



CONSIDERATIONS BY THE BOARD OF DIRECTORS

PURSUANT TO ART. 125-TER, SEC. 3, LEGISLATIVE DECREE NO. 58/1998

Dear Shareholders,

you have been called to this ordinary shareholders' meeting at the request of shareholder Vivendi S.A. (hereinafter "Vivendi"), a company registered in France that according to public information holds 3,640,109,990 ordinary shares corresponding to 23.94% of the capital with voting rights issued by Telecom Italia S.p.A. (hereinafter "TIM" or the "Company").

I. The request formulated by Vivendi

On 14 December 2018, shareholder Vivendi submitted a request for a shareholders' meeting to be called, pursuant to art. 2367 of the Italian Civil Code, to discuss and resolve on the following topics:

1. *Appointment of external auditors for the period 2019-2027;*
2. *Revocation of the mandates of 5 (five) directors, in the persons of Fulvio Conti, Alfredo Altavilla, Massimo Ferrari, Dante Roscini and Paola Giannotti de Ponti;*
3. *Appointment of 5 (five) Directors, in the persons of Franco Bernabè, Rob Van der Valk, Flavia Mazzarella, Gabriele Galateri di Genola and Francesco Vatalaro, to replace those whose mandates were revoked pursuant to the previous agenda item.*

Based on art. 125-ter, subsection 3, of legislative decree 58/1998 (hereinafter, the "CLF"), it is the responsibility of the shareholder requesting that a meeting be called to draft a report to the Shareholders' Meeting on the issues to be discussed, which Vivendi filed (in addition to disseminating it to the public through the media) at the same time as its call request (hereinafter, the "Report"). This is to be accompanied by the considerations formulated by the Board of Directors of the Company, which the same law foresees, and which are the object of this document.

These considerations do not relate to the disputes between shareholder Vivendi and shareholder Elliott (which are of no interest for TIM and its bodies), but concern the reiterated attribution to the Board of Directors (and hence to the Company) of

behaviours that conflict with laws, procedures, sense of responsibility and the corporate interest. The Board of TIM intends to reiterate, and to place on record, that the Company has worked and works in full respect of the law and the rules of governance, and with this asserts the correctness and full lawfulness (formal and substantial) of the company's behaviour.

After having formulated these considerations, the Board of Directors remains entitled to supplement complete and update them also for the purpose of ensuring, where necessary, that supplementary information is available before the Shareholders' Meeting.

II. Procedural aspects of the shareholder's request and the decision of the Board of Directors to call a Shareholders' Meeting

Art 2367 of the Italian Civil Code prescribes that: (1) “The directors [...] must call a shareholders' meeting without delay, when shareholders representing at least one twentieth of the share capital, in companies that make recourse to the risk capital market [...] and the matters to be discussed are indicated in the request”; (2) “If the directors [...] do not provide for it, the court, after having obtained the opinion of the members of the administrative and control bodies, where the refusal to make provision is found to be unjustified, shall order that a shareholders' meeting be called”; (3) “A shareholders' meeting may not be called at the request of shareholders for matters on which the shareholders' meeting resolves, by law, on the proposal of the directors or based on a plan or report they have prepared”.

In prescribing that a shareholders' meeting be called “without delay” and, on the other hand, that the request can be refused based on justified reasons, art. 2367 of the Italian Civil Code assigns to the directors the power-duty to examine and consider the shareholder's call request in order to refuse or grant it, wholly or in part, deciding, in the latter case, the most advisable arrangements for following through.

That is, the Board is required to check, firstly, that the proposing shareholder is entitled to make the request, and that it has the power to submit the topics specifically placed on the agenda and, secondly, that the request is compatible in overall terms with the company interest, to avoid granting requests that appear unlawful, unjustified, unnecessarily repetitive or intended to cause delay or mere disruption, and as such prompted by mere chicanery, in other words, with effects that are detrimental for the

company. In this sense, the directors' obligation to call a shareholders' meeting "without delay" is to be put in relation to their more general duty of diligence in executing their duties (art. 2392 of the Italian Civil Code), having regard for the time necessary both for the execution of the preparatory activities required to enable the board itself to act in an informed way, and to safeguard the right to information of the shareholders called to vote at the request of the proposing shareholder;

That was the case here, when the Board of Directors, meeting on 21 December 2018 to examine the request made by shareholder Vivendi, verified that the request was acceptable in formal terms while also deeming it necessary to postpone its consideration to the meeting on 14 January 2019 so as to be able, in the meantime, to undertake adequate preparatory analysis with reference to each of the three topics placed on the agenda proposed in the request. This activity consisted of requesting and obtaining three independent legal opinions, provided to the Company by three authoritative experts, two on legal matters (Prof. Roberto Sacchi and Prof. Mario Stella Richter), and one on business administration (Prof. Pietro Mazzola), and an analysis of the facts invoked as the basis of the Request, carried out by the Company's internal departments, based on the corporate and economic-financial documentation available. In its meeting on 14 January 2019, after having reviewed the results of the preparatory analyses undertaken, and after the discussion of these analyses, the Board of Directors decided to grant the request made by shareholder Vivendi by calling a Shareholders' Meeting on March 29, 2019.

III. Consequences and implications of the choices that the shareholders are called on to make

Before proceeding to illustrate (the Board's) considerations regarding the topics put on the agenda by shareholder Vivendi, it needs to call the shareholders' attention to the consequences these proposed resolutions will objectively have, if approved.

