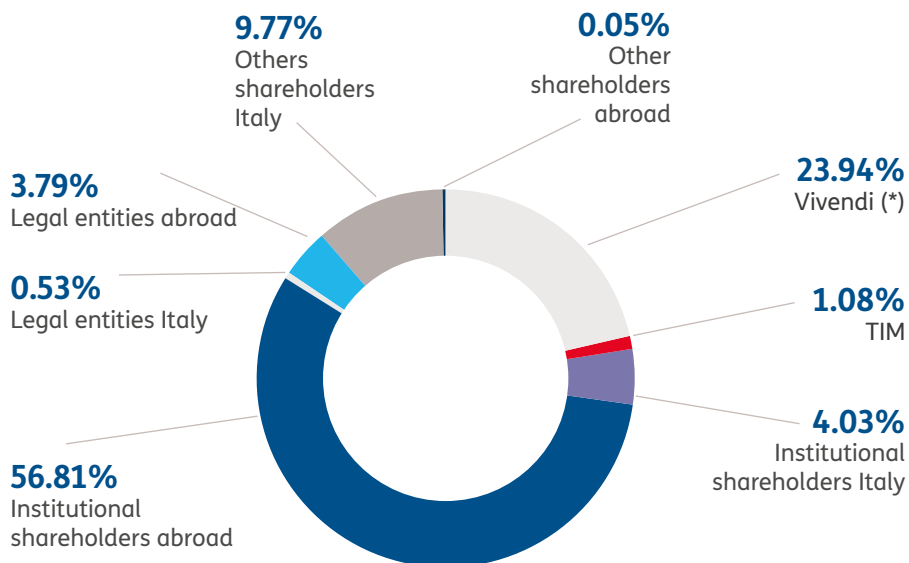
Persidera offers terrestrial digital transmission capacity and high quality technological solutions to leading TV networks operating in the domestic market.

Finally, **INWIT** is the Group's tower company.

MAIN SHAREHOLDERS OF TELECOM ITALIA S.P.A.

[G4-7] Telecom Italia is a joint-stock company organised under the laws of the Republic of Italy¹, **[G4-5]** where the parent company has its registered office. **[G4-7]** As at 31 December 2016, the reference shareholder is Vivendi S.A., with 23.94% of the ordinary share capital, **[G4-13]** The share ownership did not change significantly in 2016, after the 2015 entrance by French shareholder, Vivendi. The Net Equity structure and the number of shares in circulation are shown in Note 14 of the Group Consolidated Financial Statements. For further information relating to reports made to Consob regarding significant shareholdings, see the Report on Operations of the TIM Group.

The shareholding structure as of December 31, 2016 is shown below².



[G4-13] An examination of the share capital structure in the period 2014-2016 shows that in 2016, in addition to the increase in the shareholding owned by Vivendi S.A. (+2.6p.p.), compared to 2015, there was a slight increase in the shareholdings owned by foreign and Italian institutional investors: +2.3p.p. and 0.5p.p. respectively. The shares held by foreign legal entities, during this period, increased slightly (from 3.0% in 2014 to 3.8% in 2016) while the shares held by Italian legal persons decreased slightly, falling from 0.8% in 2014 to 0.5% in 2016.

Lastly, as regards the other Italian shareholders and other foreign shareholders categories, a decrease in ownership over the three-year period (-4.8pp) continued in 2016, slight for other foreign investors.

¹ **[G4-7]** Also see the TIM Group Consolidated Financial Statements.

² Source: Register of shareholders as of December 31, 2016, supplemented by communications received and by other available information.



THE CORPORATE GOVERNANCE SYSTEM

Some aspects of the Group's Corporate Governance which are particularly relevant (material) to the reporting of sustainability in accordance with the GRI-G4 guidelines are briefly illustrated below. For a more detailed and comprehensive description see the 2016 Report on Corporate Governance ("RCG") and Share Ownership, the Report on Remuneration ("RR"), the Bylaws and the Group Governance Procedures, available at telecomitalia.com.

[G4-34], [G4-35], [G4-40] The Group's Board of Directors is appointed by the Shareholders' Meeting based on slates submitted by eligible voters who own a total of at least 0.5% of the ordinary share capital (or any other amount that may be required by the regulations issued by Consob). The existing Board of Directors was appointed by the Shareholders' Meeting on April 16, 2014. In December 2015, the number of Directors increased from 13 to 17 with the appointment of 4 Directors at the request of the reference shareholder Vivendi S.A.. During 2016, the number of members fell by 1, due to the departure of the Group's previous CEO.

[G4-38], [G4-40] The only stakeholders represented in the Board of Directors are the shareholders. Directors' powers are granted (and revoked) by the Board of Directors, which determines the purpose, limits and methods by which they are exercised.

[G4-40] The Group's Bylaws require the least represented gender to account for at least one third of the total number of directors, rounded up to the next unit in the event of a fraction. The independence of a minimum number of directors is required by the law (Consolidated Law on Finance) based on the overall composition of the Board; the same law and the Corporate Governance Code of Borsa Italiana also define the criteria for the independence of Directors. An amendment made to the Bylaws of TIM in May 2015 introduced the principle that at least half of the candidates and elected members from each slate must be independent when the Board of Directors is renewed. Reference is made either to the legal independence requirements or the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana, with which TIM complies.

[G4-40] In delivering its guidance to shareholders, with a view to the Shareholders' Meeting called to renew the Board of Directors on April 16, 2014, the outgoing Board of Directors expressed a few wishes regarding the new Board, including:

- the skills which were deemed to be necessary were a knowledge of the telecommunications and/or information technology sectors (including regulations) or associated areas of business, strategic guidance, finance, communication and organisation, risk management and internal control. In terms of professional background, people of managerial extraction were to be preferred (primarily: CEOs or CFOs of significantly large companies), but the contribution of academic experts in finance and taxation, risks, law or the technical sector in which the Group operates were also judged useful;
- International openness was desirable, with the inclusion in the slate of non-Italian candidates, i.e. individuals who had gained professional experience overseas;
- A balanced mix of the various components was required, as the coexistence of diverse skills and experience ensures the complementarity of professional profiles, promoting fruitful discussion and the efficient operation of the Board, in the knowledge that specialised skills can be contributed by internal structures or, if necessary, by external consultants, and that the complexity of the matters to be dealt with suggest that candidates with prior experience gained on the boards of listed companies would be appropriate. (see Resolution Proposals - Shareholders' Meeting of April 16, 2014, available at telecomitalia.it)

[G4-38] The Board of Directors in office consists of 16 members, including 9 independents. 6 of the Board members are women and the female gender is the only social subgroup represented. Table 2 "Structure of the Board of Directors and Committees and other positions held" contained in the RCG, shows for each director their term of office, the committees to



which they belong, the number and nature of other positions they hold (meaning the director or statutory auditor positions held by the relevant individual in other companies listed in regulated markets, even abroad, holding companies, banks, insurance companies or undertakings of a significant size), the slate to which they belong (indicating “LSGR” in the case of appointment with a slate vote and candidacy by the SGR and Institutional Investor Slate, indicating “LT” in the case of appointment with a slate vote and candidacy by the Telco Slate or “T” in the case of original candidacy in the Telco slate but appointment by the Shareholders’ meeting by ordinary vote, indicating “V” in the case of appointment of candidates proposed by Vivendi S.A. during the Shareholders’ meeting on December 15, 2015) whether they are independent, executive or non-executive. The CVs of each director are available on the telecom italia.com website in *About us, Company Bodies/Board of Directors/Members* section. The Directors’ skills in the field of economics range from university teaching to graduate and post-graduate studies, specific training in the field of mergers and acquisitions, and experience with stock market supervision authorities and at the top of big companies. One director also declares that he/she has worked on sustainability-related projects. More details are available on the telecom italia.com website in *About us, Company Bodies/Board of Directors/Members* section. **[G4-47]** 14 meetings of the Board of Directors were held in 2016.

[G4-43] The Directors take part in specific meetings with the management or external consultants, aimed at providing adequate knowledge of the industry in which the Company operates, business dynamics and their evolution. Business lunches, workshops on new technologies and educational-informative meetings are held prior to strategic meetings. Updates regarding the relevant legislative framework are provided in specific briefing notes. As happened in 2016, specific meetings on sustainability are planned in 2017.

[G4-34], [G4-40] Currently the committees set up within the Board of Directors are the Strategy Committee, the Control and Risk Committee and the Nomination and Remuneration Committee. Significant transactions with related parties are subject to scrutiny by the Control and Risk Committee, in the case of transactions of lesser importance, or by a Committee consisting of all the Independent Directors, in the case of transactions of greater importance. The process of selecting and appointing members of the committee, and the independence and competence requirements are described in the Nomination and Remuneration Committee Regulations and in the Control and Risk Committee Regulations, both available on the telecomitalia.com website.

