



**2017 REPORT ON CORPORATE GOVERNANCE AND SHARE OWNERSHIP  
OF INFRASTRUTTURE WIRELESS ITALIANE S.P.A.**

pursuant to art. 123-*bis* of legislative decree no. 58 of 24 February 1998 ("CLF").

(Report approved by the Board of Directors  
at their meeting on 2 March 2018)

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## GLOSSARY

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

**Issuer or Company:** Infrastrutture Wireless Italiane S.p.A., also referred to as Inwit S.p.A..

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

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

**Consob Markets' Regulation:** the Regulations issued by Consob with resolution no. 20249 of 2017 on the subject of markets.

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

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

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

## 1. INTRODUCTION

The Inwit corporate governance system is organised according to the traditional model, as set out in article 2380 and subsequent articles of the Italian Civil Code.

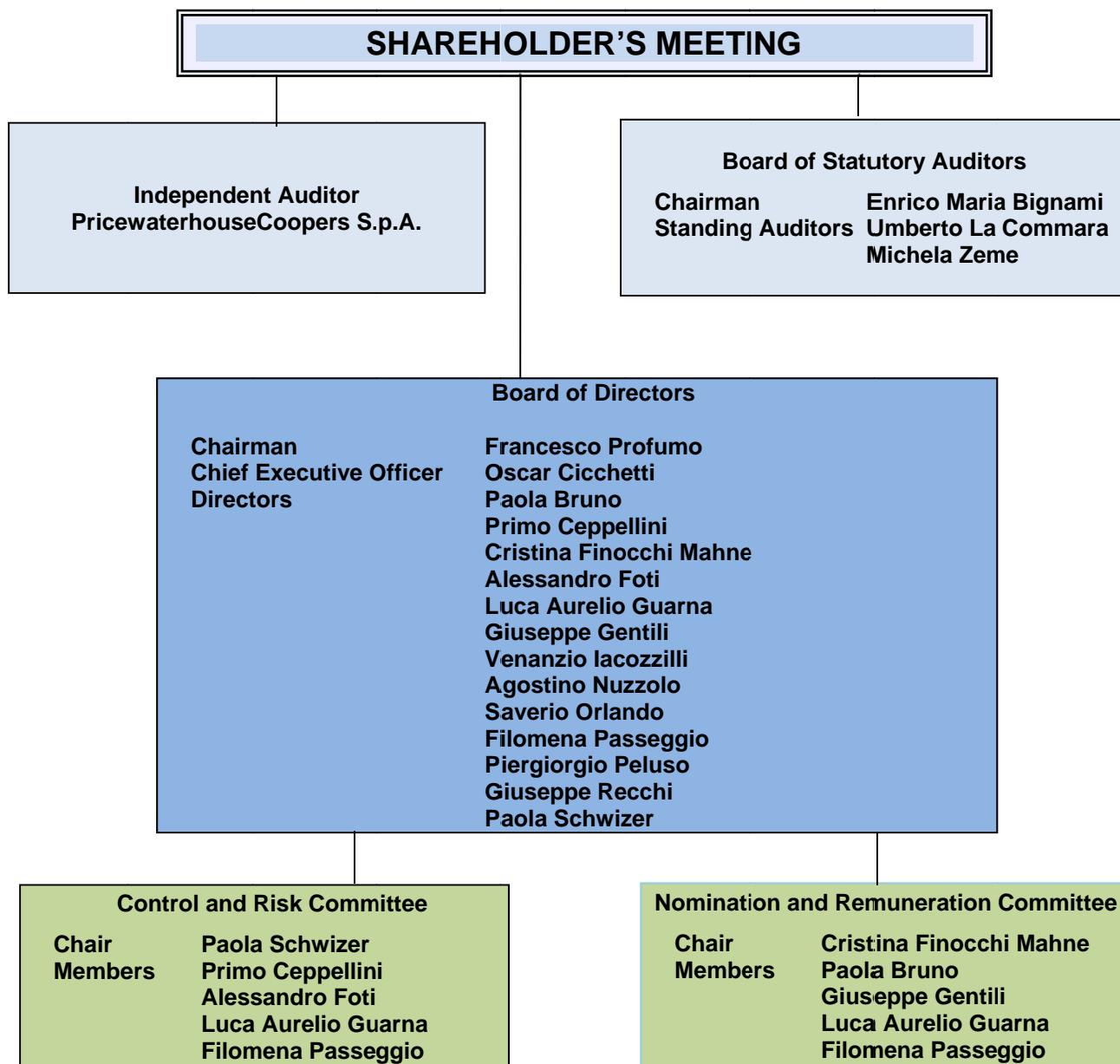
The organisation of the Company is characterised by the presence of:

- a Board of Directors charged with making provision for the management of the company;
- a Board of Statutory auditors called on to (i) monitor compliance with the law and the company by-laws, and respect for the principles of correct administration in the execution of the company's activities, (ii) to monitor the adequacy of the organisational structure and administrative-accounting system of the Company, and of the reliability of the latter to correctly represent operations, (iii) to monitor the financial reporting process, the independent audit of the annual accounts and consolidated accounts, and of the independence of the external auditor, (iv) to monitor the overall adequacy of the risk management and control system, (v) to check the arrangements for the concrete implementation of the corporate governance rules set out in the Corporate Governance Code, and, finally, (iv) to monitor the adequacy of the instructions imparted by the Company to its subsidiaries, extraordinary transactions of the company, and other important events, including transactions with related parties and affiliated subjects;
- the Shareholders' Meeting, competent to resolve, *inter alia* – in ordinary and extraordinary session – on (i) the appointment and removal of the members of the board of directors and the board of statutory auditors, and on their remuneration and responsibilities, (ii) the approval of the financial statements and the allocation of the profits, (iii) the purchase and sale of treasury shares, (iv) the share ownership plans, (v) amendments to the Company by-laws (other than those that represent mere adaptation to regulatory provisions), (vi) the issue of convertible bonds.

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

The information contained in this Report refers to the 2017 financial year, and, with regard to specific issues, is updated to the date of the meeting of the Board of Directors that approved it (2 March 2018); see the Remuneration Report for details on pay issues.

# GOVERNANCE SYSTEM



## 2. COMPARATIVE TABLE

<b>Articles of the Corporate Governance Code</b>	<b>Comply or explain</b>
<b>Article 1 Role of the Board of Directors</b>	
<b>Principles</b>	
<b>1.P.1.</b> The issuer is guided by a board of directors that meets regularly and is organised and operates in such a way as to guarantee the effective execution of its functions.	<a href="#">see Chapter 5. of the Report on Corporate Governance and Share Ownership (RCG)</a>
<b>1.P.2.</b> The directors act and resolve with full knowledge of the facts and autonomously, pursuing the priority objective of creating value for the shareholders with a medium-long term perspective.	<a href="#">see Chapters 5.3 and 5.4. of the RCG</a>
<b>Application criteria</b>	
<b>1.C.1.</b> The board of directors:	
a) examines and approves the strategic, operational and financial plans of both the issuer and the group it heads, monitoring their implementation periodically; it defines the issuer's corporate governance system and the group structure;	<a href="#">see Chapter 5.3 of the RCG</a>
b) defines the nature and level of risk compatible with the issuer's strategic objectives;	<a href="#">see Chapter 5.3 of the RCG</a>
c) evaluate the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control system and risk management;	<a href="#">see Chapters 5.3 and 11. - RCG</a>
d) specifies the frequency, in any case no less than once every three months, with which the delegated bodies must report to the Board on the activities performed in the exercise of the powers delegated to them;	<a href="#">see Chapter 5.4 of the RCG</a>
e) evaluate the general performance of the company, paying particular attention to the information received from the delegated bodies and periodically comparing the results achieved with those planned;	<a href="#">see Chapters 5.3 and 5.4. of the RCG</a>
f) resolves upon transactions to be carried out by the issuer or its subsidiaries when such transactions have a significant impact on the issuer's strategies, profitability, assets and liabilities or financial position; to this end, the Board shall establish general criteria for identifying the material transactions;	<a href="#">see Chapter 5.3 of the RCG</a>
g) perform at least annually an evaluation of the performance of the Board of Directors and its Committees, as well as their size and composition, taking into account the professional competence, experience (including managerial experience) and gender of its members, as well as the number of years for which they have served as director. Where the board of directors avails itself of external consultants for self-assessment, the report on corporate governance provides information on the identity of such consultants and on other services, if any, supplied by such consultants to the issuer or to companies having a control relationship with the issuer;	<a href="#">see Chapters 5.3 and Table 2. of the RCG</a>
h) taking into account the outcome of the evaluation mentioned under the previous item g), reports to shareholders its view on the professional profiles deemed appropriate for the composition of the Board of Directors, prior to the appointment of the new board;	<a href="#">see Chapter 5.3 - Self-evaluation</a>
i) provides information in the Report on Corporate Governance on: (1) its composition, indicating for each member their title (executive, non-executive, independent), the role that they perform within the Board of Directors (for example, chair or chief executive officer, as defined in article 2), their main professional characteristics as well as the length of time since their first appointment; (2) the procedures for applying this article 1 and, in particular, the number and average duration of meetings of the board and of the executive committee, if there is one, held during the fiscal year, as well as the corresponding attendance of each director; (3) the methods used to carry out the self-assessment procedure referred to in item g) above;	<a href="#">see Chapters 5.2, 5.3 and 5.4. and Table 2 of the RCG</a>
j) in order to ensure the correct handling of corporate information, adopts, upon proposal of the chief executive officer or the chair of the Board of Directors, procedures for the internal handling and disclosure to third parties of documents and information concerning the issuer, having special regard to price sensitive information.	<a href="#">see Chapter 6 of the RCG</a>
<b>1.C.2.</b> The directors accept office when they consider that they are able to	<a href="#">see Chapter 5.2 and Note to</a>