If the proposal to revoke the mandates of five directors is approved, and following their consequent removal, their replacements would then have to be appointed without the application of slate voting. By doing this, that is, by proceeding to appoint the five candidates named by Vivendi, there would be a further, inevitable, effect on the composition of the Board, namely, it would overturn the majority currently represented on the Board - since 10 of its 15 members would have been nominated by shareholder

Vivendi. If this is the real intent pursued is not a matter for the Board to decide, but it is certainly the case that such a result would be equivalent to overturning the results of the Shareholders' Meeting held on 4 May 2018.

IV. The shareholder's proposals

Regarding the appointment of the external auditor for the period 2019-2027, it is advisable to immediately address the insinuations contained in the Report that the Board of Directors of the Company might be in any way reticent on this point, and is even in alleged breach of a formal recommendation of the Board of Statutory Auditors. None of this is true.

Firstly, it is hardly necessary to remind that the appointment of the new external auditor was a subject on which a Shareholders' Meeting was called to resolve on 24 April 2018, although, as you will be aware, no decision was taken. Indeed, on that occasion it was not possible to form the necessary majority - even with two successive votes - because of the large number of abstentions, including that (numerically “conspicuous” albeit not decisive) of shareholder Vivendi itself.

Moreover, it must be clarified that resolutions on this issue are made on the proposal that the Board of Statutory Auditors is required to formulate, with a recommendation that, in this particular case, the Board of Directors had only been able to consider in its meeting of 8 November 2018. On that occasion, the Board noted that the law places no obligation to make the appointment of the new external auditor before the term of office of the previous one has expired, and postponed its decision.

That being the case, moving on to the motivations contained in the Report, Vivendi asserts that *“if a shareholders’ meeting is not called promptly, TIM would suffer serious damage since, from 1 January 2019, it would be banned from acquiring “prohibited non-audit services” from any of the potential candidates for the role of external auditor of the Company”* (see page 3 of Vivendi’s report). However, the prohibition to which Vivendi refers is contained in art. 5.1., subsection 2 (e) of EU Regulation 537/2014, by virtue of which the external auditor may not provide “non-audit” services, namely *“the design and implementation of internal control or risk management procedures related to preparing and/or controlling financial reporting, or designing and implementing IT systems for financial reporting”* in the financial year immediately preceding the year in which its appointment starts.

This is a prohibition intended to safeguard the independence of the external auditor in relation to potential conditioning that might derive from having provided non-audit services in the period preceding the start of its appointment. Not without reason, this legal provision is addressed to the external auditor, and results in an incompatibility that conditions the appointment as external auditor irrespective of the date of its appointment, with the consequence that whoever has provided, in the period indicated, the services specified as prohibited cannot be appointed. Contrary to the argument advanced by Vivendi, however, the legal provision in question:

- (a) has the effect not so much of preventing TIM *“with effect from 1 January 2019 from acquiring "prohibited non-audit services" from any of the potential candidates for the role of external auditor of the Company”* (see page 3 of Vivendi's report), but, instead, of conditioning the choice of the new external auditor, which cannot be a firm from which TIM commissioned services cited in art. 5.1., subsection 2 (e) of EU Regulation 537/2014 after 31 December 2017;
- (b) and it therefore has no influence in the identification of the date by which the new external auditor is to be appointed.

A resolution on this point taken at any date prior to the shareholders' meeting to approve the financial statements as at 31 December 2018 would always produce the same effect, given that the mandate of the current external auditor will not expire until then, and, therefore, the appointment of the new external auditor (for the nine year period 2019-2027) could only be considered effective on that date. Conversely, a shareholders' meeting earlier than the shareholders' meeting to approve the financial statements would not only be of no benefit, it would actually be detrimental, given that:

- it would register a level of participation likely to be lower than the level of participation that would be achieved if the topic was debated at the shareholders' meeting to approve the financial statements, a circumstance that the market would not appreciate and which would not reflect well on the work of this Board;
- it would involve an unjustified waste of economic resources, not only by the Company but also by the shareholders.

Finally, the appointment of the external auditor at the shareholders' meeting to approve the financial statements at which the term of office (of the previous external

auditor) expires is in line with previous practice at TIM and practice that is still the case at other listed companies.

In any event, since the Board of Statutory Auditors currently in office has already updated the selection process and actually presented its recommendations and preferences to the Board of Directors, they are herewith made available to the shareholders and the Shareholders' Meeting is called to proceed to appoint the new external auditors for the nine year period 2019-2027 on the basis of the preparatory activity undertaken by the Board of Statutory Auditors and the proposal the latter has defined, for the purpose of identifying the entity to appoint to undertake:

- the external auditing of the consolidated and separate financial statements of the Company;
- the limited audit of the Group's condensed half-yearly consolidated financial statements;
- auditing of the Group Consolidated Financial Statements included in Form 20-F prepared in accordance with the provisions of the US Securities Laws;
- the audit of the internal controls that oversee the preparation of the Group Consolidated Financial Statements in accordance with Section 404 of the Sarbanes-Oxley Act;
- verification that the Consolidated Non-Financial Statement has been prepared and certifying its compliance with Legislative Decree 254/2016.

The document entitled "Recommendation by the Board of Statutory Auditors of TIM S.p.A. to appoint external auditors of the company's accounts for the nine year period 2019 – 2027" is appended.

As for the second point on the agenda proposed by Vivendi, in the first place, the Board of Directors of TIM wishes to challenge the implicit assumption made in the Report that the Board is not (and does not operate as) a collegial body of the Company, but acts as a sort of parliament of the representatives of the shareholders that originally proposed the candidacies of its current members. On this point, it must first be pointed out that there is a paradox in the Report, namely, the fact that it indicates "*the absence of unity and cohesion*" within the Board of Directors of TIM as proof of a "*deficiency*" of a Board that in other contexts it alleges is the puppet of "*external influences*": so little is the board externally directed with a prefabricated majority that the independence of

judgement of the single Directors emerges in its discussions. It is for the shareholders to decide if this is to be censured or applauded.