[G4-44a] For the 2016 financial year, the self-assessment of the size, composition and operation of the Board and its Committees was carried out with the support of the consultant Egon Zehnder. The board review is carried out every year (since 2005). **[G4-44b]** Further information on the assessment methods and results are illustrated in the RGS. The 2016 self-assessment did not tackle issues of sustainability.

[G4-35], [G4-36], [G4-39], [G4-42] The Shareholders’ Meeting of April 16, 2014 appointed Giuseppe Recchi as Chairman and the subsequent meeting of the Board of Directors of April 18 appointed Marco Patuano as CEO. Subsequently, on March 22, 2016, Marco Patuano resigned and, on March 30, 2016, the Board of Directors appointed director Flavio Cattaneo as CEO. Also on March 30, 2016, the Board of Directors updated the proxies granted to the two Executive Directors.

The proxies and powers granted to the Executive Chairman include:

- determining the guidelines for the development of the Group, in agreement with the CEO, with powers to identify and analyse extraordinary transactions;
- supervising the strategic, industrial and financial planning process, the implementation of these plans and their development and monitoring the implementation of board resolutions;



- supervising the definition of organisational structures and the power to organise and determine the size of the workforce and resources required to exercise his functions, making direct use of the Human Resources & Organizational Development department, which reports to the CEO;
- supervising the economic and financial performance of the companies and the Group;
- supervising the process of examining and devising the structure of the internal control system;
- supervising security and the TISparkle company;
- representing the company and the Group in external relations with all Authorities, Italian and international Institutions and investors (on the understanding that Investor Relations department reports to the CEO);
- responsibility for the following departments that report directly to him:
 - Brand Strategy & Media;
 - Institutional Communication (save for the CEO's power to make use of the Press Office for the operational management support required in coordination with the Executive Chairman);
 - Legal Affairs (save for the CEO's power to make use of the Legal Affairs Department for the operational management support required)
 - Public Affairs;
- responsibility for the Corporate Shared Value (CSV) department **[G4-48]** (including responsibility for drawing up the sustainability report) and governance of the Fondazione TIM.

[G4-35], [G4-36], [G4-42] The proxies and powers assigned to the CEO include:

- responsibility for administration (which include drawing up the Financial Statements), ordinary and extraordinary finance, taxation activities, management control and Investor Relations;
- responsibility for devising, proposing to the Board of Directors and then implementing and developing strategic, industrial and financial plans;
- responsibility for defining organisational structures, personnel policies and relations with trade unions;
- all organisational responsibilities for managing and developing the business in Italy and South America;
- responsibility for market disclosure, with reference to the company;
- “employer” responsibility for the health and safety of workers in the workplace, with reference to the company;
- responsibility and powers regarding the handling and protection of personal data, with reference to the company.

[G4-35], [G4-36] The system by which the executive directors (Executive Chairman and CEO) delegate powers to the departments that report to them is the subject of a specific company procedure that establishes the methods by which this system must be implemented (Granting and Revocation of Powers). Powers are normally granted to those reporting directly to the executive directors and, in particular, for matters of an economic and financial nature, they are granted to those reporting to the Chief Executive Officer who deals with such matters, while for sustainability the powers are delegated to those in charge of the CSV department reporting to the Executive Chairman. Those reporting directly can in turn assign specific powers to specific departments; **[G4-37]** in particular, powers are granted in this way to consult stakeholders (customers, suppliers, government local offices, employees etc., described in the *Stakeholder Engagement* paragraph of *Corporate Shared Value* chapter).



[G4-41] The company procedure for transactions with related parties¹, drawn up in accordance with Consob Regulation no. 17221 of March 12, 2010, is systematically updated (the latest revision is dated March 17, 2016) and is illustrated in the Report on Corporate Governance and Share Ownership, see Directors' Interests and Transactions with Related Parties. The disclosure of any transactions with related parties during the relevant period is included in the "Transactions with related parties" chapter of the Annual Financial Report.

[G4-45], [G4-46], [G4-14] The internal control and risk management system consists of a set of rules, procedures and organisational structures intended to ensure the healthy and proper management of the company, in a way that is consistent with the established goals, through an appropriate key risk identification, measurement, management and monitoring process. Being responsible for the internal control and risk management system the Board of Directors defines the system guidelines, verifying their adequacy, effectiveness and proper operation, so as to ensure that the main risks facing the company (including operational, compliance, economic and financial risks) are correctly identified and managed over time.

The establishment and maintenance of the internal control system are entrusted to the Executive Directors, each in his/her own delegated area, and to the Executive responsible for preparing the Company's accounting documents in his/her area of responsibility, so as to ensure the overall adequacy of the system and its effectiveness, from a risk-based perspective, which is also considered when determining the agenda of Board meetings. Coordination between the parties involved in the internal control and risk management system is illustrated in the Report on Corporate Governance and Share Ownership.

The internal control system is contained in the so-called "231 Organisational Model", i.e. an organisational and management model adopted pursuant to Legislative Decree 231/2001, aimed at preventing offences that may result in liability for the Company.

[G4-45], [G4-46], [G4-14] The Group has adopted an Enterprise Risk Management (hereinafter ERM) Model which allows risks to be identified, assessed and managed uniformly within Group companies, highlighting potential synergies between the parties involved in assessing the Internal Control System. Particular focus is placed on the relationship between the ERM process and the business planning process, particularly on determining the acceptable level for the Group (Risk Appetite) and the acceptable degrees of deviation from the main business targets (Risk Tolerance).

The process is managed by the ERM Steering Committee, which is chaired and coordinated by the CFO. The Steering Committee ensures the governance of the Group's risk management, aimed at guaranteeing the operational continuity of the business, monitoring the effectiveness of countermeasures taken. The ERM process is designed to identify potential events that may influence the business activity, in order to manage risk within acceptable limits and provide a reasonable guarantee that business objectives will be achieved. For further details please read the *Enterprise Risk Management system* section in *Being sustainable in TIM*.

[G4-49], [G4-50], [G4-58] In November 2015, TIM implemented the new Whistleblowing procedure, which provides for the centralised management, by the Audit Department, of all whistleblowing reports - including those that are the responsibility of the Board of Statutory Auditors, particularly in its role as the 231 Supervisory Body - via a compute app which whistleblowers can use to access the company intranet. Since February 2016 this reporting channel has also been accessible via the Group's website. Reports may be made by any employee, collaborator, consultant, freelance worker, as well as third parties who have

¹ The terms "related party" and "related parties" of TIM are understood to refer to the parties defined as such in the Consob Regulation. Regardless of whether they can be defined as related parties according to accounting principles, the Procedure also applies to the parties to significant shareholders' agreements, pursuant to article 122 of the Consolidated Law on Financial Intermediation, that govern candidacies for the position of Director of the Company, if it turns out that the majority of Directors appointed has been drawn from the slate presented by participants in shareholders' agreements.



business relations with the Group. The system assigns each report a unique identification code which enables the whistleblower to check the processing status in anonymity.

[G4-57], [DMA Labor Practice Grievance Mechanisms] As stated in article 4 of the Group Code of Ethics and Conduct, any requests for clarification regarding the appropriateness of one's own conduct or the conduct of other people, in order to ensure full compliance with the Code and the values set by the Code itself, must be addressed to the Head of the Audit Department of TIM S.p.A. or to the Head of the Audit Department of the Group's overseas company directly involved, in accordance with specific internal procedures.

[G4-58] Using the *Whistleblowing* procedure, the same entities must be promptly informed of the following by the recipients of the Code and those who have undertaken to comply with it:

- any violations, requests or inducements to violate legal provisions or regulations, provisions of the Code and internal procedures with regard to the activities and services of interest to the Group;
- any irregularities or negligence in accounting procedures, keeping of relevant accounting documentation, fulfilling reporting obligations or internal management in Group companies.

There are no negative consequences for people who make reports in good faith.

The confidentiality of the identity of people making reports is in any case guaranteed by appropriate internal procedures, subject to legal requirements. No recipient of the Code, employee or third party having business relations with the Group can be subject to sanctions or otherwise discriminated against if he/she refuses to perform actions or adopt a conduct which are considered, in good faith, to infringe the Code, even if this refusal should result in a loss of business or other adverse consequence for the company's business and/or the Group. The Brazilian subsidiary TIM Participações also uses a report reception system based on a form, also accessible via the company's website, that allows the report to be received at an email address, equipped with computer security systems, for its subsequent management.

[G4-50] In 2016, the Whistleblowing procedure resulted in 219 reports made in Italy and 518 in Brazil. The Human Rights section of the Being sustainable at TIM chapter and the Reports of the TIM people chapter illustrate the reports received concerning alleged violations of human and employment rights¹.

[G4-50] The Board of Statutory Auditors' Report states the number of reports received by the Board of Statutory Auditors and provides summary of the investigations carried out by the Board itself with the support of the Group Compliance Officer, (see 2016 Annual Report). In 2016 the Supervisory Body received only one report which did not however relate to the Code of Ethics, Human Rights or 231 Organisational Model.