<p><b>Articles of the Corporate Governance Code</b></p> <p>dedicate the necessary time to the diligent execution of their duties, also taking account of the commitment connected to their own work and professional activities, the number of directorships or appointments as statutory auditor they hold in other companies listed in regulated markets (including foreign markets) in finance companies, banks, insurance companies or companies of significant size. Based on the information received from the directors, the board collects annually, and makes known in the report on corporate governance, the directorships or appointments as statutory auditor held by the directors in aforementioned companies.</p>	<p><b>Comply or explain</b> Table 2 of the RCG</p>
<p><b>1.C.3.</b> The board expresses its view of the maximum number of directorships or appointments as statutory auditor in the companies stated in the previous paragraph that can be considered compatible with the effective execution of the role of director of the issuer, taking account of the participation of directors in the internal board committees constituted. For this purpose, it identifies general criteria differentiated according to the commitment required for each role (executive director, non-executive director or independent director), also in relation to the nature and dimensions of the companies in which they hold office as well as their membership of the issuer's group, if applicable.</p>	<p>see Chapter 5.2 of the RCG</p>
<p><b>1.C.4.</b> If the shareholders' meeting, in order to meet organisational requirements, should authorise derogations of the non-competition clause set out in art. 2390 of the Italian Civil Code, the board of directors considers the merits of each issue of this kind and reports any critical aspects to the first useful meeting of the shareholders. For this purpose, each director informs the board, upon acceptance of their appointment, of any activities undertaken in competition with the issuer and, subsequently, of all relevant changes.</p>	<p>Not applicable, since the Shareholders' Meeting has not resolved any derogation of the competition prohibition contained in art. 2390 of the Italian Civil Code.</p>
<p><b>1.C.5.</b> The chair of the board of directors uses his/her best endeavours for the documentation relating to the topics on the agenda to be brought to the knowledge of the directors and statutory auditors sufficiently in advance of the date of the board meeting. In its report on corporate governance, the board provides information on the timeliness and completeness of the pre-board reporting, also providing indications on the notice generally considered sufficient for the despatch of the documentation and indicating if this period of time has been respected normally.</p>	<p>see Chapter 5.3 of the RCG</p>
<p><b>1.C.6.</b> The chair of the board of directors, also at the request of one or more directors, may ask the chief executive officers that senior managers of the issuers, and those of the group companies that answer to it, responsible for the competent business functions according to the topic, are in attendance at board meetings to provide suitable in-depth information on the items on the agenda. The report on corporate governance provides information on their actual attendance.</p>	<p>see Chapter 5.3 of the RCG</p>
<p><b>Article 2 - Composition of the Board of Directors</b></p>	
<p><b>Principles</b></p>	
<p><b>2.P.1.</b> The board of directors is composed of executive and non-executive directors with adequate skills and professional capabilities.</p>	<p>see Chapter 5.2 of the RCG</p>
<p><b>2.P.2.</b> The non-executive directors bring their specific skills to board discussions, contributing to informed decision-making and paying particular attention to those areas in which there may be conflicts of interest.</p>	<p>see Chapter 5.3 of the RCG</p>
<p><b>2.P.3.</b> The number, skills, authority and available time of the non-executive directors shall be such as to guarantee that their opinion can have a significant weight in board decision-making.</p>	<p>see Chapters 5.2 and 5.3 of the RCG</p>
<p><b>2.P.4.</b> It is advisable to avoid concentrating corporate offices in a single person.</p>	<p>see Chapters 5.4 and 5.5 of the RCG</p>
<p><b>2.P.5.</b> Where the board of directors has conferred management powers on the chair, the board of directors provides an adequate explanation of the reasons for this organisational choice in the corporate governance report.</p>	<p>The Chairman of Inwit has not been conferred management powers.</p>
<p><b>Application criteria</b></p>	
<p><b>2.C.1.</b> The following are qualified as executive directors of the issuer:</p> <ul style="list-style-type: none"> <li>– the chief executive officers of the issuer or of a company controlled by the issuer with strategic importance, including their chair, when individual management powers are granted to them, or when they play a specific role in the development of business strategies;</li> <li>– the directors who hold executive positions in the issuer or in a company controlled by the issuer with strategic importance, or in the parent company when the office also regards the issuer;</li> <li>– the directors who hold executive positions in the issuer or in a company controlled by the issuer with strategic importance, or in the parent company when the office also regards the issuer;</li> </ul>	<p>see Chapters 5.4 and 5.5 of the RCG</p>



Articles of the Corporate Governance Code	Comply or explain
<p>– the directors who are members of the executive committee of the issuer, when a chief executive officer has not been identified, or when membership of the executive committee, taking the frequency of meetings and the object of its resolutions into account, means the de facto systematic involvement of its members in the current management of the issuer.</p> <p>The attribution of vicarious powers, or only for cases of urgency, to directors without management powers does not in itself mean that they are executive directors, unless such powers are in fact used with notable frequency.</p>	
<p><b>2.C.2.</b> The directors are obliged to know the tasks and responsibilities inherent to their office.</p> <p>The chair of the board of directors ensures that directors and statutory auditors can participate, after their nomination and during their mandate, in initiatives intended to provide them with adequate knowledge of the business sector in which the issuer operates, of the dynamics of the company and their evolution, and of the regulatory and self-regulatory framework of reference.</p>	<p>see Chapter 5.3 of the RCG</p>
<p><b>2.C.3.</b> The board of directors designates an independent director as lead independent director in the following cases: (i) if the chair of the board of directors is the principal person responsible for running the business (chief executive officer); (ii) if the office of chair is filled by the person who controls the issuer.</p> <p>The board of directors of issuers who are part of the FTSE-MIB designates a lead independent director if this is requested by a majority of the independent directors, unless the board makes a different and reasoned assessment, to be published in the report on corporate governance.</p>	<p>see Chapter 5.7 of the RCG</p>
<p><b>2.C.4.</b> The Lead Independent Director:</p> <p>a) represents a point of reference and coordination for the issues and contributions of the non-executive directors and, in particular, of those that are independent pursuant to article 3 below;</p> <p>b) collaborates with the chair of the board of directors to guarantee that the directors receive complete and timely flows of information.</p>	<p>see Chapter 5.7 of the RCG</p>
<p><b>2.C.5.</b> The chief executive officer of an issuer (A) may not assume the office of director of another issuer (B) that is not a member of the same group, of which an issuer (A) director is chief executive officer.</p>	<p>Currently the CEO of Inwit does not hold directorships in other companies in which a director of Inwit is CEO; see Table 2 of the RCG</p>
<b>Article 3 – Independent Directors</b>	
<b>Principles</b>	
<p><b>3.P.1.</b> An adequate number of non-executive directors are independent, in the sense that they do not have relations such as to currently condition their independence of judgement, nor have they recently had such relations, even indirectly, with the issuer or subjects linked to the issuer.</p>	<p>see Chapter 5.6 of the RCG</p>
<p><b>3.P.2.</b> The independence of the directors is assessed by the board of directors after their appointment and subsequently at yearly intervals. The outcome of the board's assessments is communicated to the market.</p>	<p>see Chapter 5.6 of the RCG</p>
<b>Application criteria</b>	
<p><b>3.C.1.</b> The board of directors assesses the independence of its non-executive members having regard more to the substance than to the form, and bearing in mind the fact that a director does not normally appear independent in the following eventualities, which are not to be considered mandatory:</p> <ul style="list-style-type: none"> <li>▪ if they control the issuer directly, indirectly or also through subsidiaries, trustee companies or nominees, or are able to exercise a significant influence over said issuer, or are party to shareholders' agreements through which one or more subjects can exercise significant influence or control over the issuer;</li> <li>▪ if they occupy, or have occupied in the three preceding financial years, a prominent position in the issuer, in a company controlled by the issuer with strategic importance or in a company subject to joint control with the issuer, or in a company or body which, also together with others through a shareholders' agreement, controls the issuer or is able to exert significant influence over it;</li> <li>▪ if, directly or indirectly (for example, through subsidiaries or companies in which they occupy a prominent position, or as a partner in a professional firm or consultancy company) they have, or have had in the preceding year, a significant commercial, financial or professional relationship: <ul style="list-style-type: none"> <li>– with the issuer, a company controlled by the issuer, or any</li> </ul> </li> </ul>	<p>see Chapter 5.6 of the RCG</p>