Having made this necessary clarification, the Board of Directors of TIM expresses no opinions on Vivendi's evident (and in itself always legitimate) dissatisfaction with the work of the Board. Certainly, it deplores the fact that the single largest shareholder considers that it no longer *"represents the interests and expectations of all the shareholders"* and deems its current composition not *"capable of ensuring solid, responsible and coherent leadership of the Company"*.

However, it demands that the truth of the matter be re-established, wherever the Board of Directors has been accused of illegitimate behaviour, pointing out that the (very serious) accusations made are simply not substantiated. Or, rather, are based on media reports, which the Report combines in a leading way, introducing them with a facile rhetorical ploy, almost as if it is sufficient to state that: *"It is sufficient to read the newspapers"* to relieve itself of the burden of having to seriously provide reasons for the most fallacious assertions.

The ulterior motives, insinuations and gossip in which the Report abounds¹ are, moreover, irrelevant: what is instead relevant is that the lawful decision to revoke the powers previously assigned to Mr Genish is instead defined as *"without any legal foundation, in contravention of the applicable company procedures and in breach of every responsible governance practice"*. What the Report repeatedly defines as a *"coup"* (and describes in tones worthy of the worst of the tabloid press, extracting and decontextualising passages from financial and non-financial papers) was merely the outcome of a natural (albeit tortured) process of loss of trust in the delegee by the delegating collegial body. After this situation had been ascertained (by majority vote, as is the practice in any collegial body), all the pre-existing operational powers were naturally then assigned (by majority vote) to another Director.

It therefore remains the case, at the present time, that the forecasts for the first year of the strategic plan approved in March 2018 did not hold up in the worsened competitive and regulatory scenario, and that in any event the execution of this plan had not seen

¹ Ulterior motives, insinuations, but also evident incongruities, such as - for example - first imputing to the Board with a majority of Elliott Candidates *"the incapacity to control the frequent leaks of information and speculations damaging to healthy management and correct disclosure to the market"*, to then snidely emphasise how *"the flow of news leaks and speculations substantially stopped once the 'coup' [...] had been executed"*, forgetting, though, that it had (in the same paragraph) used the events that followed the completion of the presumed coup to substantiate these apparently deliberate leaks. It is, moreover, an indisputable fact that, however execrable it may be, there have always been leaks in TIM, including in the period in which Vivendi exercised its direction and coordination activity.

the deployment at the right time (and despite the unequivocal signals of attention that could be deduced at least from the analysis carried out for the half-yearly report, regarding the resilience of the goodwill figure) of corrective actions that could have avoided the obligation to post a significant impairment loss, in the financial report at 30 September 2018. These are circumstances that on their own would be sufficient to severely test the relationship of trust with any Chief Executive Officer, all the more so when this relationship had already experienced moments of tension and breakdown. This is information that is in the public domain, which the Report chooses to ignore, citing only the most convenient passage of the TIM press release of 25 June 2018, namely the Board's declaration that it confirmed its support of the management; in reality, in the document posted on the Company's website, this (declaration) follows the acknowledgement of "*his (Ed: the Chief Executive Officer's) clarifications ... and his regret for having made inappropriate comments*" about some Directors, although they had been "*subsequently amplified by the media*".

What happened after that confirmed this deterioration in the relationship of trust: the Chief Executive Officer was repeatedly asked, by a Board of Directors with a broad majority of newly appointed directors, for a review of the plan approved by the previous Board of Directors, but it was not possible to have an open and conclusive debate and - as the financial disclosure made by the Company indicates - the announced corrective actions were still not presented in definitive form on the occasion of the discussion of the financial report at 30 September 2018. And, it is reiterated, this was despite the fact that the company's results showed a progressive and substantial deterioration, which contributed to the decisions on the impairment loss that were taken and disclosed to the market last November.

And, in fact, as emerges from a reconstruction of what happened inside the Company:

- on completion of a procedure launched last May, and based on the finalised figures for the first half of the year, the company's internal departments drew up the forecast in July 2018. This highlighted a deviation from the budget forecasts contained in the strategic plan launched in the previous March;
- the forecast was provided to the Chief Executive Officer at the time (and current Director) Amos Genish, who did not, moreover, transmit it to the BoD or the CRC, despite the fact that the Directors had requested it, since he felt that it was incomplete and needed further work;

- the forecast was presented to the Board of Directors in its meeting on 24 September 2018;
- with reference to the 2019 budget process - which started officially on 16 July and culminated in a first version available on 22 October and a second on 5 November - it appeared that in all the intermediary versions, discussed with Mr Genish in various meetings, this document had shown the deteriorating trends anticipated from the forecast, confirming them. None of this information had been the object of confrontation with the board;
- in the absence of remedial measures that could effectively be used for the assessments when the report to 30 September 2018 was being reviewed, an impairment loss had to be ascertained, despite Amos Genish's opposition to this.

All of this demonstrated the baselessness of shareholder Vivendi's complaints about the actions the Board of Directors undertook in its meetings on 8, 13 and 18 November, following the deviation of the business results from the plan, and the behaviour of Amos Genish, Chief Executive Officer at the time, caused the Board to lose trust in him, with the inevitable consequences.