[G4-51], [G4-52] The remuneration policy for the members of the Board of Directors is determined in accordance with legal requirements and the by-laws, according to which:

- **[G4-53]** the Shareholders' Meeting determines the total gross annual remuneration of the Board of Directors (without including directors of specific offices: Executive Chairman and CEO); expresses an opinion on the first section of the Remuneration Report; passes resolutions regarding remuneration plans based on the allocation of financial instruments;
- the Board of Directors passes resolutions to determine how the remuneration set by the Shareholders' Meeting will be distributed (when it is established as a total amount for the Board in its entirety); determines the remuneration policy for Executive Directors and

¹ In particular, the Human Rights section contains a detailed description of the procedure and the types of reports made via the procedure.



key managers with strategic responsibilities; determines the remuneration of Directors holding special offices.

The Board of Directors is also responsible for making proposals to the Shareholders' Meeting regarding remuneration plans based on the allocation of financial instruments for Directors and employees and for drawing up the Remuneration Report.

[G4-52] In order to ensure that the choices made regarding remuneration are appropriately investigated, in accordance with the rules on transparency and the strict regulations on potential conflicts of interest, the Board of Directors relies on the support of the Nomination and Remuneration Committee. In performing its duties, the Committee (the meetings of which are attended by the Chairman of the Board of Statutory Auditors or by another Auditor appointed by him/her) relies on the assistance provided by appropriate structures of the Company and can also rely on the support of external consultants whose position does not compromise their independence of judgement. Again for 2016, the Committee has relied on the assistance and support of Mercer Italia.

[G4-51] With the exception of the Executive Chairman and the CEO, the Directors receive fixed remunerations only. Table 1 "Remuneration paid to members of the management and control body and Key Managers with Strategic Responsibilities" in the RR states all the types and amounts of remuneration received by each director. Details of the fixed and variable remuneration components (including any stock option), benefits and severance pay attributed to the CEO, the Chairman and the key managers with strategic responsibilities, as well as the targets for the variable component of the CEO's remuneration are illustrated in detail in the Remuneration Report. More specifically, for the Executive Directors, the targets assigned for 2016 are mainly financial in nature and regard the Group's EBITDA indicators, the Group's Net Financial Position and the Group's Service Revenues (with the exclusion of the first quarter 2016 for the Chief Executive Officer). In addition to these, there is a set of quality targets, which for the Chief Executive Officer relate to the 2016 strategic initiatives (consisting of the new domestic market turnaround, the update to the turnaround plan for Brazil, the update to the broadband plan and the item "Rates and Authority"), whilst for the Chairman, they include a target relating to media and another to the Board's assessment of the effectiveness in managing the work of the Board of Directors.

REFERENCES

The Group operates with the conviction that business activities must be conducted in a way that considers the expectations of stakeholders, in keeping with the principles established by internationally recognised standards. In defining and implementing its sustainability strategy and programmes, the Group is inspired by the guidelines issued by the main global guidance and standardisation organisations in the field of Corporate Responsibility. The System of Sustainability Management also takes into account the principal reference regulations and international standards:

- European Commission directives, recommendations and communications;
- the OECD guidelines directed at multinational enterprises;
- the ISO 9001 and ISO 14001 certificates governing quality and environmental management systems;
- principles of the International Labour Organization (ILO) Conventions on respecting the fundamental rights of workers;
- the Social AccountAbility 8000 standard (SA 8000), aimed at promoting respect for human rights and working conditions by companies and their supply chains;



- Sustainability Reporting Guidelines of the GRI, version G4, comprehensive option;
- AA1000 AccountAbility Principles Standard (APS 2008) drawn up by Accountability, an international organisation which promotes collaboration between stakeholders, and lays down standards and guidelines on matters of sustainability;
- management system ISO 206000 for private and public organisations of all sizes.

[G4-15], [G4-16] TIM has always been a member of many environmental and social organisations, both national and international, formed to disseminate universally recognised values including respect for Human Rights, employment rights and environmental protection. The main associations in which the Group is involved and some of the charters and codes to which it has signed up are listed below:

- Global Compact, the main global benchmark launched in 2000 by the UN, to which TIM has been signed up since 2002. TIM is a member of the Global Compact Network Italy;
- ITU (International Telecommunications Union) the UN's main agency for Telecommunications and Information, as well as a reference point for governments and the private sector in the development of networks and services. TIM is also involved in the Environment and Climate Change working group (Study Group 5);
- ETSI (European Telecommunications Standards Institute), the main European standardisation organisation for telecommunications. TIM is involved in the following technical committees and interest groups regarding the environment: TC ATTM (Access, Terminals, Transmission and Multiplexing) and TC EE (Environmental Engineering);
- GSM Association and particularly the GSMA - Mobile Alliance against Child Sexual Abuse Content working group for all technological and communication initiatives aimed at protecting children in the mobile phone sector;
- ICT Coalition for Children Online and Better Internet for Kids (former CEO Coalition) for establishing the principles and technologies required to make the Internet a safer place for children;
- GRI, a body set up in 1997 by CERES, Coalition for Environmentally Responsible Economies, with the aim of developing globally applicable guidelines for drawing up Sustainability Reports;
- GeSI (the Global e-Sustainability Initiative), a global partnership of ICT companies to promote the sustainable development of new technologies. TIM is represented in the General Assembly and takes part in the initiative's working groups, particularly the Industry Responsibility Committee, which works on projects associated with monitoring the performance of suppliers and assessing the sustainability of products and services. From the middle of 2012 to the middle of 2014, TIM was also a member of the Board of Directors, performing the role of treasurer;
- ETNO (European Telecommunications Network Operators' Association), a trade association which aims, among other things, to develop a competitive and efficient European telecommunications market through coordination between operators and dialogue with Institutions. TIM is a member of the Executive Board, which it chaired between 2011 and 2014, and has signed up to Corporate Responsibility Charter of the European Telecommunications Network Operators' Association. Issues related to corporate responsibility are handled by a Working Group which TIM has chaired since 1997, the tasks of which include promoting and verifying the objectives undertaken through the Association's Corporate Responsibility Charter. An energy task force coordinated by TIM reports to this working group and is responsible for evaluating and pooling best practices and the most advanced solutions in the field of energy efficiency, as well as task force on child protection online;
- Joint Audit Cooperation, a joint initiative between telecommunication operators to perform sustainability audits of the production plants of their respective suppliers in geographical areas that present a high social and environmental risk. TIM is one of the three founding members and is represented in the Leadership Assembly (which has guidance and auditing tasks and consists of high level representatives of the Purchasing and CSR departments of



its members) and the vice-presidency of the Operational Committee, which develops the strategies to be proposed to the Leadership Assembly, defines procedures and tools and coordinates the auditing of suppliers;

- The European Commission's Joint Research Centre which, with the help of telecommunications operators, including TIM, has developed Codes for the energy efficiency of data centres and the energy consumption of broadband appliances, both adopted by TIM;
- FOSI, Family Online Safety Institute, an international non-profit organisation formed to make the Internet safer for young people and their families, identifying the best strategies while respecting the freedom of the Web. FOSI also promotes dialogue between heads of government, the world of industry and the non-profit sector in seeking new solutions for the safety of children in the Web 2.0 world. TIM is the first Italian company to have joined this important institution.

TIM is also associated with ANIMA and Sodalitas (entities that deal with sustainability as part of Italian trade associations), CSR Europe, a network of European companies for the development of sustainability in companies and FSG (Foundation Strategy Group), through which TIM participates in the activities of the Shared Value Initiative, a global community that shares themes and projects that generate business value to respond to social needs. Among the other codes relevant to sustainability to which TIM has signed up, we should mention the Equal Opportunities Charter, the Self-regulation code for mobile services, the Code of conduct for premium rate services and the Corporate Governance Code for commercial communication (available on the telecomitalia.com, website).

CODES, POLICIES AND CHARTERS OF THE GROUP

[G4-56] The undertakings given by the Group are expressed in a system of Charters, Policies and Codes available in the sustainability section of the telecomitalia.com website.

In the belief that the success of the company cannot be separated from business ethics, the Code of Ethics and Conduct and the Human Rights Policy of the TIM Group set out the objectives and values of the Company's activities in respect of the main stakeholders with whom the Group interacts.

The Service Charters, which are intended to simplify the relationship with customers and make it more direct, set out the principles of conduct and undertakings given by TIM regarding the quality of the services offered. They also provide information regarding the ongoing improvement of quality standards and contact channels available to customers. The Service Charters are available on the Group's commercial websites (tim.it, impresasemplice.it.)

The General Conditions of subscription and contract, which govern relations with subscribers and are additional to the Service Charters, are published on the following websites tim.it, impresasemplice.it e nuvolaitaliana.it The General Conditions of subscription for fixed telephony are also published in telephone directories.

Furthermore, in order to comply with the various resolutions of the Italian communications authority regarding quality, the objectives set for each year for the individual services (fixed and mobile voice services, Internet access services, call centre services for customer support) are published on the relative websites. A selection of the objectives and their respective levels of achievement is set out in the Appendix.