Articles of the Corporate Governance Code	Comply or explain
<p>person holding a prominent position in such a company;</p> <ul style="list-style-type: none"> <li>– with a subject that, also with others through a shareholders' agreement, controls the issuer, or - in the case of a company or body - with the persons in a prominent position in such a company or body;</li> </ul> <p>or is, or has been in the preceding three years, an employee of one of the aforementioned subjects;</p> <ul style="list-style-type: none"> <li>▪ if they receive, or have received in the preceding three years, from the issuer or from a company controlled by or that controls the issuer, a significant additional remuneration (by comparison with the "fixed" fee of a non-executive director of the issuer and the fee paid for participation in the committees recommended in this Code) also in the form of participation in incentive plans linked to company performance, including share-based plans;</li> <li>▪ if they have not been a director of the issuer for more than nine of the last twelve years;</li> <li>▪ if they have held office as an executive director of another company in which an executive director of the issuer serves as a director;</li> <li>▪ if they are a shareholder or director of a company or entity belonging to the network of firms charged with the external audit of the issuer;</li> <li>▪ if they have close family ties with a person who is in one of the situations set out in the previous points.</li> </ul>	
<p><b>3.C.2.</b> For the above purposes the following are to be considered "persons in a prominent position" in a company or body: the chair of the body, the chair of the board of directors, the executive directors or key managers with strategic responsibilities in the company or body considered.</p>	<p>see Chapters 5.4, 5.5 and 5.6 of the RCG</p>
<p><b>3.C.3.</b> The number and skills of the independent directors are consistent with the size of the board and the activity undertaken by the issuer; they are also such as to permit the constitution of internal committees of the board, according to the indications contained in the Code.</p> <p>In issuers that are members of the FTSE-MIB index, at least one third of the board of directors is composed of independent directors. If this quota should not correspond to a whole number, this should be rounded down. In any event there shall be no fewer than two independent directors.</p>	<p>see Chapters 5.2 and 5.6 of the RCG</p>
<p><b>3.C.4.</b> After the appointment of a director who qualifies as an independent, and subsequently, when circumstances relevant to their independence arise and in any event at least once a year, the board of directors assesses the relations that might be or appear to be such as to compromise the independence of judgement of said director, based on the information provided by the person concerned or available to the issuer.</p> <p>The board of directors makes the outcome of its assessments known, after the appointment, by means of a press release to the market and, subsequently, in its report on corporate governance.</p> <p>In these documents the board of directors:</p> <ul style="list-style-type: none"> <li>– will report if assessment parameters different to those indicated in the Code, also with reference to individual directors, have been adopted, and if so, for what reason</li> <li>– will illustrate the quantitative and/or qualitative criteria that might be used to evaluate the significance of the relationships assessed.</li> </ul>	<p>see Chapter 5.6 of the RCG</p>
<p><b>3.C.5.</b> The board of statutory auditors, as part of the duties assigned to it by law, checks that the criteria and procedures of ascertainment adopted by the board to assess the independence of its members have been correctly applied. The outcome of these controls is made known to the market in the report on corporate governance or the statutory auditors' report to the shareholders' meeting.</p>	<p>see Chapter 5.6 of the RCG</p>
<p><b>3.C.6.</b> The independent directors meet at least once a year in the absence of the other directors.</p>	<p>see Chapter 5.7 of the RCG</p>
<p><b>Article 4 – Institution and functioning of the internal committees of the board of directors</b></p>	
<p style="text-align: center;"><b>Principles</b></p>	
<p><b>4.P.1.</b> The board of directors institutes from among its members one or more committees with consulting and proposing functions as indicated in the following articles.</p>	<p>see Chapter 7 of the RCG</p>
<p style="text-align: center;"><b>Application criteria</b></p>	
<p><b>4.C.1.</b> The institution and functioning of the committees specified in the Code meets the following criteria:</p> <p>a) the committees are composed of no fewer than three members.</p>	<p>see Chapters 8 and 10 of the RCG</p>

Articles of the Corporate Governance Code	Comply or explain
<p>However, in issuers whose board of directors is composed of no more than eight members, the committees may be composed of just two directors, provided they are independent. The works of the committees is coordinated by a chairman;</p> <p>b) the tasks of the single committees are established with the resolution constituting them, and they may be supplemented or modified with subsequent resolutions of the board of directors;</p> <p>c) the functions that the Code attributes to different committees may be distributed differently or assigned to a lower number of committees than specified, provided that the rules for the composition indicated case by case by the Code are respected, and that achievement of the objectives below is guaranteed;</p> <p>d) the meetings of each committee are minuted;</p> <p>e) in carrying out their functions, the committees have the right to access the company functions and information necessary for the execution of their tasks, and to avail themselves of external consultants, within the terms established by the board of directors. The issuer makes available to the committees adequate financial resources for the fulfilment of their tasks, within the limit of the budget approved by the board;</p> <p>f) subjects who are not members may participate in the meetings of each committee, including other members of the board or the structure of the issuer, at the invitation of said committee, with reference to single items on the agenda;</p> <p>g) the issuer provides adequate information, in its report on corporate governance, about the institution and composition of the committees, the content of the office conferred on it and, based on the indications provided by each committee, on the activity actually carried out over the financial year, on the number and mean duration of the meetings held and on the percentage attendance of each member.</p>	
<p><b>4.C.2.</b> The institution of one or more committees may be avoided, reserving their functions to the full board, under the coordination of the chair, and at the following conditions: (i) the independent directors represent at least half the board of directors, rounding down to the nearest whole number if the board consists of an odd number of people; (ii) that adequate space is dedicated within board meetings to the execution of the functions that the Code attributes to said committees, of which an account is to be provided in the report on corporate governance; (iii) regarding the control and risk committee only, the issuer is not controlled by another listed company, or subject to direction and coordination.</p> <p>The board of directors illustrates analytically, in the report on corporate governance, the reasons underlying the choice to not institute one or more committees; in particular, it adequately motivates the choice to not institute the control and risk committee in relation to the degree of complexity of the issuer and the sector in which it operates. The board also proceeds to periodically reconsider the choice made.</p>	<p>The Inwit Board of Directors has considered it appropriate to establish a Nomination and Remuneration Committee to combine the tasks and responsibilities attributed by the Code to the Nomination and Remuneration Committee.</p>
<b>Article 5 – Nomination of Directors</b>	
<b>Principles</b>	
<p><b>5.P.1.</b> The board of directors constitutes an internal nomination committee composed, in majority, of independent directors.</p>	<p>see Chapter 8 of the RCG</p>
<b>Application criteria</b>	
<p><b>5.C.1.</b> The nomination committee is vested with the following functions:</p> <p>a) to express opinions to the Board of Directors regarding its size and composition and express recommendations with regard to the professional skills necessary within the Board as well as with regard to the topics indicated by articles 1.C.3 and 1.C.4;</p> <p>b) to submit to the Board of Directors candidates for the office of director, in case of co-optation, should the replacement of independent directors be necessary.</p>	<p>see Chapter 8 of the RCG</p>
<p><b>5.C.2.</b> The board of directors assesses whether or not to adopt a plan for the succession of executive directors. If it should have adopted such a plan, the issuer will report this in its report on corporate governance. The investigation for the preparation of the plan is carried out by the nomination committee or such other internal board committee with responsibility to do so.</p>	<p>see Chapter 5.1 of the RCG First Section, paragraph 6 of the Report on remuneration</p>
<b>Article 6 – Remuneration of Directors</b>	
<b>Principles</b>	
<p><b>6.P.1.</b> The remuneration of the directors and key managers with strategic responsibilities is established in an amount sufficient to attract, retain and</p>	<p>see Chapter 9 of the RCG and First Section, paragraph 4 of the</p>