It is therefore clear that as the situation of loss of trust in the Chief Executive Officer and in his willingness to rethink his strategic approach (much less formulate an alternative) gradually developed, it was the responsibility of the Chairman of the Board to call a meeting of the Board of Directors without delay (using the powers granted to him in the Bylaws, including the right to call an urgent meeting at 12 hours' notice, to avoid the repercussions on the share price that a longer call period might have). Equally, it was the responsibility of the Board - given that the crisis of trust had been confirmed - to promptly take the most advisable decisions, without having regard for either the current situations of the Chief Executive Officer at the time (in his case, the fact that he was abroad, but participating in the meeting remotely) or for the fact that it was impossible to achieve unanimous consent among its members. Equally, it was the board's responsibility to minimise the time of any interim arrangement, handing over the leadership of the Company to a qualified and competent executive, willing to take

it on full time, even better if he or she were someone who was already part of the company².

The Board of Directors is proud of the speed of the succession process, carried out in accordance not only with the law and the Bylaws, but also with governance best practice and the corporate governance rules that the Company had adopted, as well as with the support of an authoritative consultant (Russell Reynolds) for the assessment of the potential candidates available. Efficient decision-making is not the same as a “*coup*”.

In light of the above, the Company rejects the accusations made against the Chairman of the Board of Directors and the Chair of the Control and Risk Committee in relation to the management of the governance of the Board of Directors and the impairment test process. In the same way, the accusations directed at the three other directors whose mandates it is proposed should be revoked must also be rejected: there was no breach of informational equality and the rules of operation of the Board, and such action certainly could not be attributed to the Lead Independent Director; equally, the process to appoint the new Chief Executive Officer occurred in accordance with the legal provisions and the internal regulations, without it being possible to attribute any improper behaviour to the Chair of the Committee examining this issue; certainly not the circumstance that he was identified as a possible candidate by the consultant. Indeed, as soon as he became aware of this circumstance, he left the meeting of the Committee. The motivations underlying the request to revoke the mandate of Mr Ferrari, and how his position must differ from that of the other “*Elliott Candidates*” are even less understandable

In other respects, the Board of Directors takes note of the proposal to revoke the mandates of five of its members (as referred to in the Report: five of the “*Elliott Candidates*”, who are presumably considered more responsible than the others for the “*parallel and covert decision-making processes*”, although it is truly difficult to understand the reasons that underlie this conclusion), refusing to further comment on the substance of the motivations adopted, which it leaves to the prudent assessment of the shareholders.

² As was done with the conferment on Mr Gubitosi, on 18 November 2018, of the same powers previously assigned to Mr Genish, and only temporarily assigned to the Chairman, pursuant to company procedures in case of the replacement of the Chief Executive Officer during his or her term of office.

Moving on to the last point of the Report, it must be reiterated that the combination of revocation and replacement, by means of candidates proposed by one shareholder, which in other respects disregards the independence of the serving Directors from the shareholders that had proposed them as candidates, inevitably produces serious consequences for the Company's governance.

For the purpose of its own evaluations, the Board of Directors cannot ignore (the fact) that the apparent aim and sure effect of the initiative of shareholder Vivendi is not in effect to replace a small number of Directors (allegedly guilty of serious irregularities for which, if they exist, a majority of the Directors would be equally responsible), but to overturn the governance of the Company with respect to the result of the shareholders' meeting held last May. And this to restore a majority of the board of directors appointed by the same shareholder.

An incontestable upheaval which, if Vivendi's proposals should be adopted, would be achieved, as stated, by revoking the mandates of a limited number of Directors (5) and replacing them without recourse to slate voting and, thus, with the same number Directors all nominated by Vivendi, who, together with the 5 Directors already elected as candidates of the latter on 4 May last, would bring the number of Directors of the Company elected at its designation to 10. Despite this, the Board of Directors considers that, in these circumstances, it is nonetheless in the general interest to remit to the shareholders the true substance of the issue: what the industrial future of the Company is to be, and what people should be entrusted with managing it.

Furthermore, the application of the provisions of the bylaws is formally correct, (and) the Board of Directors expresses no opinion of the persons that it is proposed should be appointed to replace the Directors whose mandates is proposed should be revoked.

Rome, 14 January 2019

<p>RECOMMENDATION OF THE BOARD OF STATUTORY AUDITORS OF TIM S.p.A. FOR THE APPOINTMENT OF EXTERNAL AUDITOR FOR THE NINE-YEAR PERIOD 2019 - 2027</p>

The appointment conferred to PricewaterhouseCoopers S.p.A. (hereafter PWC) on 29 April 2010 for the 2010 - 2018 period will expire at the Shareholders' Meeting to approve the financial statements as at 31 December 2018.

In light of the rules applicable in terms of incompatibility and independence (which in particular forbid the newly appointed auditor to have provided some services in the 12 months preceding the start of the period to be audited) and to facilitate the switch from PWC to the new auditor, TIM started the selection process in 2017, in accordance with the specially adopted guidelines. These guidelines can be viewed at www.telecomitalia.com. The procedure was implemented with the involvement of the subsidiaries qualified as Public Interest Entities in accordance with national and EU regulations (Inwit S.p.A., TI Finance S.A. and TI Capital S.A.), in addition to the Brazilian company Tim Participações S.A., as it is – like TIM - a Foreign Private Issuer in accordance with US Securities Laws (these subsidiaries, jointly: the Relevant Subsidiaries).