The other undertakings given by the Group are contained in the following documents, which are available in the sustainability section of the Internet site:

- *Respecting Human Rights in the TIM Group*, which emphasises that the telecommunication



sector is strategic in terms of Human Rights because it affects the accessibility of technology and services (geographical and social digital inclusion) in particular for the most vulnerable, as well as the right to privacy, personal data protection and freedom of expression, particularly online;

- *Social responsibility in the TIM Group*, on compliance with labour standards within the Group, with particular reference to child labour, forced labour, health and safety, freedom of association, discrimination, disciplinary procedures, working hours and pay;
- *Relations with suppliers in TIM Group's procurement process*, which governs the negotiating ethic of the Group (transparency, the separation of roles, fairness and traceability) and the requirements that TIM demands of its suppliers in the area of working and environmental standards;
- *Green Procurement Policy*, which is intended to minimise the environmental impact directly attributable to the Company and its suppliers in the context of the procurement process;
- *TIM Group Guidelines on Voluntary Contributions to the Community* which govern the ways in which the Group makes investments in favour of the communities in which it operates;
- *Code of conduct for the confidentiality of OLO (Other Licensed Operator) Data* which ensures the proper handling and confidentiality of data by the departments that supply services to other operators;
- *TIM Group Guidelines for Responsible Marketing* which outline the principles followed by the Group to ensure honest, transparent and fair business practices in addition to those contained in the Charters and Codes mentioned above.

TIM's Code of Ethics and Conduct underlines a number of key objectives for everyone working in the Group:

Excellence of the service

We pursue excellence towards customers, creating value for the shareholder and the communities in which we operate.

Ethics and Compliance

We operate in compliance with the law and with universally accepted ethical principles, based on transparency, fairness and loyalty.

Competition

We promote fair competition that serves the interests of customers and of every player in the market.

Human resources

We value the Group's human resources, respecting each other's differences, within a framework of loyalty, observance of ethical values and trust.

Communication

We ensure the transparency of our actions in our relationship with customers, the market, investors, the community, employees and all stakeholders in general.

The Community

We contribute to the prosperity and growth of the communities in which we operate, respecting the environment and the rights of future generations.

Health and Safety

We protect health and safety in the workplace, ensuring respect for the physical and moral integrity, rights and dignity of workers .

FIGHT AGAINST CORRUPTION

[G4-SO3a] Corruption is widely recognised as one of the main factors threatening socio-economic growth and the well-being of the population. Preventing corruption has always been an important part of the TIM internal control system in all its companies. Over time, oversight and control systems have evolved and the scope of its companies has changed.



We shall focus here on the Group's existing scope, which consists of the Domestic Business Unit (including all the domestic commercial and technical activities relating to the telephone service and the media, Sparkle, INWIT and Olivetti) and Brazil (see The *TIM Group/Group profile*).

[G4-DMA Anti-corruption] The Group's system for identifying, preventing and controlling corruption risks is the "231 Organisational Model", a compliance programme for preventing offences pursuant to Legislative Decree 231/2001 which can result in administrative responsibilities being placed on the Company, pursuant to Legislative Decree 231/2001. Also adopted since December 2012, is the Group Anti-Corruption Policy referred to in 231 Organisational Model. The Group Organisational Model and the Brazilian Organisational Model identify the processes that are at risk of corruption offences, including: management of relations with public entities (e.g. management of inspections and procedures, representing the Company's position in respect of the Authorities, requesting authorisations, managing subsidised loans, tender notices), negotiations with customers (commercial negotiations, calls for tenders), identification and management of counterparts in commercial relations, partnerships, joint ventures, purchase of shareholdings, purchase of goods and services, consulting and professional services. In 2016, due diligence was adopted as a stage in the evaluation of counterparts in the sensitive areas identified by the Anti-Corruption Policy. As regards Brazil due diligence was adopted as part of the procurement process (suppliers of goods and services/consultancy and professional services).

231 Organisational Model consists of:

- the Code of Ethics and Conduct of the TIM Group, 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", as a blueprint for achieving the objectives of operational efficiency and effectiveness, reliability of financial and management reporting, compliance with laws and regulations, safeguarding of company 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;
- the "internal control check-lists" 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 check-lists have been developed according to the following 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 the 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.

[G4-SO3b] The areas identified as being at risk of corruption are:

- gifts and entertainment expenses
- events and sponsorships
- donations/membership fees/contributions to non-profit organisations
- consulting, intermediation, relations with business partners and suppliers
- joint ventures, acquisitions and transfers

and furthermore:

- sale of goods and services
- relations with Institutions/Authorities
- authorisations and concessions



- subsidised financing
- legal and arbitration proceedings
- health and safety at work obligations
- environmental protection obligations
- staff selection and recruitment
- operations carried out by the Executive Directors

[G4-DMA Anti-corruption] It is specifically prohibited to directly or indirectly receive, demand, give, offer and authorise compensation of any kind, gifts, benefits of an economic or other useful nature to or from a public or private subject and/or the body such subject directly or indirectly represents that: (a) exceed a modest value and the reasonable practical limits of courtesy and, in any event, (b) are capable of being interpreted as designed to unduly influence the relations between the Group Companies and the aforementioned subject and/or body it directly or indirectly represents, irrespective of the aims pursued, including exclusive aims, in the interests or to the benefit of the individual Company or Group.

Nor are “facilitation payments” permitted. These are unofficial modest payments made to speed up, favour or secure the execution of a routine or otherwise expected activity that is part of the duties of the public or private subject with which the Group companies has relations.

The aforesaid principles are stated in a specific Group Policy on the fight against corruption, which focus in particular on donations, gifts and/or participation in charitable organisations, foundations, non-profit organisations, providing for contributions to be made exclusively to organisations with a proven reliability and recognised reputation, subject to due diligence, and in accordance with the budget prepared on the basis of cost-effectiveness and reasonableness criteria.

[G4-DMA Anti-corruption] The above areas are the criteria by which processes or activities are judged to be at risk or not (each process/activity is at risk if it includes these areas¹).

The Organisational Model is complemented by the Supervisory Body, which is responsible for supervising the operation of the Model, ensuring it is complied with and updating it. Pursuant to Legislative Decree 231/01 article 6(4bis), the functions of Supervisory Body are assigned to the Board of Statutory Auditors appointed by the Shareholders’ Meeting of May 15, 2012. Amendments to the Model are drafted by a Group managerial committee called Steering Committee 231, briefed by the Supervisory Body and approved by the Board of Directors when of a significant nature. In order to support the Supervisory bodies of the Companies belonging to the Group, the Compliance Department of TIM includes a specific structure (Compliance 231) in charge of managing violations of the Organisational Model and carrying out specific compliance interventions also according to the evidence received via the information flows established inside the Group.

[G4-SO3a] The 231 Organisational Model currently covers all the Group’s Business Units, and **[G4-SO4]** was approved by the Board of Directors of TIM S.p.A. in 2003 (the subsequent amendments were also approved). On 30 September 2016, the Board of Directors of TIM S.p.A. approved the updated version of the Group Anti-Corruption Policy, which, among other things, requires the “Facilitated Finance” process to be included among the “Sensitive Areas” and includes new references to the validation of counterparts (anti-corruption due diligence), disciplinary measures and the Group Whistleblowing procedure. The adoption of the new version of the policy by the Boards of Directors of the relevant national and foreign subsidiaries is also expected. Furthermore, in August 2014, the Board of Directors of Tim

¹ Furthermore, TIM’s procedures for transactions with related parties specify all the measures to be adopted in order to mitigate the risk associated with these transactions (the procedures are approved by the Board of Directors and are published at <http://www.telecomitalia.com/tit/en/about-us/governance-system/procedures.html>).



Participações approved the Organisational Model in accordance with the local anti-corruption law (Ley 12846/13) and the relevant provisions required at Group level. On 6 October 2016, the Board of Directors of TIM Participações approved a new version of the Organisational Model which includes specific references to extending the application of the Model to private entities. Previously, Brazil had adopted corruption prevention procedures, including the Anti-Corruption Policy of May 2013.

[G4-SO4] In the case of Italian companies, 231 Organisational Model and the anti-corruption policy are communicated to all employees while commercial partners are required to confirm their adherence to the principles contained therein¹. In Italy, in 2015, e-learning training on the 231 Organisational Model and anti-corruption aspects was completed. Note also that the on-boarding training provided to new recruits at TIM S.p.A. included specific anti-corruption sessions. In 2016, 1,208 employees completed a digital learning model on the handling of inside information at workstations (Market Abuse). In general, the training campaigns are not necessarily annual but depend on changes made to the Model or other organisational requirements.

In 2016, a digital learning model was developed on matters relating to the new version of the Anti-Corruption and Whistleblowing Policy aimed at the employees of TIM S.p.A. and Italian subsidiaries. The training is planned for 2017.