<b>Articles of the Corporate Governance Code</b>	<b>Comply or explain</b>
motivate people with the required professional qualities to manage the issuer with success.	<a href="#">Report on remuneration</a>
<p><b>6.P.2.</b> The remuneration of the executive directors and key managers with strategic responsibilities is defined in such a way as to align their interests with the pursuit of the priority objective of creating value for the shareholders with a medium-long term perspective. For the directors who are recipients of management powers or who perform, even on a de facto basis only, functions related to the management of the business as well as for key managers with strategic responsibilities, a significant part of the remuneration is linked to the achievement of specific performance objectives, including those of a non-economic nature, indicated beforehand and determined in coherence with the guidelines contained in the policy specified in principle 6.P.4 below.</p> <p>The remuneration of the non-executive directors is commensurate with the commitment required of each, also taking account of any membership of one or more committees.</p>	<a href="#">see Chapter 9 of the RCG and First Section, paragraphs 3-4 and 5 of the Report on remuneration</a>
<p><b>6.P.3.</b> The board of directors constitutes an internal remuneration committee composed of independent directors. Alternatively, the committee may be composed of non-executive directors, with a majority of independent directors; in this case, the chair of the committee is selected from among the independent directors. At least one member of the committee shall possess an adequate knowledge and experience of financial matters or pay policies, to be assessed by the board of directors at the time of appointment.</p>	<a href="#">see Chapter 8 of the RCG and First Section, paragraph 2 of the Report on remuneration</a>
<p><b>6.P.4.</b> The board of directors, at the proposal of the remuneration committee, defines a policy for the remuneration of the directors and key managers with strategic responsibilities.</p>	<a href="#">see Chapter 9 of the RCG and First Section, paragraph 2 of the Report on remuneration</a>
<p><b>6.P.5.</b> The issuer, on the occasion of the cessation of office and/or termination of relations with an executive director or general manager, makes known, at the outcome of the internal processes that lead to the attribution or acknowledgement of indemnities and/or other benefits, detailed information in this regard, by means of a press release disseminated to the market.</p>	<a href="#">see Chapter 9 of the RCG and First Section, paragraph 4 of the Report on remuneration</a>
<b>Application criteria</b>	
<p><b>6.C.1.</b> The remuneration policy for executive directors or directors vested with special offices defines the guidelines with reference to the issues and in coherence with the criteria indicated below</p> <ul style="list-style-type: none"> <li>a) the fixed component and the variable component are adequately balanced according to the strategic objectives and risk management policy of the issuer, also taking account of the sector of activity in which it operates and the characteristics of the business activity actually carried out;</li> <li>b) maximum limits are set for the variable components;</li> <li>c) the fixed component is sufficient to remunerate the service of the director in the eventuality that the variable component should not be paid due to non-achievement of the performance objectives indicated by the board of directors;</li> <li>d) the performance objectives - namely the economic results and any other specific objectives to which payment of the variable components is linked (including the objectives defined for the share-based remuneration plans) - are predetermined, measurable, and linked to the creation of value for the shareholders in a medium-long term perspective;</li> <li>e) payment of a major portion of the variable component of the remuneration is deferred by an adequate period of time after the moment of its accrual; the measure of said portion and the duration of the deferment shall be coherent with the characteristics of the business activity undertaken and with the related risk profiles;</li> </ul>	<a href="#">see Chapter 9 of the RCG and First Section, paragraph 4 of the Report on remuneration</a>
<ul style="list-style-type: none"> <li>f) contractual agreements are provided that enable the company to require the repayment, whole or in part, of variable components of the remuneration paid (or to retain sums that are deferred), determined based on data that are subsequently found to be manifestly incorrect;</li> </ul>	<i>not applicable</i>
<ul style="list-style-type: none"> <li>g) any compensation that might be envisaged for termination of the directorship shall be defined in such a way that its total amount does not exceed a certain sum or certain number of years of remuneration. Said compensation is not paid if the termination of the directorship is due to the achievement of results that are objectively inadequate.</li> </ul>	<a href="#">see Chapter 9 of the RCG and First Section, paragraphs 4 and 5 of the Report on remuneration</a>
<p><b>6.C.2.</b> In preparing share-based remuneration plans, the board of directors</p>	<a href="#">see First Section, paragraph 3 of</a>

<b>Articles of the Corporate Governance Code</b>	<b>Comply or explain</b>
<p>ensures that:</p> <ul style="list-style-type: none"> <li>a) the shares, options and every other right assigned to the directors to acquire shares or be remunerated based on the trend in the share price have an average vesting period of at least three years;</li> <li>b) the vesting referred to in point a) is subject to predetermined and measurable performance objectives;</li> <li>c) the directors maintain a quota of the shares allocated or acquired through the exercise of the rights referred in point a) until the end of their mandate.</li> </ul>	<p><a href="#">Comply or explain the Report on Remuneration</a></p>
<p><b>6.C.3.</b> Criteria 6.C.1 and 6.C.2 apply, insofar as they are compatible, also to the determination - by the bodies delegated to do this - of the remuneration of key managers with strategic responsibilities. The incentive mechanisms for the head of the internal audit department and the executive responsible for preparing the corporate accounting documents reflect the tasks assigned to them.</p>	<p><a href="#">see Chapter 9 of the RCG and First Section, paragraph 3 of the Report on remuneration</a></p>
<p><b>6.C.4.</b> The remuneration of the non-executive directors is not - except for a non-significant part - linked to the economic results achieved by the issuer. The non-executive directors are not the beneficiaries of share-based remuneration plans, unless decided, with reasoning, by the shareholders' meeting.</p>	<p><a href="#">see Chapter 9 of the RCG and First Section, paragraph 5 of the Report on remuneration</a></p>
<p><b>6.C.5.</b> The Remuneration Committee:</p> <ul style="list-style-type: none"> <li>- periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, also on the basis of the information provided by the managing directors; it shall formulate proposals to the Board of Directors in that regard</li> <li>- submit proposals or issue opinions to the Board of Directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration; monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives.</li> </ul>	<p><a href="#">see Chapters 8 - 9 of the RCG and First Section, paragraph 2 of the Report on remuneration</a></p>
<p><b>6.C.6.</b> No director takes part in the meetings of the remuneration committee where proposals for the board of directors are formulated relating to his/her own remuneration.</p>	<p><a href="#">see Chapters 8 and 9 of the RCG</a></p>
<p><b>6.C.7.</b> If it should intend to avail itself of the services of a consultant in order to obtain information on market practices on pay policies, the remuneration committee checks in advance that it is not in situations that might compromise the independence of its judgement.</p>	<p><a href="#">see Chapters 8 and 9 of the RCG</a></p>
<p><b>6.C.8.</b></p>	
<p>The communication to the market specified in principle 6.P.5. comprises:</p> <ul style="list-style-type: none"> <li>a) adequate information on the compensation and/or other benefits, including their amount, and the timing of their payment - distinguishing the part paid immediately from any part subject to deferment mechanisms, and also distinguishing the components attributed by virtue of the office of director from those relating to any employment relationship, and any repayment clauses, with particular reference to: <ul style="list-style-type: none"> <li>- end of office or termination of employment compensation, specifying the circumstances in which a director is entitled to it (for example, due to expiry of the term of office, revocation of office or settlement agreement);</li> <li>- maintenance of the rights related to any incentive plan based on money or financial instruments.</li> <li>- benefits (monetary and non-monetary) after the director ceases to hold office;</li> <li>- non-competition obligations, describing their principal content;</li> <li>- any other compensation attributed for any reason and in any form;</li> </ul> </li> <li>b) information on the conformity or otherwise of the compensation and/or other benefits with the indications contained in the remuneration policy, in case of even partial non-respect of the indications in said policy, information on the resolution procedures followed in application of the Consob regulations on transactions with related parties;</li> <li>c) indications on the application or non-application of any mechanisms that place limitations or impose corrective measures on the payment of compensation in the case in which the termination of the</li> </ul>	<p><a href="#">the provision did not apply in FY 2017.</a></p>