The objective was the identification of the principal auditor for the entire Group, as reference for:

- the assignment by TIM of the following tasks:
 - external auditing of the consolidated and separate financial statements;
 - limited auditing of the abbreviated half-yearly consolidated financial statements;
 - auditing of the Group Consolidated Financial Statements included in Form 20-F prepared in accordance with the provisions of US Securities Laws;
 - auditing of the internal controls that oversee the preparation of the Group Consolidated Financial Statements in accordance with Section 404 of the Sarbanes-Oxley Act;
 - certification (limited assurance) of compliance of the Consolidated Non-Financial Statement;

- (legal/voluntary) auditing of the annual and (as required) interim financial statements for TIM's subsidiaries both within and outside the EU;
- auditing of the annual and interim reporting packages for TIM's subsidiaries both within and outside the EU;
- commissioning by TIM and its subsidiaries of any further non-prohibited assignments for EU and non-EU matters.

As reported in greater detail in the documentation published in view of the Shareholders' Meeting of 24 April 2018, seven independent auditors (Baker Tilly Revisa S.p.A., BDO Italia S.p.A., Deloitte & Touche S.p.A., EY S.p.A., KPMG S.p.A., Mazars Italia S.p.A., RIA Grant Thornton S.p.A.) were invited to register their interest. Of these, three (Baker Tilly Revisa S.p.A., BDO Italia S.p.A. and Mazars Italia S.p.A.) decided to decline the invitation. The selection process was then carried out through an online competitive procedure, via a dedicated IT platform; the requests to submit offers contained all the elements needed to formulate a proposal, as well as the criteria for the assessment of the offers and the conduct of the procedure, including the model framework proposal relating to the main services to be entrusted to the external auditor, valid for the nine-year period 2019-2027 and applicable for all the TIM Group companies.

The assessment of the offers was carried out according to qualitative and quantitative criteria, assigning the technical-qualitative and economic aspects an overall weight of 60 and 40 respectively, through the assignment of scores to a series of predefined items, including:

- independence, operational structure/organisation and technical references (network included);
- technical competencies of the proposed Audit Teams (with particular attention to the inclusion of Italian professionals in TIM's principal foreign subsidiaries);
- audit strategy and knowledge of the Group;
- mix of hours for the ordinary auditing of financial statements/reporting packages;
- existence of any administrative and criminal sanctions;
- the economic offer (with different "weighting" of the price applicable to the various services for which a quotation was requested), which - in accordance with the guidelines - was subject to a relaunch phase.

Based on this investigative activity (coordinated by TIM's Chief Financial Officer in agreement with their opposite numbers in the Relevant Subsidiaries, under the overall supervision of the Parent Company's Board of Statutory Auditors and - for those matters within their remit - the internal control committees / audit committees of the Relevant Subsidiaries), the following ranking was drawn up by the end of 2017:

1. EY
2. KPMG
3. Deloitte & Touche
4. RIA Grant Thornton

The Board of Statutory Auditors of TIM in office at that time obtained and shared the results of the selection process and recommended the appointment of EY or KPMG, expressing their preference for the former.

The Shareholders' Meeting called for 24 April 2018 to approve - among other things - TIM's financial statements as at 31 December 2017, was therefore also called to deliberate on the conferment of the appointment of external auditor for the 2019-2027 period. However, the necessary majority could not be achieved at the time for the appointment of either EY or KPMG.

The Board of Statutory Auditors currently in office, elected by the same Shareholder's Meeting, having acknowledged the absence of a shareholders' resolution for the appointment of the external auditor, examined the situation with the company's management and concluded that it would be inopportune to repeat the entire selection process already undertaken due to the brief period of time that had passed and the fact that there had been substantially no change in the perimeter of the Group. Having obtained and analysed the related results and having examined in detail and shared the assessment criteria for the offers received, the Board of Statutory Auditors specifically approved the reopening of the online competition in July 2018, inviting the independent auditors that had entered the previous tender process, subject to confirmation of the economic conditions indicated in the past and the updating of the technical-qualitative aspects of their offers, with particular reference to:

- aspects of independence (in particular with regard to the continued absence of prohibited assignments in the 12 months preceding the period to be audited);

- any sanctions or provisions adopted by the competent authorities such as to impact on the ability to carry out the services in their respective framework offers (with regard to this note that in 2017 the Brazilian independent auditor of the Deloitte & Touche network was subject to limitations with regard to undertaking new tasks in the USA, an issue that has been resolved in the meantime);
- composition of audit teams;
- use of big data analytics tools in the performance of their activities;
- existing assignments (and relative disengagement plan with respect to those that cannot be supplied starting from 1 January 2019 or from the date of the audit appointment for the 2019-2027 period, if earlier);
- assignments carried out for the Group in the last four-year period.

On the basis of the information acquired and the applicable scoring model, the tender rankings were updated and communicated to the Board of Statutory Auditors which determined Deloitte & Touche, EY and KPMG alternatively suitable for the performance of the assignment in terms of organisation, experience, all round ability to manage the auditing process and the proposed operational approach. Conversely, it was determined that RIA Grant Thornton, in spite of the quality of the offer put forward, did not have an organisation in Italy that compared with that of the other candidates in the selection process as regards ability to cope effectively with the complexity and variety of the TIM Group's issues.