E-learning training campaigns run in Italy*

	2016	2015	2014
Senior Managers	211	42	718
Middle Managers	420	185	3.787
Others	577	10.828	33.877

*Unit of measurement: People

In Brazil, communication on anti-corruption matters, with employees and partners, was launched in 2014 and new classroom training activities were delivered during 2015 aimed at the departmental focal points, the people who manage relations with public bodies and legal advisors. Finally, the awareness-building activities on anti-corruption matters included the dissemination of the Code of Ethics. With regard to TIM Participações in particular, the e-learning course was completed by employees (approximately 100% of the target – 10,000 employees).

[G4-DMA Anti-corruption] Employees are trained every time the Organisational Model undergoes substantial changes TIM has made the e-learning training module on the 231 Organisational Model and anti-corruption aspects available to company bodies of all national subsidiaries.

[G4-SO5] No incident of corruption has taken place in the Group companies in the past 3 years, nor have any legal proceedings been started on grounds of corruption against Group companies in the same period. With regard to suppliers, in the past 3 years TIM has never terminated a contract for reasons related to corruption. Only on one occasion, in 2014, has TIM suspended new activities with a supplier because it was charged with corruption.

[G4-DMA Anti-corruption] TIM is a member of the “231 and Legality” Working Group organised as part of the initiatives taken by Confindustria and participates in the working groups set up at B20 for implementing the recommendations made at G20/B20 level on anti-

¹ Commercial partners include suppliers of orders worth over 3,000 euros, joint ventures, consultants.



corruption matters. In this context, an international version of the Anti-Corruption Educational Toolkit for SME's was produced. An Italian version of the toolkit for SMEs members of Confindustria is planned. As part of the "Legalità/231" working group, the toolkit is expected to be adopted during 2017.

Furthermore, an anti-corruption training project for primary and secondary schools is being planned. Contact has been made with the Ministry of Education to finalise the launch of the pilot project in secondary schools in Piedmont.



KEY ECONOMIC PERFORMANCE DATA AND ECONOMIC VALUE GENERATED AND DISTRIBUTED

The TIM Group aims to achieve a balance between the three dimensions of sustainability:

- environmental: maintaining the function of ecological systems, ensuring a balance between the use of natural resources and the company's activities;
- social: promoting the principle of fairness between generations and within the same generation;
- economic: maintaining and increasing capital.

[G4-9] The Group reports on what it does to achieve this objective in the Sustainability Report, which focuses primarily on environmental and social sustainability, as well as aspects that are both of a social and economic nature (e.g. customer care and innovation management) and the Annual Financial Report, which discusses the Group's economic performance in detail. In order to give a comprehensive view of the Group's sustainability, we have provided some summary data of economic performance below, which are drawn from the Annual Report.

TIM group – Main economic, financial and operational data by business unit

(million euros)	Revenues			EBITDA			Industrial investments			Headcount at year-end (units)		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Domestic	15,006	15,001	15,303	6,698	5,567	6,998	3,709	3,900	2,783	51,280	52,644	53,076
Brazil	4,047	4,637	6,245	1,325	1,451	1,773	1,167	1,289	2,195	9,849	13,042	12,841
Other activities	11	131	71	(18)	(14)	13	-	8	6	100	181	108
Adjustments and eliminations	(39)	(50)	(45)	(3)	2	1	-	-	-	-	-	-
Consolidated total	19,025	19,719	21,574	8,002	7,006	8,786	4,876	5,197	4,984	61,229	65,867	66,025

[G4-9] The distribution of revenue by product and service is shown in Note 25 of the TIM Group's consolidated financial statements.

TIM group – Other economic, financial and operational data by business unit

(million euros)	31.12.2016	31.12.2015	31.12.2014
Total net equity	23,553	21,249	21,584
- attributable to Parent Company Shareholders	21,207	17,554	18,068
- attributable to non-controlling interests	2,346	3,695	3,516
Profit (loss) for the financial year attributable to Parent Company Shareholders	1,808	(70)	1,351
Profit (loss) for the financial year attributable to non-controlling interests	158	731	610
Net financial debt carrying amount	25,955	28,475	28,021



[G4-9] The trend in the Group's capitalisation and debt is shown in the Report on Operations of the TIM Group.

[G4-9] The following table shows one of the Group's key management data figures: the trend in fixed and mobile telephone service access lines.

TIM Group – Main economic, financial and operational data by Business Unit

(thousands)/Year-end figures	31.12.2016	31.12.2015	31.12.2014
DOMESTIC FIXED			
Physical connections	18,963	19,209	19,704
Broadband connections	9,206	8,890	8,750
DOMESTIC MOBILE			
Number of lines	29,617	30,007	30,350
BRAZIL			
Number of lines	63,418	66,234	75,721

[G4-EC1] The economic value generated and distributed to stakeholders is shown below. Since 2008, the method of presentation recommended by the GRI has been adopted, with appropriate adaptation.

TIM Group – Economic value generated and distributed

(million euros)	2016	2015*	2014*
Direct economic value generated			
a) Total revenue and operating income	19,336	20,006	21,975
b) Interest payable and dividends paid	159	216	228
c) Net gains (losses) on disposals of non-current assets	14	336	29
d) Direct economic value generated (a+b+c)	19,509	20,558	22,232
Economic value distributed			
e) Operating costs	8,128	9,295	9,953
f) Employee benefits expenses	3,106	3,589	3,119
g) Shareholders and providers of capital	1,729	2,291	2,259
h) Taxes and duties	949	534	854
i) Economic value distributed (e+f+g+h)	13,912	15,709	16,185
Economic value retained (d-i)	5,597	4,849	6,047

* The data relating to 2015 and 2014 was reviewed to take into account some changes made by the Brazil BU.

(million euros)	2016	2015	2014
Wages and salaries	2,116	2,296	2,202
Social security costs	770	834	801
Other expenses	220	459	116
Employee benefits expenses	3,106	3,589	3,119



(million euros)	2016	2015	2014
Purchases of materials and services	7,793	8,533	9,430
Other operating costs	983	1,375	1,057
Change in inventories	(9)	44	52
Internally generated assets	(639)	(656)	(588)
Operating costs	8,128	9,296	9,951

(million euros)	2016	2015	2014
Dividends distributed	191	262	319
Interest payable	1,538	2,029	1,940
Shareholders and providers of capital	1,729	2,291	2,259

(million euros)	2016	2015	2014
Income taxes	849	418	736
Indirect taxes and duties	100	116	118
Taxes and duties	949	534	854
- regarding Domestic BU	876	381	724
- regarding Brazil BU	84	123	124
- regarding activities abroad/other	(11)	30	6

TIM Group – Contribution to the community

(million euros)	2016	2015	2014
Distribution of contribution			
Charity	0.1	0.3	0.9
Investments in the community	19.2	17.6	7.1
Initiatives in the community	6.1	9.4	14.5
Total	25.4	27.3	22.5

The contribution to the community is calculated according to the London Benchmarking Group (LBG) guidelines. The calculation has been done using management data partly based on estimates.

More than 150 major international companies subscribe to the LBG, which was founded in 1994 and is the global gold standard for the classification of voluntary contributions made by companies in favour of the community.

In line with the LBG model, in order to measure and represent the Group's commitment to the community, the contributions paid out have been subdivided into three categories (donations, investments in the community, initiatives for the community). In the first, the charitable spirit prevails, the third includes initiatives that combine a benefit to the community with a commercial interest on the part of the Company. For further information regarding the LBG model and its investment classification criteria on the three levels, see the sustainability section of the telecomitalia.com website and the lbg-online.net website.



THE REFERENCE CONTEXT

LEGAL AND COMPLIANCE FRAMEWORK

The Group's activities are conducted in full compliance with current laws in the countries in which it operates and with universally accepted ethical principles, based on transparency, fairness and loyalty.

[G4-DMA Public Policy], [G4-DMA Compliance] The main changes in the relevant legislation for the Group are regularly set out in the Report on Operations of the TIM Group (see the Main changes in the regulatory environment chapter), while public administration engagement activities are described in this report. Relations between the Group and its employees and public administration are carefully regulated and controlled by the 231 Organisational Model, briefly presented in this chapter.

[G4-SO6] In particular, the Code of Ethics explicitly bans any direct or indirect disbursements, contributions, advantages or benefits of any kind to political parties, political movements or trade unions or to their representatives or candidates.

[G4-DMA Grievance Mechanisms for Impacts on Society], [G4-SO11] No reports have been received over the past three years, via the main company reporting mechanisms described in The *TIM Group/Corporate Governance System* chapter, regarding alleged damage caused to the community by TIM, including damage of an environmental nature, discrimination against the population in terms of coverage, and corruption.

[G4-DMA Compliance], [G4-EN29] In its environmental management systems, the Group is very careful to comply with the environmental laws of the countries in which it operates. There have been no significant disputes of this nature over the past three years.