Articles of the Corporate Governance Code	Comply or explain
<p>relationship is due to objectively inadequate achievement of results, as well as on any formulation of request for the repayment of compensation already paid;</p> <p>d) information on the fact that the replacement of the executive director or general manager who has ceased to hold office is regulated by a succession plan adopted by the company, if this is the case, and, in any event, indications regarding the procedures that have been or will be followed in replacing the director or senior manager.</p>	
<b>Article 7 – Internal control and risk management system</b>	
<b>Principles</b>	
<p><b>7.P.1.</b> Every issuer equips itself with an internal control and risk management system composed of the set of rules, procedures and organisational structures to identify, measure, manage and monitor the principal risks. This system is integrated into the more general organisational and corporate governance structures adopted by the issuer and gives due consideration to the existing national and international reference models and best practices.</p>	<a href="#">see Chapter 11 of the RCG</a>
<p><b>7.P.2.</b> An effective internal control and risk management system contributes to conduct of the business that is coherent with the company objectives defined by the board of directors, promoting knowledgeable decision-taking. It contributes to ensure that the equity of the company, the efficiency and effectiveness of its business processes and the reliability of its financial information are safeguarded, and that the laws and regulations, and the bylaws and internal procedures, are respected.</p>	<a href="#">see Chapter 11 of the RCG</a>
<p><b>7.P.3.</b> The internal control and risk management system also involves, each for those matters for which it is competent:</p>	
<p>a) the board of directors, which plays a directing role and assesses the adequacy of the system, and identifies from its members:</p>	<a href="#">see Chapter 11 of the RCG</a>
<p>1) one or more directors, appointed to create and maintain an effective internal control and risk management system (in article 7 below, the "director in charge of the internal control and risk management system"), and</p>	<a href="#">see Chapter 11.1 of the RCG</a>
<p>2) a control and risk committee, with the characteristics indicated in principle 7.P.4., with the task of supporting, with adequate investigatory activity, the assessments and decisions of the board of directors regarding the internal control and risk management system, and the activities relating to the approval of the periodic financial reports;</p>	<a href="#">see Chapter 10 of the RCG</a>
<p>b) the head of the internal audit department, appointed to check that the internal control and risk management system is functioning and adequate;</p>	<a href="#">see Chapter 11.2 of the RCG</a>
<p>c) the other company roles and functions with specific tasks regarding internal control and risk management, articulated according to the size, complexity and risk profile of the business;</p>	<a href="#">see Chapter 11.6 of the RCG</a>
<p>d) the board of statutory auditors, also as internal control and audit committee, which monitors the effectiveness of the internal control and risk management system.</p> <p>The issuer ensures arrangements for coordination between the subjects listed above in order to maximise the efficiency of the internal control and risk management system and to reduce duplication of activity.</p>	<a href="#">see Chapter 11.6 of the RCG</a>
<p><b>7.P.4.</b> The control and risk committee is composed of independent directors. Alternatively, the committee may be composed of non-executive directors, with a majority of independent directors; in this case, the chair of the committee is selected from among the independent directors. If the issuer is controlled by another listed company or is subject to the direction and coordination of another company, the committee is in any event composed exclusively of independent directors. At least one member of the committee shall possess adequate experience of accounts and financial matters or risk management, to be assessed by the board of directors at the time of appointment.</p>	<a href="#">see Chapter 10 of the RCG</a>
<b>Application criteria</b>	
<p><b>7.C.1.</b> The board of directors, after having received the opinion of the control and risk committee:</p>	
<p>a) defines the broad policies of the internal control and risk management system in such a way that the principal risks pertinent to the issuer and the companies it controls are correctly identified, and adequately measured, managed and monitored, also determining the degree of compatibility of such risks with a business management that is coherent with the strategic objectives identified;</p>	<a href="#">see Chapter 11 of the RCG</a>

<b>Articles of the Corporate Governance Code</b>	<b>Comply or explain</b>
<ul style="list-style-type: none"> <li>b) assesses, at yearly intervals at least, the adequacy of the internal control and risk management system in relation to the characteristics of the business and the assumed risk profile, as well as its effectiveness;</li> <li>c) approves, at yearly intervals at least, the plan of work drawn up by the head of the internal audit department, having obtained the opinion of the board of statutory auditors and the director in charge of the internal control and risk management system;</li> <li>d) describes in the report on corporate governance the principal characteristics of the internal control and risk management system, expressing its assessment of the adequacy of said system;</li> <li>e) assesses, after having obtained the opinion of the board of statutory auditors, the results set out by the external auditor in its letter of suggestions, if any, and in its report on the fundamental issues that emerged during the external audit.</li> </ul>	
<p>The board of directors, at the proposal of the director in charge of the internal control and risk management system, and having obtained the favourable opinion of the control and risk committee, and obtained the opinion of the board of statutory auditors:</p> <ul style="list-style-type: none"> <li>– appoints and terminates the appointment of the head of the internal audit department;</li> <li>– ensures that said person is equipped with adequate resources to fulfil their responsibilities;</li> <li>– defines their remuneration, in line with company policy.</li> </ul>	<a href="#">see Chapter 11.2 of the RCG</a>
<p><b>7.C.2.</b> The control and risk committee, in assisting the board of directors:</p> <ul style="list-style-type: none"> <li>a. together with the executive responsible for preparing the company's accounting documents, after having obtained the opinion of the external auditor and the Board of statutory auditors, assesses whether or not the accounting principles have been correctly applied, and, in the case of groups, their consistency for the purposes of preparing the consolidated financial statements;</li> <li>b. expresses opinions on specific aspects relating to the identification of the principal business risks;</li> <li>c. reviews the periodic reports that assess the internal control and risk management system, as well as those reports of the internal audit department that are particularly significant;</li> <li>d. monitors the independence, adequacy, efficiency and effectiveness of the internal audit department;</li> <li>e. may ask that the internal audit department review specific operational areas, giving immediate notice to the chair of the Board of Statutory Auditors;</li> <li>f. report to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half-year financial report, on the activity carried out, as well as on the adequacy of the internal control and risk management system.</li> </ul>	<a href="#">see Chapter 10 of the RCG</a>
<p><b>7.C.3.</b> The chair of the board of statutory auditors, or another statutory auditor designated by the chair, attends the meetings of the control and risk committee, although the other statutory auditors may also attend.</p>	<a href="#">see Chapter 10 of the RCG</a>
<p><b>7.C.4.</b> The director in charge of the internal control and risk management system:</p> <ul style="list-style-type: none"> <li>a) ensures that the principal business risks are identified, taking account of the characteristics of the activities carried out by the issuer and the companies it controls, and periodically submits them to review by the board of directors;</li> <li>b) implements the guidelines defined by the board of directors, overseeing the design, creation and operation of the internal control and risk management system and constantly checks its adequacy and efficacy;</li> <li>c) focuses on the adaptation of said system to the dynamics of the operating conditions and legislative and regulatory panorama;</li> <li>d) may request that the internal audit department review specific operational areas, and check that the internal procedures and rules are being respected in the execution of business transactions giving immediate notice to the chair of the board of directors, the chair of the control and risk committee and the chair of the board of statutory auditors;</li> <li>e) promptly refers to the control and risk committee (or to the board of directors) any issues or critical points that have emerged from the execution of its activity or which have in some way come to its attention, in order that the committee (or the board) may take the</li> </ul>	<a href="#">see Chapter 11.1 of the RCG</a>

<b>Articles of the Corporate Governance Code</b>	<b>Comply or explain</b>
appropriate initiatives.	
<b>7.C.5.</b> The head of the internal audit department <ul style="list-style-type: none"> <li>a) verifies, both on a continuous basis and in relation to specific needs and in conformity with international standards, the adequacy and effective functioning of the internal control and risk management system, through an audit plan approved by the board of directors, based on a process of structured analysis and prioritisation of the principal risks;</li> <li>b) is not responsible for any operational area and reports directly to the board of directors;</li> <li>c) has direct access to all information useful for the performance of his or her duties;</li> <li>d) drafts periodic reports containing adequate information on their own activity, and on the methods used to manage risks, as well as on compliance with the plans defined to mitigate them. The periodic reports contain an assessment of the adequacy of the internal control and risk management system;</li> <li>e) prepares timely reports on particularly significant events;</li> <li>f) submits the reports indicated under items d) and e) above to the chairs of the Board of Statutory Auditors and Control and Risk Committee and to the Chair of the Board of Directors, as well as to the director in charge of the internal control and risk management system;</li> <li>g) tests the reliability of the information systems, including the accounting system, as part of the audit plan.</li> </ul>	see Chapter 11.2 of the RCG
<b>7.C.6.</b> The internal audit function, as a whole or by operational segment, may be assigned to a subject external to the issuer, provided it adequately meets the requirements of professionalism, independence and organisation. The adoption of such organisational choices, adequately reasoned, is communicated to the shareholders and to the market in the report on corporate governance.	see Chapter 11
<b>Article 8 – Statutory Auditors</b>	
<b>Principles</b>	
<b>8.P.1.</b> The statutory auditors act with autonomy and independence, also from the shareholders that elected them.	see Chapters 13 and 14 and Table 3 of the RCG
<b>8.P.2.</b> The issuer puts in place suitable measures to guarantee the effective execution of the tasks assigned to the board of statutory auditors.	see Chapters 13 and 14 and Table 3 of the RCG
<b>Application criteria</b>	
<b>8.C.1.</b> The statutory auditors are chosen from among people who can be qualified as independent also based on the criteria set out in this Code for directors. The board checks that said criteria are respected after their nomination, and subsequently at yearly intervals, setting out the outcome of this check in the report on corporate governance in ways that conform with those prescribed for the directors.	see Chapters 13 and 14 and Table 3 of the RCG
<b>8.C.2.</b> The statutory auditors should accept office when they believe they can dedicate the necessary time to the diligent execution of their tasks.	see Chapters 13 and 14 and Table 3 of the RCG
<b>8.C.3.</b> A statutory auditor who, on his or her own account or on behalf of third parties, has an interest in a particular transaction of the issuer promptly and thoroughly informs the other statutory auditors and the chair of the board of directors of the nature, terms, origin and extent of their interest.	see Chapters 13 and 14 and Table 3 of the RCG
<b>8.C.4.</b> As part of their activities, the statutory auditors may ask the internal audit function to carry out audits of specific operational areas or company transactions.	see Chapters 11 -14 of the RCG
<b>8.C.5.</b> The board of statutory auditors and the control and risk committee promptly exchange information relevant for the execution of their respective tasks.	see Chapter 10 of the RCG
<b>Article 9 – Relations with stakeholders</b>	
<b>Principles</b>	
<b>9.P.1.</b> The board of directors promotes initiatives to favour the broadest possible shareholder participation in meetings, and to facilitate the exercise of shareholders' rights.	see Chapters 15 and 16 of the RCG
<b>9.P.2.</b> The board of directors uses its best endeavours to establish a continuous dialogue with the shareholders based on understanding of one another's roles.	see Chapters 15 and 16 of the RCG
<b>Application criteria</b>	
<b>9.C.1.</b> The board of directors ensures that an executive in charge of managing relations with the shareholders is identified, and periodically assesses the advisability of proceeding to constitute a business structure	see Chapter 15 of the RCG