The essential terms of the offers put forward by Deloitte & Touche, EY and KPMG, with reference to the profiles submitted for deliberation by the Shareholders' Meeting of TIM (outlined in detail in the attached analytical reports), are reported in the following table:

TIM S.p.A. Details of assignments for each year of the nine-year period 2019-2027	Deloitte & Touche		EY		KPMG	
	Hours per year	Annual fees (in €)	Hours per year	Annual fees (in €)	Hours per year	Annual fees (in €)
External audit of the separate financial statements of TIM S.p.A.	12,920	727,000	13,170	933,000	10,540	800,000
External auditing of TIM Group consolidated financial statements	2,860	189,000	2,360	167,000	2,088	120,000
Limited audit of the condensed half-yearly consolidated financial statements to 30 June of the TIM Group	2,755	155,000	2,755	195,000	2,204	140,000
Audit of the Consolidated Financial Statements of TIM Group included in Form 20-F	2,456	161,720	4,777	447,158	2,822	200,000
Auditing of the internal controls that oversee the preparation of the TIM Group Consolidated Financial Statements in accordance with Section 404 of the Sarbanes-Oxley Act	12,895	853,280	10,073	635,842	11,286	900,000
Audit of financial statements A)	33,886	2,086,000	33,135	2,378,000	28,940	2,160,000
Certification (limited assurance) of compliance of the Consolidated Non-Financial Statement of TIM S.p.A. B)	1,014	56,000	1,013	72,000	1,200	80,000
TIM S.p.A. TOTAL (A + B)	34,900	2,142,000	34,148	2,450,000	30,140	2,240,000

For completeness, the table summarising and comparing the economic aspects of the offers from Deloitte & Touche, EY and KPMG for all the companies of the TIM Group is also reported below.

TIM GROUP Details of assignments for each year of the nine-year period 2019-2027	Deloitte & Touche		EY		KPMG	
	Hours per year	Annual fees (in €)	Hours per year	Annual fees (in €)	Hours per year	Annual fees (in €)
TIM S.p.A.	34,900	2,142,000	34,148	2,450,000	30,140	2,240,000
Relevant Subsidiaries	34,940	2,181,400	35,045	1,607,500	28,886	1,702,861
Other companies of the TIM Group	21,089	1,285,900	21,690	1,563,400	19,868	1,362,910
TIM GROUP TOTAL	90,929	5,609,300	90,883	5,620,900	79,894	5,305,771

For the purposes of the definition of an order of preference for the different candidates, the assessment of the differential factors in terms of quality and efficiency in the performance of audit services offered has been added to the consideration of the above mentioned economic-quantitative aspects (including: extended to TIM's subsidiaries, in the context of the framework proposal put forward by each independent auditor, in view of the intention to identify the principal auditor for the whole Group), as per the selection criteria predefined in the tender documentation. In this regard, taking into account

- the different mix proposed for ordinary auditing of the financial statements/reporting packages and the specific use of qualified resources (partners and specialists) for the main companies of the TIM Group, also in view of the differences in terms of hypothesised effort, compared to the overall hours worked for the performance of the appointment by the outgoing auditor;
- the degree of experience in the context of auditing large companies, especially Italian issuers that are also qualified as foreign private issuers pursuant to the United States' regulations, as well as telecommunications operators;
- the knowledge claimed in relation to the TIM Group's operations and information systems; also in relation to activities already carried out for the company by units within the respective networks, but particularly by members of the dedicated audit teams;
- the different audit strategies, also with a view to the introduction of Data Analytics techniques over the nine-year period;
- the greater or lesser difficulty in the disengagement from current services for the TIM Group;

in accordance with the management's qualified assessment (and corresponding rankings), the Board of Statutory Auditors of TIM expresses its preference, in that order, for EY, Deloitte & Touche and KPMG. Insofar as it is necessary, the Board declares that this recommendation has not been influenced by third parties and that no clauses such as those referred to in paragraph 6 of art. 16 of the EU Regulation no. 537/2014 have been applied.

All that having been said, the Board of Statutory Auditors of TIM,

- considering the results of the process to select the sole external auditor of the Group, which derive from a comparative and complex analysis of the proposals received, which paid particular attention to the independence requirement, as well as technical-qualitative and economic aspects,
- having taken account of the fact that the applicable law requires that the Board of Statutory Auditors' recommendation contain at least two possible alternative appointments, with a duly justified expression of preference for one of the two,

considers

that, given the logical assessment process described, the possible alternatives on which the appointment could be conferred must be identified in the independent audit firms Deloitte & Touche S.p.A., EY S.p.A. and KPMG S.p.A., the summary proposals of which are set out in Annexes 1, 2 and 3;

grants

its preference, in that order, to EY S.p.A., Deloitte & Touche S.p.A. and KPMG S.p.A., corresponding with the different scores obtained in the assessment procedure of the respective offers;

proposes that the Shareholders' Meeting

appoint, for each year of the nine-year period 2019-2027, according to the terms and arrangements set out in summary form in the above-mentioned Annexes 1,2 and 3,

- primarily EY S.p.A.,
- in alternative (in case of non-approval of the proposal to engage EY S.p.A.) Deloitte & Touche S.p.A.,
- as a further alternative (in case of non-approval also of the proposal to engage Deloitte & Touche S.p.A.) KPMG S.p.A.

to carry out:

- the external audit of the separate financial statements of the Company,
- the external audit of the consolidated financial statements of the Group,
- the limited audit of the Group's condensed half-yearly consolidated financial statements,
- auditing of the Group Consolidated Financial Statements included in Form 20-F prepared in accordance with the provisions of the US Securities Laws,
- the audit of the internal controls that oversee the preparation of the Group Consolidated Financial Statements in accordance with Section 404 of the Sarbanes-Oxley Act,
- certification (limited assurance) of compliance of the Company's Consolidated Non-Financial Statement pursuant to Legislative Decree 254/2016.