COMPETITORS

[G4-DMA Anti-competitive Behavior] TIM is committed to promoting fair competition, a factor considered to be in its interests and those of all market operators, customers and stakeholders in general, promoting and participating in initiatives and projects, together with competitors, and in the management of technical round tables and the activities of trade associations.

In this context our stakeholders are:

- the Alternative Operators;
- the Italian Communications Authority (AGCOM);
- the Italian Competition and Market Authority (AGCM);
- associations, federations and national and international trade associations.

TIM manages relations with associations, coordinating representation activities in respect of Confindustria and other Trade associations

Initiatives at national and local level consist of actions and meetings about business development and protecting the Company's interests in the fields of economics, regulations, trade unions and labour. These initiatives are based on dialogue and comparing respective positions in order to identify, where possible, a common position for the sector to be presented to national and European Community institutions.

The Group is a member of over 100 local associations, including, in particular, CD Confindustria



Digitale and Associazione delle società di TLC (Telecommunications Companies Association). Since 2010, TIM joined Assinform, the national association of leading Information Technology companies operating in the Italian market, which acts as a link between the main economic, political and institutional entities for the development of Italy as a national system by recourse to innovation and new technologies.

Together with the other operators, TIM takes part in the Ugo Bordoni Foundation (FUB), which aims to carry out research and studies in the communication and digital technology sector for the purpose of promoting scientific progress and technological innovation. The Foundation, in which public administration performs management and control functions, provides advice to Parliament, the Government and independent administrative Authorities.

TIM also participates in the Audio and ICT District, a consortium of more than 20 businesses operating in the information technology, telecommunications, networking and media sectors. Sponsored by the Municipality of Rome, the Union of Industrialists and the Rome Chamber of Commerce, the objective of the District is to express and represent, within its field, the industrial activities and services operating in the new economic area of the great convergence or multimediality.

In order to monitor the competitive scenario, quantitative surveys are periodically carried out on a representative sample of the adult Italian population to measure the effectiveness of advertising for telecommunication services. These give all operators information on how well they are known, revealing unprompted and prompted knowledge of advertising, recollection of advertising content, enjoyment of advertising and likelihood of entering into a contract.

For many years now, the Company has had an overall reputation monitoring service (MediaMonitor) related to all types of media (print and online, radio, TV, social web). The tool analyses and verifies the competitive scenario, the presence of TIM and its main competitors. MediaMonitor allows TIM to be positioned quantitatively (number of hits and visibility) and qualitatively (positive/negative arguments, sentiment, image profile) in the competitive context, highlighting the positive and negative areas in the individual media. An alerting system has also been activated on subjects that may potentially have an impact on the Group's reputation.

As of 2014, an annual monitoring system has been launched to assess the impact of the TIM brand, the single trading brand, on the telecommunications market. Competitive strength is also measured by identifying the reasons for TIM's performance compared with competitors.

Services to Alternative Operators

Wholesale Market (WM) is the TIM department, which, within the Wholesale area, operates as the point of contact for other operators (including ISPs) regarding the provision of network infrastructure and services for subsequent marketing by the said operators of electronic communication services to their own customers. WM is responsible for pre- and after-sales design, identifying requirements and drawing up offers and contracts, sales, support and billing for products/services supplied.

Organisational and administrative separation between the retail departments of TIM and WM, which is verified every year by an external body, ensures compliance with the principles of equal treatment and non-discrimination established by current regulatory provisions and in particular Resolution 152/02/CONS.

On an annual basis, WM draws up and submits the reference offers (RO) for the different regulated wholesale services. The process of approval of each reference offer involves joint examinations and reviews designed to provide the clarifications requested by AGCOM, which



approves its contents and monitors the work of the WM in order to ensure that competition is safeguarded. AGCOM also acts as the guarantor and relevant authority in cases brought by Operators/ISPs and end users on regulatory matters.

In addition to the regulated services, WM offers infrastructure and transmission capacity, data access and transmission, TLC equipment hosting, outsourcing and all the added value services that allow operator networks to be “virtualised”.

Each OLO has a direct relationship with its own account manager in the sales department of WM, who receives the customer’s requests and customises the respective supply contracts in accordance with current regulatory requirements. In particular contracts relating to regulated services include clauses which provide for constant monitoring of the various stages of the supply of the service, ensuring that a number of the main indicators are subject to periodic notification to AGCOM. The interests of the client are safeguarded on a continuous basis, formalised through a process of conference calls, video conferencing and meetings involving all the Company departments concerned.

For further information regarding dialogue and involvement initiatives, caring initiatives and the actions taken to measure Alternative Operators satisfaction go to the TIM Wholesale websites wholesale.telecomitalia.com

The Italian Communications Authority (AGCOM)

TIM interacts with AGCOM in order to contribute to the administration of the regulatory process on matters considered concrete to the growth in value of the Company. For this purpose, TIM pursues an honest dialogue and ongoing discussion with the Authorities and institutions with the aim of achieving a simple, effective and symmetrical regulatory framework. Furthermore, the Group makes its own knowledge available by participating in public consultations, institutional hearings, conventions, public meetings and by presenting appropriate testimony and petitions. The constant discussions with AGCOM and the institutions ensure that TIM gathers their opinions, supplying transparent, reliable responses, and anticipates events, creating and exploiting the best opportunities for the Company. For further information on legal provisions that regulate public consultations, market analyses, fact-finding surveys and dispute resolution among operators see the sustainability section of the website www.telecomitalia.com.

TIM provides the answers required (e.g. public consultations, defensive testimony, supply of data and information of various kinds, etc.) and always ensures the completeness and reliability of the contribution.

In the case of violation proceedings, TIM presents testimony, expert reports and other defence documents, requesting a hearing by those responsible for the proceedings on the facts that are the subject of the dispute. The Company is considering whether to submit a proposal, subject to the termination of the disputed conduct, aimed at improving competitive conditions in the sector, removing the anticompetitive consequences through suitable and stable measures.

The Italian Competition and Market Authority (AGCM)

As part of the protection of competition and the consumer, the Group interacts with the Competition Authority both in a preventive way (requests for information or submission of reports) and during the proceedings it launches.



In the event of dispute proceedings being launched, the Group presents its case in the appropriate forums, in some cases presenting the Authority with undertakings that will reduce the alleged anti-competitive aspects at the centre of the proceedings. After having assessed these undertakings, the Authority may make them compulsory and end the proceedings without imposing any financial penalty.

Within the Company there are preventive controls on processes with potentially significant impacts in Antitrust terms such as, for example, the drawing-up of marketing plans, the development of contracts, conditions for the provision of telecommunication services, the development of the company's information systems. The controls are aimed at ensuring that the operational management of the processes take into consideration these potential impacts.

In order to raise awareness and disseminate a correct approach to the subject, as a follow-up to the online training programme launched in 2010, in 2013, management were offered a specific classroom training course on the application of competition law. In 2014, training activities continued for staff belonging to the National Wholesale Services function.

Between the end of 2015 and the beginning of 2016, a new edition of the online course was published, delivered and used by about 3,000 employees selected from among several Company departments (mainly technical and sales related).

From April to December 2016, approximately 3,000 employees who had already used the online course were involved in antitrust training that involved 4 hours of classroom tuition following by an assessment of the lessons learned. The classroom training was provided by internal trainers (National Antitrust department) as well as external ones.

[G4-DMA Anti-competitive Behavior] The European Commission and a number of national competition authorities (including AGCM) have expressed their approval of the efforts made by companies that decide to adopt an effective compliance programme. In Italy, growing interest in compliance programmes is confirmed by the adoption of the Linee guida sulla modalità di applicazione dei criteri di quantificazione delle sanzioni amministrative pecuniarie irrogate dall'Autorità in applicazione dell'articolo 15, comma 1, della legge n. 287/90 [guidelines on the application of the quantification criteria for administrative fines imposed by the Authority pursuant to Article 15, paragraph 1, of Law No. 287/90], in which AGCM added, as one of the attenuating circumstances to be assessed when applying sanctions for antitrust offences "the adoption of and compliance with a specific compliance programme that is suitable and in line with European and national best practice".

For this reason, TIM decided to launch a specific antitrust compliance programme to complement the training activities already undertaken.

The activity, which began in March 2015 and ended in October 2016, involved the following stages:

- interviews with previously identified senior staff;
- checking of documents contained on the personal computers of a specific number of employees previously selected in order to perform an objective collection of such documents;
- competition training;
- writing of a Competition Code of Conduct;
- drafting of an internal procedure.

[G4-SO7] the Group's main disputes in this respect are listed and described in Note 24 (Contingent liabilities, other information, commitments and guarantees) of the Consolidated Financial Statements, particularly in the Significant disputes and pending legal actions section.

[G4-SO8] The same Note contains a description of all the Group's other disputes.



Regulatory initiatives regarding the access network

In December 2008, AGCOM approved the voluntary undertakings presented by TIM with Resolution 718/08/CONS to strengthen the internal and external equality of treatment between the TIM Retail Divisions and the other Operators.