<b>Articles of the Corporate Governance Code</b>	<b>Comply or explain</b>
charged with this function.	
<p><b>9.C.2.</b> All the directors attend meetings of the shareholders, as a rule. Shareholders' meetings are also an occasion to communicate information on the issuer to the shareholders, in compliance with the regulations on inside information. In particular, the board of directors reports to the shareholders on the activities undertaken and planned, and uses its best endeavours to ensure that the shareholders have adequate information on the elements they need to take the decisions that are the responsibility of the shareholders' meeting with full knowledge of the facts.</p>	<p><a href="#">see Chapter 16 of the RCG</a></p>
<p><b>9.C.3.</b> The board of directors proposes to the shareholders' meeting, for its approval, regulations that indicate the procedures to be followed to enable the orderly and functional running of the shareholders' meetings, while also guaranteeing the right of each shareholder to speak on the topics for debate.</p>	<p><a href="#">see Chapter 16 of the RCG</a></p>
<p><b>9.C.4.</b> In the case of significant changes to the market capitalisation of the issuer's shares, or to the composition of its share ownership, the board of directors assesses the advisability of proposing to the shareholders' meeting amendments to the by-laws regarding the percentages set out for exercising shares and the prerogatives intended to protect minority holdings.</p>	<p><a href="#">see Chapter 16 of the RCG</a></p>
<p><b>Art. 10 – One-tier and two-tier direction and control systems</b></p>	<p><i>not applicable</i></p>

**3. INFORMATION ON SHARE OWNERSHIP**  
**(pursuant to Article 123-bis, subsection 1, CLF)**

as at 31 December 2017

**a) Share capital structure**

The subscribed and fully paid-up share capital is equal to **600,000,000.00** euros, divided into no. 600.000.000 shares with no par value (see Table 1).

No other financial instruments with the right to subscribe newly issued shares have been issued.

**b) Restrictions on transfer of securities**

There is no restriction on transfer of securities issued by the Company.

**c) Major shareholdings**

Significant direct and indirect holdings in the ordinary share capital of Inwit on the date of publication of this Report, are shown in Table 1 – Information on share ownership.

**d) Securities that confer special rights**

No securities that confer special rights of control over Inwit have been issued.

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

No programme for employee shareholdings currently exists.

**f) Restrictions on voting rights**

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

**g) Shareholders' Agreements**

The company is unaware of the existence of shareholder agreements identified in the CLF regarding the shares of the Company.

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

In a series of agreements to which Inwit is party, provision is made for the obligation to give notice of any change of control.

More specifically, the following agreements related to relations with Parent Company Telecom Italia S.p.A. (hereinafter also "**Telecom Italia**" or "**TIM**"), are noted:

1. Master Service Agreement (hereinafter, "MSA") of 13 March 2015 between Inwit and Telecom Italia for the provision by the Issuer to Telecom Italia of an integrated service consisting of: (i) the making available of physical spaces suitable for hosting and installing Telecom Italia equipment, (ii) power supply and conditioning systems, (iii) monitoring and security services, as well as (iv) management and maintenance at the sites that have been transferred (the Existing Sites).

The duration of the MSA was agreed to be 8 years from the date the agreement came into force (1 April 2015), with tacit renewal for a further eight years up to a maximum of 24 years, unless cancelled before each of these expiry dates with at least 12 months' notice.

The contract also contains a clause by virtue of which, pursuant to art. 1331 of the Italian Civil Code, if there is a change of control within 7 years of the date the agreement came into effect, either party will also, within that period, have the right - to be exercised in writing - to an option to automatically renew the MSA for a further period of 8 years (and hence until the end of the 16th year after the date the agreement came into effect). In this case, the cancellation right that either party can exercise before the expiry of the first period of 8 years from the date of effect, as prescribed above, shall not apply, and, if already exercised, shall be understood to be without effect.

The MSA includes a pactional confidentiality obligation.

2. Framework Agreement for the Provision of Intra-group Services of 7 May 2015 between Inwit and Telecom Italia to regulate the terms and conditions for the supply by Telecom Italia of the services enumerated in the related annex 1 (security services; services regarding health and safety at work and environmental protection; administrative-accounting services; facility management services).

The Framework Agreement specifies that, with reference to change of control events, Telecom Italia has the right to withdraw from the Agreement and all or part of the aforementioned services in the case where Inwit no longer forms part of the Telecom Italia Group.

In all cases of termination of the Agreement and/or of one or more of the aforementioned services, for any reason, Telecom Italia, at the request of Inwit, shall continue to supply the services for a period to be agreed between the parties but in any event no more than 6 months from the termination of the Agreement, it being understood that the fees in force at the moment of the withdrawal resolution or expiry will continue to apply to the supply of the services, and that the Agreement shall remain effective, during said period.

The Framework Agreement includes a specific confidentiality clause.

3. Agreement of 11 December 2015 between Inwit and Telecom Italia to define the economic terms for the activities to develop the Logic Carve – Out Project completed by 30 June 2015, and to make provision for the supply of the service on the Inwit Specific System to continue, based on terms and conditions to be defined in separate agreements.

The Agreement provides that, should Inwit cease to be a controlled company pursuant to art. 2359 of the Italian Civil Code, then in that moment, Telecom Italia would not guarantee that the licences used by Inwit (SAP user licence) would continue to be valid.

The Agreement includes a confidentiality obligation.

4. Agency contract with direct representation of 20 March 2015 between Inwit and Telecom Italia for the non-exclusive accomplishment of all legal acts, including enabling acts, regarding the activities of purchasing products, services, tangible goods and intangible assets, including the rental of property as well as the overall management of relations with suppliers and the related activities.

The agency contract provides that, for the purposes of article 1727 of the Italian Civil Code, if Telecom Italia should lose control of the principal Inwit, where control is understood to make

express reference to the provisions of article 2359, subsection 1 of the Italian Civil Code, this shall be understood to be just cause for waiver of this agency by agent Telecom Italia.

5. Subleases for portions of properties, designated for office use and for INWIT staff, held by Telecom Italia and signed on 19 March 2015. The leases prescribe that if INWIT should cease to qualify as a Group company, INWIT will have to stipulate specific insurance cover of the following types, maintaining the policies in force for the whole duration of the lease: civil liability to third parties and employees; damage to its own assets and “tenant’s liability” for an amount equal to the value of the portions of properties leased, and will also, concurrent with the occurrence of the aforementioned event, have to constitute guarantees for an amount totalling three months’ payments of the annual sublease charges. The guarantees shall have validity and efficacy for the whole duration of the related contracts, including renewals or extensions, and for six months after the final expiry dates of the contracts.

The contracts shall include confidentiality clauses applicable to both Parties.

6. Lease for Infrastructure Sites, signed with Telecom Italia on 19 March 2015, which prescribes that if INWIT should no longer have an intercompany current account, INWIT will, concurrent with the occurrence of this event, have to constitute a guarantee (“the Guarantee”) for an amount totalling three months’ payments of the lease, issued by a national credit or insurance institution widely present in Italy. The Guarantee shall have validity and efficacy for the whole duration of the contract, including renewals or extensions, and for six months after its final expiry date.

The contract shall include confidentiality clauses applicable to both Parties.

7. Contract of service for the supply of an LTE coverage network or a small cell mobile network, signed with Telecom Italia on 28 June 2017, which prescribes that if there should be corporate transactions that result in Telecom Italia losing its controlling interest in INWIT, Telecom Italia will have the right to acquire the small cell equipment at a price equal to the sum of the value of residual fees, valued for each small cell installation, with effect from the actual transfer of ownership of the small cell installation being bought back, with concurrent termination of the agreement pursuant to art. 1456 of the Italian Civil Code.