Milan, 31 October 2018

FOR THE BOARD OF
STATUTORY AUDITORS

THE CHAIRMAN
Roberto Capone

Annex 1

Identification details for the Audit Firm

Audit Firm: **EY S.p.A.**

Registered Office: Rome, via Po, 32 – 00198

Registration Number on the Register of External Auditors: 70945

Tax Code: 00434000584

Audit Hours and Fees (nine-year period 2019 – 2027)

EY S.p.A.	Audit Hours and Fees	
Engagement for the nine-year period 2019-2027	Hours (**)	Annual fees of €
External audit of the separate financial statements of TIM S.p.A. (*)	13,170	933,000
External auditing of TIM Group consolidated financial statements	2,360	167,000
Limited audit of the condensed half-yearly consolidated financial statements to 30 June of the TIM Group	2,755	195,000
Audit of the TIM Group Consolidated Financial Statements included in Form 20-F prepared in compliance with the provisions of US Securities Laws	4,777	447,158
Auditing of the internal controls that oversee the preparation of the TIM Group Consolidated Financial Statements in accordance with Section 404 of the Sarbanes-Oxley Act	10,073	635,842
Certification (limited assurance) of compliance of TIM S.p.A.'s "Consolidated Non-Financial Statement pursuant to Legislative Decree 254/2016".	1,013	72,000
Total annual hours and fees	34,148	2,450,000

(*) These fees include the activities prescribed by the tax regulations of reference that are the responsibility of the Audit Firm.

(**) Professional mix differentiated by audit task:

- Separate financial statements Consolidated financial statements, Condensed half-yearly consolidated financial statements and Certification of the Consolidated non-financial statement: Partners 12%, Managers 21%, Seniors 32% and Staff 35%;
- Consolidated financial statements included in Form 20-F: Partners 25%, Managers 34%, Seniors 25% and Staff 16%;
- Rule 404: Partners 6%, Managers 15%, Seniors 35% and Staff 44%.

Contractual conditions applicable to audit and non-audit services:

<u>Mechanisms for adjusting fees for TIM S.p.A.</u>	
<ul style="list-style-type: none"> - ISTAT index - Percentage change in ISTAT index - Period of application - Applicable from 	FOI index excluding tobacco products 90% 30 June / 1 July previous year 1 July 2020
<u>Arrangements for the reimbursement of ancillary costs</u>	
<ul style="list-style-type: none"> - Reimbursement of contribution for security service (where applicable) - Reimbursement of out-of-pocket expenses (when relating to time spent outside normal office premises and on out-of-town assignments) - Reimbursement of expenses for technology, communication and secretarial services 	Payable by the audit firm To the amount incurred and in any event within a maximum of 5% of the fees Not charged
<u>Invoicing terms</u>	Based on monthly work in progress (WIP) with invoicing in the first week of the following month
<u>Terms of payment</u>	90 days end of month of date of invoice

Exceptional or unforeseeable circumstances

If circumstances should arise such as to entail a significant increase in audit time compared to what is estimated in our proposal - such as, by way of example, a change in the structure and size of the Company or the Group it controls, changes in the safeguards instituted as part of the internal control system, regulatory changes, changes in auditing standards, the performance of complex transactions carried out by Your Company or the Group it controls, additional audit procedures required by Consob through its notices or reference auditing standards, these will be discussed beforehand with the Company Management so that a written proposal can be submitted to increase the fees originally prescribed, also taking into account of the content of the legal and regulatory provisions of reference. It will be your responsibility to transmit any such supplementation to the competent Governance Body. Likewise, if less time should be spent than foreseen, the fees will be reduced proportionately. In addition, as you requested, we confirm our commitment, for the nine year period 2019-2027, to not ask for supplementary fees in case of (1) the introduction of new accounting standards, where we have agreed in advance with the Management that such novelties do not represent significant changes in the audit procedures to be carried out; (2) changes in the mix of professional roles used in the audit procedure, excepting those cases agreed and defined in advance with the Management of the Company..

Annex 2

Identification details for the Audit Firm

Audit Firm: **Deloitte & Touche S.p.A.**

Registered Office: Milan, via Tortona, 25 – 20144

Registration Number on the Register of External Auditors: 132587

Tax Code: 003049560166

Audit Hours and Fees (nine-year period 2019 – 2027)

Deloitte & Touche S.p.A.	Audit Hours and Fees	
Engagement for the nine year period 2019-2027	Hours (**)	Annual fees of €
External audit of the separate financial statements of TIM S.p.A. (*)	12,920	727,000
External auditing of TIM Group consolidated financial statements	2,860	189,000
Limited audit of the condensed half-yearly consolidated financial statements to 30 June of the TIM Group	2,755	155,000
Audit of the TIM Group Consolidated Financial Statements included in Form 20-F prepared in compliance with the provisions of US Securities Laws	2,456	161,720
Auditing of the internal controls that oversee the preparation of the TIM Group Consolidated Financial Statements in accordance with Section 404 of the Sarbanes-Oxley Act	12,895	853,280
Certification (limited assurance) of compliance of TIM S.p.A.'s "Consolidated Non-Financial Statement pursuant to Legislative Decree 254/2016".	1,014	56,000
Total annual hours and fees	34,900	2,142,000

(*) These fees include the activities prescribed by the tax regulations of reference that are the responsibility of the Audit Firm.

(**) Professional mix differentiated by audit task:

- Separate financial statements, Condensed half-yearly consolidated financial statements and Certification of the Consolidated non-financial statement: Partners 8%, Managers 25%, Seniors 27% Staff 20% and Assistants 20%;
- Consolidated financial statements, Consolidated financial statements included in Form 20-F and Rule 404: Partners 10%, Managers 23%, Seniors 27% Staff 20% and Assistants 20%.