Also in 2008, the Supervisory Body was set up with the task of verifying proper fulfilment of the undertakings, monitoring the equality of treatment indicators and the achievement of service quality objectives.

On November 5, 2015, the Group board approved a new equivalence model (NEM), aimed at further strengthening the efficiency and effectiveness of the processes for activating and maintaining the TIM fixed network wholesale access services supplied to its own commercial divisions and Operators, in line with the most recent regulatory guidance.

This equivalence model puts the sales divisions of TIM and the other Operators on an equal footing, ensuring full internal and external equality of treatment. On 22 December 2015, AGCOM published Resolution 623/15/CONS containing a request to TIM to make a proposal to further strengthen the equality of treatment guarantees and two proposals related to the unbundling and outsourcing of services related to provisioning and assurance.

In response to this resolution, in February 2016, TIM submitted the above proposals to AGCOM in accordance with the content of the NEM approved by the Board of Directors on 5 November 2015.

Subsequently, in May 2016, AGCom published Resolution 122/16/CONS, launching a public consultation, which ended in mid-June 2016, on TIM's proposals and on AGCoOM's preliminary assessments, which proved to be positive to a large extent.

The process of approval by AGCom of the measures to strengthen the equality of treatment guarantees, connected both to Resolution 623/15/CONS and Resolution 122/16/CONS, will be completed in the first few months of 2017.

In accordance with the equivalence model, since the end of 2015, the organisational structure of the company has led to Open Access and National Wholesale Services becoming hierarchically dependent on the same manager of the Wholesale Department, as described in the Services to Alternative Operators section.

Relations with the regulation and competition authorities in Brazil

TIM Brasil holds a very participative and collaborative relationship with ANATEL (Agência Nacional de Telecomunicações) and CADE (Conselho Administrativo de Defesa Econômica), the authorities which deal respectively with regulation in the telecommunication industry and with market and competition.

Along with ANATEL, TIM maintains a very cooperative and participative interaction, in order to cooperate to the evolution of the dialogue on the TLC regulatory framework that better suits the sector and the general economic growth. The main goal is to work together with ANATEL to identify the most relevant issues and reduce development barriers for the sector, especially by contributing to the development of the main regulatory chapters like spectrum management, quality of service, interconnection and network sharing, rural areas coverage, among others.

TIM Brasil also maintains a transparent and cooperative relationship with CADE. The company is responsible for notifying the Council about mergers, acquisitions and agreements, as well as for providing in due time all necessary or requested information. In addition, TIM Brasil promotes debates and studies and it works with academic institutions in order to support research activities on competition policy in the country.



ORGANISATIONS AND INSTITUTIONS

[G4-DMA Public Policy] TIM is determined to continue its collaborative and transparent relations with national and supranational institutions in order to facilitate dialogue on matters of mutual interest and to ensure the Group's viewpoint is faithfully represented.

Our target audiences in this respect are:

- central national institutions: Parliament, Government, Ministries, Public Administration;
- local institutions and their associations;
- AGCOM, AGCM, the Italian Data Protection Authority; Electricity, Gas and Water System Authority
- European and international institutions: EC, European Council and Parliament, BEREC¹, l'OCSE², l'ONU³, Global Compact, l'UNEP⁴, l'UNFCCC⁵, l'ITU⁶ and other UN agencies.

Central and national institutions

Lobbying activities are principally conducted with the parliamentary committee members of the upper and lower houses of the Italian Parliament concerned with issues that could impact on the Company, including those of an economic and financial nature or concerning privacy, telecommunications, Internet and TV. Involvement in parliamentary hearings is also a way of examining specific issues in detail and creating opportunities for discussion about matters being debated in Parliament.

The monitoring of law-making activity among institutions often leads to amendments to individual measures being proposed.

Moreover, TIM provides information to Ministries (mainly the Ministry of Economic Development) regarding the activities of the inspection body (parliamentary questions) directed at the Group.

National legislative activity specifically monitored by TIM during 2016 mainly concerned draft legislation being examined by the Italian Parliament and the decree laws introduced by the government in power which might have an impact on the electronic communications sector.

The approval process of the following legislative measures was monitored in particular:

- law No. 11 of 28.01.2016 (delegated powers to the Government to implement directives 2014/23/EU, 2014/24/EU and 2014/25/EU of the European Parliament and of the Council, of 26 February 2014, on the award of concession contracts, on public procurement and on procurement by entities operating in the water, energy, transport and postal services sectors, as well as the reorganisation of existing rules regarding public procurement for works, services and supplies): the law includes a number of provisions regarding changes to call centre contracts;
- legislative decree no. 33 of 15/02/2016 (implementation of directive 2014/61/EU of the European Parliament and of the Council of 15 May 2014, on measures to reduce the cost of deploying high-speed electronic communications networks): the legislation introduces measures aimed at facilitating installation of the aforesaid networks, promoting the shared use of existing physical infrastructure and allowing a more efficient deployment of

¹ Body of European Regulators for Electronic Communication

² Organisation for Economic Cooperation and Development

³ The United Nations Organisation

⁴ United Nations Environment Programme

⁵ United Nations Framework Convention on Climate Change

⁶ International Telecommunication Union



- new physical infrastructure to reduce the installation costs;
- constitutional law of 12 April 2016 (provisions for overcoming equal bicameralism, reducing the number of parliamentarians, containing the operational costs of institutions, abolishing the CNEL and revising chapter V, part II, of the Constitution): in particular, the reform overcomes the “concurrent legislative powers” of the State and Regions (the State establishes the general principles and the Regions legislate based on these principles), bringing many areas of legislation, including the regulation of communications, back under the exclusive power of the State. This replaces the pre-existing regulatory framework which hindered the development of electronic communication networks, both fixed and mobile;
 - ministerial decree of 11/05/2016 (establishment of SINFI - Sistema Informativo Nazionale Federato delle Infrastrutture [national federated infrastructure information system]): the decree introduced by the Ministry of Economic Development implements the provisions of legislative decree no. 33 of 2016;
 - legislative decree no. 185 of 24.09.2016 (provisions supplementing and correcting the legislative decrees of 15 June 2015, no. 81, and 14 September 2015, nos. 148, 149, 150 and 151, pursuant to article 1, paragraph 13, of the law of 10 December 2014, no. 183): the decree includes provisions supplementing and correcting the rules on employment introduced by the “Jobs Act”;
 - legislative decree no. 179 of 26/08/2016 (amendments and supplements to the Codice dell’amministrazione digitale [digital administration code] referred to in the legislative decree of 07/03/2005, no. 82, pursuant to article 1 of law 07/08/2015, no. 124, regarding the reorganisation of public administration): the legislation establishes the right for users to use their telephone credit for electronic micro-payments to public administration offices and operators of public services.
 - Preparatory activities and discussions were held with institutional representatives during hearings with parliamentary committees, including those regarding the new shareholding structure of TIM and the company’s position regarding the government strategy for the development of super-fast broadband networks. Also followed and monitored were the parliamentary information-gathering surveys on the electronic communication sector, including the survey regarding “Industry 4.0”, launched in February 2016, aimed at gathering useful information with which to identify the model to be applied to the Italian industrial fabric to promote the digitisation of businesses.

Local national institutions

[G4-DMA Indirect Economic Impacts] At local level, TIM maintains constant dialogue with institutions on subjects of a general nature regarding the electronic communications sector, with particular reference to network development and to other issues of interest to the company’s business. The aim is to resolve any issues encountered, to guide the local law-making process in such a way that it respects the national reference framework, to promote the Group’s image and represent its position regarding these issues. The dialogue takes place both directly with local authorities and with their representative associations: ANCI and UPI. Monitoring and constant interaction with the decision-making centres of local institutions take place by means of hearings, including the presentation of position documents relating to the drafting of local regulations, and involvement in workshops as well as in the work of regional commissions and ministerial and specialist work groups. Furthermore, TIM frequently organises communication initiatives on specific issues of local interest.

Coordination with the company departments operating at the local level is fundamental for the purpose of acquiring information regarding the approaches and expectations of local institutions and providing suitable solutions.