It should also be noted that in the loan agreement with Telecom Italia Finance S.A. (a company wholly controlled by Telecom Italia) signed on 20 December 2017 for a maximum of 70 million euros, INWIT is required to pay the loan back in advance if there should be a change of control.

The following circumstances should also be noted: (i) the loan agreement signed on 8 May 2015 with a syndicate of banks for (a) Term Credit Line for 120 million euros, which has been fully utilised, and (b) a Revolving Credit Line for 40 million euros, entirely unused: the loan agreement includes a change of control clause; in such a circumstance, the financing banks are entitled to require the Company to pay back the sums borrowed in advance, and to cancel the Revolving Credit Line, as well as (ii) the Framework Agreement for the supply of hosting services signed with Persidera S.p.A., which prescribes that if Persidera should no longer be part of the Telecom Italia

Group while the contract is in force, then the latter must constitute an irrevocable bank guarantee in favour of Inwit, callable on first demand, for a sum equal to the total of six months' hosting charges.

Finally, it should be noted that, with reference to the procedure specified in art. 47 of law no. 428/1990, relating to the personnel of the Towers branch of Telecom Italia's business transferred to INWIT, (i) that Telecom Italia undertook, for the specific activities of the branch of business linked to the juridical-administrative management of the towers, that if the Issuer should lose control, it would acquire, by individual transfer, seamlessly, the employment contracts of the members of staff transferred (considered to be employees) who should formally request this within thirty days of the announcement of the event; and (ii) that INWIT undertook, following-on from the period of Telecom Italia control, to maintain the current site of work (meaning the local area of work) and to not institute collective redundancy procedures, apart from voluntary redundancies, for a period of 24 months from the date the transfer of the branch of business comes into effect.

On the question of takeover bids, the Company Bylaws contain no derogations of the provisions on the "passivity rule" prescribed in art. 104 of the CLF, nor do they contain any of the neutralisation rules contemplated in art. 104-bis of the CLF.

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

At present there have been no resolutions of Shareholders' Meeting authorising the Board of Directors to increase the share capital, or to authorise the buying back of the company own shares pursuant to article 2357 and subsequent articles of the Italian Civil Code.

The Shareholders' meeting called for 13 April 2018 will be called on to resolve on the authorisation to purchase and dispose of the company's own shares to service a long term share-based incentive plan.

#### **j) Direction and coordination**

The Company is subject to the direction and coordination activities of Telecom Italia, pursuant to Article 2497 and subsequent articles of the Civil Code.

The Board of Directors, in its meeting on 7 November 2017 - after an in-depth investigation - approved the adoption of Group Regulations, with a view to defining the reference framework for the exercise of the direction and coordination activity by TIM S.p.A. with regard to all the Group subsidiaries, setting out its principles, limits, breadth and procedural arrangements. The document is available on the Company website at [www.inwit.it](http://www.inwit.it), in the Governance/Governance System section.

## **4. COMPLIANCE**

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

As stated in the introduction, Inwit adheres to the Corporate Governance Code of Borsa Italiana

updated to July 2015, and adapts its own system of corporate governance to Italian and international best practices.

## **5. BOARD OF DIRECTORS**

### **5.1. Appointment and replacement**

In accordance with Article 13 of the Bylaws, the Board of Directors (composed of a minimum of 7 to a maximum of 15 Directors, as determined by the Shareholders' Meeting) is appointed on the basis of slates submitted by persons entitled to vote holding a proportion of the ordinary share capital as required by Consob. Regarding this, it should be noted that with resolution no. 20273 of 24 January 2018, Consob set this proportion at 1% for Inwit.

Slates that contain a number of candidates greater than or equal to three must ensure that both genders are present, in such a way that candidates of the less represented gender are at least one third of the total, rounding any fractions up to the whole number.

Four-fifths of the Directors to be elected are chosen from the slate that obtains more votes (so-called Majority Slate) in the order they are listed on the slate; in the event of a fractional number, it shall be rounded down to the nearest whole number. The remaining directors are chosen from the other slates. To that end, the votes obtained are divided by progressive whole numbers starting from one up to the number of Directors to be elected and the quotients assigned to the respective candidates, in the order listed. The quotients assigned in this way are arranged in a single decreasing ranking and the candidates who have obtained the highest quotients are elected.

If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected any director or that has elected the smallest number of directors shall be elected.

If none of such slates has yet elected a director or all of them have elected the same number of directors, the candidate from the slate that obtained the largest number of votes shall be elected. If the different slates have received the same number of votes and their candidates have been assigned the same quotients, a new vote shall be held by the entire Shareholders' Meeting and the candidate obtaining the simple majority of the votes shall be elected.

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

If the composition of the resulting board does not reflect gender balance, taking into account their ranking order on the slate, the necessary number of the last candidates of the more represented gender elected from the Majority Slate shall forfeit their post to ensure compliance with this requirement, and shall be replaced by the first candidates not elected from the same slate who are of the less represented gender. In the absence of candidates of the less represented gender on the Majority Slate in sufficient number to proceed with the replacement, the Shareholders' Meeting shall supplement the board with the majorities required by law, thus ensuring that the requirement is met.

From the next renewal of the Board of Directors which the ordinary shareholders' meeting convened for 13 April 2018 next will be called on to undertake, the slates that present three or more candidates must be composed of candidates of both genders, so that at least one third of the candidates are of the less represented gender (rounded up).

### **Succession Plan**

On 16 March 2017, following an investigation carried out by the Nomination and Remuneration Committee, the INWIT Board of Directors approved a succession plan for the executive Directors and the replacement tables for the Chief Executive Officer and Key Managers.

The determination of the succession plan and of the related process of managing the replacement tables is a response to the objective of ensuring the management of the business continuity risk, the safeguarding of the critical organisational positions and, last but not least, the managerial development of the best in-house talents.

Following a benchmark analysis which took into consideration the process adopted by the parent Company Telecom Italia as well as the best practices of the major listed Italian companies, the ideal process was outlined and the related policy determined, providing:

- the sphere of application of the process
- the objectives
- the beneficiaries
- the events for its application
- the detailed description of the phases, activities, timing and responsibilities of the various individuals involved in the process of succession planning and replacement table management.

### **5.2. Composition**

The Shareholders' Meeting of 15 May 2015 increased the number of directors on the Board of Directors, appointed when the Company was established on 14 January 2015, setting at 11 the number of members who will hold office for three financial years (until the shareholders' meeting called to approve the financial statements at 31 December 2017).

On 20 April 2017 the Shareholders' Meeting appointed Giuseppe Gentili and Saverio Orlando as Directors and Members of the Board of Directors (after they had already been co-opted, in the board meetings on 10 June 2016 and 16 March 2017 respectively) and also – at the request of shareholder Telecom Italia – approved the proposal to increase the size of the Board of Directors from 11 to 15 members, appointing 4 new Directors in the persons of: Filomena Passeggio, Luca Aurelio Guarna, Agostino Nuzzolo and Giuseppe Recchi, who would remain in office until the expiry of the term of office of the current Board of Directors, and therefore, as stated, until the approval of the financial statements as at 31 December 2017.

The Board is currently composed of: Francesco Profumo – Chairman, Oscar Cicchetti – Chief Executive Officer, Paola Bruno, Primo Ceppellini, Cristina Finocchi Mahne, Alessandro Foti, Giuseppe Gentili, Luca Aurelio Guarna, Venanzio Iacozzilli, Agostino Nuzzolo, Saverio Orlando,

Filomena Passeggio, Piergiorgio Peluso, Giuseppe Recchi and Paola Schwizer. The gender composition (four women and eleven men) was balanced by the presence on the Board of Directors Bruno, Finocchi Mahne, Passeggio and Schwizer, considering that, in this first mandate and hence until the renewal of the Board by the Shareholders' Meeting, the gender ratio is one in five, pursuant to the law and the Company Bylaws.

It should be noted that on 7 November 2017 the Board of Directors appointed Venanzio Iacozzilli as a Director (and he will remain in office until the Shareholders' Meeting called for 13 April 2018), to replace Elisabetta Colacchia, who resigned her membership of the Board of Directors on 31 July 2017.

The *curricula vitae* of the members of the administrative body are available on the website [www.inwit.it](http://www.inwit.it), Governance Section - Company Bodies/Board of Directors.

Table 2 provides information on the composition of the Board of Directors as at 2 March 2018, and the changes that have occurred.

The slate voting system was not applied for the appointment of the Board of Directors currently in office, which occurred before the shares of the Company were admitted to trading.