Contractual conditions applicable to audit and non-audit services:

<u>Mechanisms for adjusting fees for TIM S.p.A.</u>	
<ul style="list-style-type: none"> - ISTAT index - Percentage change in ISTAT index - Period of application - Applicable from 	FOI index excluding tobacco products 90% 30 June / 1 July previous year 1 July 2020
<u>Arrangements for the reimbursement of ancillary costs</u>	
<ul style="list-style-type: none"> - Reimbursement of contribution for security service (where applicable) - Reimbursement of out-of-pocket expenses (when relating to time spent outside normal office premises and on out-of-town assignments) - Reimbursement of expenses for technology, communication and secretarial services 	Payable by the audit firm To the amount incurred and in any event within a maximum of 5% of the fees Not charged
<u>Invoicing terms</u>	Based on monthly work in progress (WIP) with invoicing in the first week of the following month
<u>Terms of payment</u>	90 days end of month of date of invoice

Exceptional or unforeseeable circumstances

If circumstances should arise such as to entail a significant increase in audit time compared to what is estimated in our proposal - such as, by way of example, a change in the structure and size of the Company or the Group it controls, changes in the safeguards instituted as part of the internal control system, regulatory changes, changes in auditing standards, the performance of complex transactions carried out by Your Company or the Group it controls, additional audit procedures required by Consob through its notices or reference auditing standards, these will be discussed beforehand with the Company Management so that a written proposal can be submitted to increase the fees originally prescribed, also taking into account of the content of the legal and regulatory provisions of reference. It will be your responsibility to transmit any such supplementation to the competent Governance Body. Likewise, if less time should be spent than foreseen, the fees will be reduced proportionately. In addition, as you requested, we confirm our commitment, for the nine year period 2019-2027, to not ask for supplementary fees in case of (1) the introduction of new accounting standards, where we have agreed in advance with the Management that such novelties do not represent significant changes in the audit procedures to be carried out; (2) changes in the mix of professional roles used in the audit procedure, excepting those cases agreed and defined in advance with the Management of the Company.

Annex 3

Identification details for the Audit Firm

Audit Firm: **KPMG S.p.A.**

Registered Office: Milan, via Vittor Pisani, 25 – 20124

Registration Number on the Register of External Auditors: 70623

Tax Code: 00709600159

Audit Fees (nine-year period 2019 – 2027)

KPMG S.p.A.	Audit Hours and Fees	
	Hours (**)	Annual fees of €
Engagement for the nine-year period 2019-2027		
External audit of the separate financial statements of TIM S.p.A. (*)	10,540	800,000
External auditing of TIM Group consolidated financial statements	2,088	120,000
Limited audit of the condensed half-yearly consolidated financial statements to 30 June of the TIM Group	2,204	140,000
Audit of the TIM Group Consolidated Financial Statements included in Form 20-F prepared in compliance with the provisions of US Securities Laws	2,822	200,000
Auditing of the internal controls that oversee the preparation of the TIM Group Consolidated Financial Statements in accordance with Section 404 of the Sarbanes-Oxley Act	11,286	900,000
Certification (limited assurance) of compliance of TIM S.p.A.'s "Consolidated Non-Financial Statement pursuant to Legislative Decree 254/2016".	1,200	80,000
Total annual hours and fees	30,140	2,240,000

(*) These fees include the activities prescribed by the tax regulations of reference that are the responsibility of the Audit Firm.

(**) Professional mix differentiated by audit task: Partners 12%, Managers 30%, Seniors 35% Staff 18% and Assistants 5%.

Contractual conditions applicable to audit and non-audit services:

<u>Mechanisms for adjusting fees</u>	
<ul style="list-style-type: none"> - ISTAT index - Percentage change in ISTAT index - Period of application - Applicable from 	FOI index excluding tobacco products 90% 30 June / 1 July previous year 1 July 2020
<u>Arrangements for the reimbursement of ancillary costs</u>	
<ul style="list-style-type: none"> - Reimbursement of contribution for security service (where applicable) - Reimbursement of out-of-pocket expenses (when relating to time spent outside normal office premises and on out-of-town assignments) - Reimbursement of expenses for technology, communication and secretarial services 	Payable by the audit firm To the amount incurred and in any event within a maximum of 5% of the fees Not charged
<u>Invoicing terms</u>	Based on monthly work in progress (WIP) with invoicing in the first week of the following month
<u>Terms of payment</u>	90 days end of month of date of invoice

Exceptional or unforeseeable circumstances

If circumstances should arise such as to entail a significant increase in audit time compared to what is estimated in our proposal - such as, by way of example, a change in the structure and size of the Company or the Group it controls, changes in the safeguards instituted as part of the internal control system, regulatory changes, changes in auditing standards, the performance of complex transactions carried out by Your Company or the Group it controls, additional audit procedures required by Consob through its notices or reference auditing standards, these will be discussed beforehand with the Company Management so that a written proposal can be submitted to increase the fees originally prescribed, also taking into account of the content of the legal and regulatory provisions of reference. It will be your responsibility to transmit any such supplementation to the competent Governance Body. Likewise, if less time should be spent than foreseen, the fees will be reduced proportionately. In addition, as you requested, we confirm our commitment, for the nine year period 2019-2027, to not ask for supplementary fees in case of (1) the introduction of new accounting standards, where we have agreed in advance with the Management that such novelties do not represent significant changes in the audit procedures to be carried out; (2) changes in the mix of professional roles used in the audit procedure, excepting those cases agreed and defined in advance with the Management of the Company.