Among the main subjects of dialogue with local authorities during 2016 we would highlight the following:

- the development of new ultrabroadband networks (NGAN - Next Generation Access Network) and the new LTE (Long Term Evolution) standard;
- local coverage and reducing the digital divide;
- verifying the effect of the contribution, particularly on the demand side, on the profitability of investments in broadband in industrial districts;
- the drawing-up of protocols with local authorities in order to promote the use of non-invasive techniques (mini-trenches) during excavation work during excavation work, particularly in order to speed up the development of new generation access network coverage;
- proposals for regional laws and municipal regulations regarding the installation of mobile telephony systems and electromagnetic fields (including: Implementing Guidelines for the Umbria Law, Draft Law for the Marche Region, Genoa Municipality Protocol), in order to represent the company's requirements (particularly by submitting comments, amendments and participating in hearings) allowing the fair coexistence of the various interests involved, with a view to simplifying the rules and harmonising them with the relevant national provisions;
- proposed excavation rules, in order to ensure the consistency of the authorisation process and the respective regulations with the relevant national regulations also in order to ensure increased simplification at local level;
- the removal of public telephone equipment (telephone booths), which involved public consultation as part of a procedure agreed with AGCOM;
- promotion of TIM's digital inclusion initiatives to facilitate the learning of new technologies and their proper use, particularly by seeking new forms of partnership with municipalities as well as other partnerships and sponsorships;
- dissemination of digital innovation and culture, particularly by promoting agreements/partnerships with public administrations;
- promotion of TIM's system of digital services for the creation of smart cities and particularly support for the cities of Genoa, Turin, Milan, Naples, Florence, Benevento. In this respect, we should mention: our involvement in the activities of the Genoa Smart City association, as founding members; our involvement, as a founding member, in the Torino Wireless Foundation (a technological ICT district involving national and local institutions, universities and research centres, businesses and financial institutions); our cooperation with the Municipality of Turin and the Torino Smart City Foundation for the presentation of joint projects that can be implemented within the Smart City initiatives framework;
- the performance of digital teaching test at a number of schools in the Lombardy Region, following the signing of a protocol with l'USR Lombardy;
- research activities in cooperation with the Bocconi University, aimed at studying urban agendas in eight Italian municipalities: Bergamo, Cuneo, Ferrara, Belluno, Pescara, Ancona, Taranto, Siracusa;
- verifying the feasibility of financing the cost of achieving energy savings for the company by using new national and local instruments;
- drawing up 20 regional Policy Reports aimed at taking stock of the current situation and the development of regional policies regarding digital services, network infrastructure, the digital agenda and smart cities, particularly with reference to the new EU funds programming policy for 2014-2020. Substantial additions were made to the fourth edition 2016 with the introduction of new chapters containing information about the Piani di sviluppo regionale di natura strategica ed economica [regional strategic and economic development plans], Programmi operativi regionali (POR) [regional operational programmes], and Programmi operativi nazionali (PON) [national operational programmes] on issued surrounding ICT with an impact on local areas. The 2016 edition was completed and distributed to internal and external stakeholders in March 2016. The information contained in the documents is being updated - where available - to the last quarter of 2016.



European and international institutions

Relations with European and supranational institutions are both institutional (e.g. participation in discussion platforms, public consultations, workshops, meetings of parliamentary committees) and collaborative (meetings with the European Commission, Permanent Representatives of EU Member States, the European Parliament, Agencies or working groups and specialised studies under the auspices of EU institutions, including the Centre for European Policy Studies, etc.). The Company's position in respect of BEREC and the European Commission is asserted through individual action and/or with the involvement of other operators.

The themes tackled at European level, which were the subject of legislative/regulatory measures of interest to the Group, include the review of the regulatory framework, which involves a review of network access obligations and of consumer rules applicable to the sector, the reform of the universal service, the institutional review of the powers of the Commission and BEREC in the implementation of the new framework. The review consists of a complex process of adoption involving both the Parliament and the Council in the adoption of new rules by 2020. TIM is actively participating in numerous public consultations launched by the European Commission and BEREC based on the Single Digital Market Strategy (and the Single Market Strategy), particularly the consultations on the review of the telecommunication framework, online platforms and the role of intermediaries, the role of OTTs and the regulation of IoT services.

TIM participated in the working group set up by the European Commission to draw up the 5G Action Plan, intended to speed up the development of the new technology and allow Europe to keep pace with Asia and the US and enhance the European approach, focused on the digitisation of vertical industries.

TIM is also particularly active in European and international discussions relating to the distribution of digital content and the protection of rights, particularly on issues such as the review of copyright in the digital scenario (the subject of future European initiatives), the review of the European directive on satellite radio broadcasting and cable retransmission, discussions and proposals regarding the responsibilities of operators/ISPs, particularly those relating to actions taken by hosting providers to combat illegal activities online, the reform of the European directive on audiovisual media services. With regard to child protection, TIM is actively involved in a particularly important EU initiative aimed at improving safety for children using the Internet. This is the ICT Coalition for Children Online, a working group of European ICT companies which holds half-yearly discussions with European institutions and the relevant stakeholders (e.g. NGOs). The activities of the "Better Internet for Kids" platform launched by Commissioner Kroes in 2011, in which TIM is involved, will be relaunched in the coming months at the behest of the current DGConnect DG. TIM is closely following the development of the various trade agreements (e.g. TTIP, TISA) that Europe is negotiating with other countries.

As regards relations with the UN, the activities carried out as part of the Global Compact (GC) are of particular importance, taking the form of participation in the working group on Human Rights organised by the GC Network Germany and in the multiple activities of the Italian Network of the same organisation. TIM and TIM Brasil, the two Group companies which have joined the Global Compact, draw up an annual "Communication on Progress", which reports on progress achieved by the companies in promoting and applying the 10 core principles of the Global Compact. The CoP drawn up by TIM in the summer of 2016, relating to the whole of 2015, grants it "Active" status and the "Advanced" level (compliance with the twenty-one criteria required). For further information see the Human Rights paragraph and the telecomitalia.com website.

TIM is actively involved as a sector member in the ITU (UN international agency for



telecommunications), in the three sectors into which it is divided (ITU Radiocommunication Sector, ITU Telecommunication Standardization Sector, ITU Telecommunication Development Sector). It is a member of the ITU COP, the ITU child protection platform. It also regularly attends the most significant events of the ITU.

TIM actively monitors the work of the OECD through BIAC (an association which brings together a range of companies from OECD member states) and the Permanent Representative of Italy to the OECD and the work of the competent Committees on matters of relevance to the Company, including the CDEP (Committee on Digital Economy Policy) and the respective working groups, such as the Working Party (hereinafter WP) on Communication Infrastructure and Services, the WP for Security and Privacy, the Competitiveness Committee, the Consumer Policy Committee, and the Governance and Anti-Corruption Committee. The issues dealt with during 2015 related to discussions and preparatory work for the OECD Ministerial meeting held in May 2016 in Cancun (Mexico), the review of OECD recommendations regarding electronic commerce, the review of OECD recommendations on International Mobile Roaming, the recommendation on digital security and risk management, digital convergence, as well as the issue of bilateral investment agreements and, in particular, the issue of ISDS clauses. TIM interfaces with institutions, particularly supranational ones, individually and as a member of important associations operating on the European and international scene, such as ETNO, GSMA, Business Europe, TABC.

Relations with institutions in Brazil

TIM Brasil has reached an excellent level of relations with the institutions, at all levels of Government, Congress, the regulatory and antitrust authorities, the several associations of operators and the press. The dialogue is very intense and frequent and done on the basis of objective proposals, statements and positions designed not only to the development of specific issues for the company, but also for the entire industry.

Governmental relations activities occur at federal level primarily with the Ministry of Science, Technology, Innovation and Communications and also with several relevant Ministries like Casa Civil, Development and Industry, Justice, Cities, Education, among others .

At Congress TIM has an important dialogue in particular with Deputies and Senators that are member of the Committees involved with themes such as (but not limited to) the economic-financial nature, privacy, telecommunications and consumer protection.

Regionally, TIM Brasil maintains a permanent agenda with local institutions and authorities on general issues related to the telecommunications industry, with emphasis on the development of infrastructure and network coverage and other matters of interest to the local communities.

Addressing proposals, meetings with specific stakeholders on precise subjects, stimulating debates, active participation in public hearings and contributions in public consultations, are the main modalities of the daily interactions with all the above mentioned institutions.

Regarding the industry associations, the most important ones in which TIM Brasil is active, are:

- ABR Telecom (Brazilian Association of Telecommunications Resources), which focuses on centralized management of technology solutions in a shared environment, creating value for telecom providers;
- TelComp (Brazilian Competitive Telecommunications Association), which represents the interests of more than 60 operators, seeking the maintenance of the market competitiveness;
- SINDITELEBRASIL (tlc operators National Syndicate), which works on the coordination, defense and legal representation of the member companies, including all mobile and fixed operators;



- GSM Association, which represents the interests of mobile operators worldwide and, in a regional coverage, GSMA Latin America is a key partner on global discussions like radiofrequency management and allocation, international requirements specifications on ITU, and also related to consumer protection and activities improving the general reputation of the industry (TIM is part of the initiative “We Care”);
- ASIET (Latin American Association of Research Centers and Telecommunication Enterprises), which strives for a common position among associates based on various studies regarding numerous industry challenges in Latin America, through a public-private dialogue

Additionally, TIM Brasil institutional presence on the regional and local levels is increasingly supported by the activity of the Instituto TIM, that aims to democratize science, technology and innovation, enabling social progress in Brazil, and particularly, maximizing the potential of the mobile network. Since July 2013, the Institute has implemented actions in 398 cities, mobilizing 58 education departments, three ministries and over four thousand public schools, benefiting 15,200 teachers and 455,000 students.