### ***Diversity policies***

The Bylaw provisions on the appointment of the Board of Directors take account of regulatory provisions that include the obligation to reserve a set quota of members to the less represented gender. For a description of the procedure for submitting slates that ensure the presence of the less represented gender in line with the set proportion, refer to article 13 of the Bylaws.

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

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

According to the Corporate Governance Principles, acting as a director of the Company is not considered compatible with being a director or statutory auditor in more than five companies, other than those subject to the direction and coordination of Telecom Italia or its subsidiaries or affiliates, which are

- listed in the FTSE/MIB index and/or
- operating primarily in the financial sector for the general public and/or that carry out banking or insurance activities.

In the case of executive directors in companies with the characteristics listed above, the limit is reduced to three. The Board of Directors may, however, make a different assessment (to be published in the annual Report on corporate governance), even if departing from the stated criteria. If a Director holds office in more than one company belonging to the same Group, only one appointment held within that Group shall be taken into account when calculating the number of appointments.

The Directors who served during the 2017 financial year respected the accumulation limits indicated above.



## ***Induction***

In 2017, Directors and Statutory Auditors attended, as envisaged by Art. 2.C.2 of the Corporate Governance Code of Borsa Italiana, one induction session with the management to provide them with adequate knowledge of the business sector in which the Company operates, the corporate organisation and dynamics and their evolution. Reports on these issues were also supplied during board meetings.

Updates of the reference regulatory framework, including as regards governance, were communicated in specific information notes.

## **5.3. Role of the Board of Directors**

During 2017, there were 8 meetings of the Board of Directors; documentation was sent to the Directors, as promptly as compatible with the circumstances of the case, to enable informed participation in the meetings; in circumstances when the need for confidentiality or urgency prevented this notice period the issues were adequately discussed in depth during the board meetings. When required by the subjects discussed, representatives of the Company management or external consultants were invited to take part, who ensured the necessary technical and professional support.

The average duration of the meetings was approximately 2 hours and 10 minutes. The percentage of attendance was 95% (95% for independent Directors). In 2018, the Board has already met once. Currently, three more meetings have been scheduled.

## ***Tasks reserved to the Board***

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

- agreements with competitors that, owing to the subject, the commitments, the conditionings and the limits that might derive from them, have a lasting influence on the freedom of strategic business choices (e.g. partnerships, joint ventures, etc.);
- investments and disinvestments exceeding 50 million euros, and in any event purchases or sales of shareholdings, or businesses or business units that are of strategic significance in the overall framework of the business; transactions that, in their execution or upon their completion, can create commitments and/or purchases and/or sales of this nature and scale;
- the acceptance of loans for amounts exceeding 50 million euros and the granting of loans and guarantees in favour of non-subsidiary companies for amounts exceeding 50 million euros; transactions that, in their execution or upon their completion, can create commitments and/or deeds of this nature and scale;
- the listing and delisting of financial instruments issued by the Company or Group companies in regulated markets inside or outside Europe:

- acts and transactions that involve: (i) entry into (or exit from) product markets; (ii) exceeding by more than 25% (twenty-five percent) the total value of the industrial investments specified in the budget.
- the above transactions to be performed by subsidiary companies.

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

During the year, the Board of Directors assesses the adequacy of the general organizational, administrative and accounting structure of the company based on information from management, and, with regard to the internal control and risk management system, based on the preparatory work conducted by the control and risk Committee.

### ***Self-assessment***

In compliance with the provisions of Application Criterion 1.C.1. lett. g) of the Corporate Governance Code, the Board of Directors undertook a self-assessment, with the support of Ernst & Young Financial-Business Advisors – a consultancy specialised in corporate governance issues, which had no incompatibilities and had not provided services of the same nature to the Company or to other TIM Group companies - with the supervision of the Chair of the Board and the coordination of the Nomination and Remuneration Committee. The outcomes of this process were taken into account in formulating the guidance given by the Board of Directors to the Shareholders, before the renewal of the board, contained in the report on item 6 of the agenda of the Shareholders' Meeting convened on 13 April 2018.

This process, applying to the 2017 financial year and carried out through the development of a specific questionnaire and an interview, focussed on the size, composition and operation of the Board and its Committees, and on the Board's participation in the strategic policy-making process, and was completed in February 2018. The Board of Directors was also assessed by the Board of Statutory Auditors, focussing on the same areas and using similar assessment tools.

This process produced a substantially positive assessment that demonstrates a Board of Directors that is fundamentally effective.

The aspects whose assessments were considered to be excellent were those relating to the Operation of the Board and, as in the previous year, the Board's internal committees.

The process evidenced as a starting point for potential improvement, reported by most Directors, the advisability of reducing the size of the Board, deemed to currently be too big by both Directors and Statutory Auditors, taking account of the substantial homogeneity of the business and the dynamics recorded in this regard, at national and international level.

### **5.4. Delegated bodies**

The assignment (and revocation) of powers to Directors is reserved to the Board, which defines the purpose, limits and methods of exercising the assigned powers.

On 18 May 2015, after the increase in the number of members of the Board of Directors ahead of

listing, having taken note of the decision by Oscar Cicchetti not to accept the office of Chairman, the Board of Directors appointed Francesco Profumo as his replacement, granting him powers to act as the legal representative of the Company.

On the same date, the Board of Directors confirmed Oscar Cicchetti as Chief Executive Officer, granting him powers to act as the legal representative of the Company and conferring upon him the responsibilities relating to market disclosures as well as the strategic management and overall governance of the Company and the Group, and the management of extraordinary operations. He is responsible for defining - in executing the policies laid down by the Board of Directors - the internal control system, ensuring its adaptation to changes in the operational environment and in the applicable laws and regulations.

The following Departments report to the Chief Executive Officer:

- Business Management & Operations, headed by Emilio Maratea;
- Business Support, headed by Andrea Balzarini, whose reporting departments include Finance and Administration, headed by Rafael Perrino, also responsible for Investor Relations;
- Legal, headed by Valeria Savarese;
- Human Resources, headed by Gabriella Raffaele.

### **5.5 Other executive Directors**

On 31 December 2017, only the Chief Executive Officer Oscar Cicchetti was considered an executive director.

### **5.6 Independent directors**

Inwit has adopted the criteria established by the Corporate Governance Code of Borsa Italiana for the qualification of the independence of Directors.

The Board of Directors, at its meeting of 2 March 2018, verified the independence requirements of its members. More specifically, it considered the majority of the Directors as independent in accordance with the Corporate Governance Code (8 directors out of 15): Paola Bruno, Primo Ceppellini, Giuseppe Gentili, Luca Aurelio Guarna, Cristina Finocchi Mahne, Alessandro Foti, Giuseppe Gentili, Filomena Passeggio and Paola Schwizer. It recognised that these Directors and Chairman Francesco Profumo fulfilled the criteria for independence pursuant to the Consolidated Law on Finance.

During the meeting held on [20 March] 2018 the Board of Statutory Auditors verified the activities to ascertain the requirements and correct application of the criteria of independence.

### **5.7 Lead Independent Director**

In the meeting held on 18 May 2015, by appointment of the independent directors, the Board of Directors identified Director Paola Schwizer as *Lead Independent Director*, designating her to act as a reference point and coordinator of the applications and contributions made by Independent directors. The Lead Independent Director is granted the right to use corporate structures to perform the tasks entrusted to him and to convene special meetings of the Independent Directors

(Independent Directors' Executive Sessions) to discuss issues affecting the functioning of the Board of Directors or the management of the business.

During 2017 the independent Directors met on two occasions to consider remuneration issues.

## **6. HANDLING OF CORPORATE INFORMATION**

Inwit adopted an articulated set of rules and procedures for the correct management of the information processed in the company, in compliance with the laws applicable to the various types of data; these rules act on the organisational and technical plan and on the operating procedures. The processing of information, in particular, is supported by information systems and processes linked to their development, maintenance and use, which are governed by specific company rules and requirements.

Following the coming into force, in July 2016, of EU Regulation no. 596/2014 (the "Market Abuse Regulation" or MAR), the Board of Directors, in its meeting on 25 July 2017, approved the new "Inside information and insider dealing procedure" to replace the Procedure for the internal management and disclosure to the public of sensitive information. This may be consulted on the website [www.inwit.it](http://www.inwit.it), Governance section.

The document:

- provides rules for the identification of inside information (defining criteria and responsibilities/processes). Decisions are to be taken with the necessary intervention of the Head of Legal and Head of Investor Relations, for those aspects within their respective remits, and with the aim of making the judgement uniform;
- confirms the extension of the safeguards to protect the confidentiality of inside information to information that still does not possess the requirements of precision, but which, if it should become precise, would be liable to be qualifiable as inside information;
- sets out the obligations and prohibitions deriving from access to inside information, or from the possibility of generating such information (which is a typical characteristic of insiders), emphasising the principle that knowledge and application of the regulation that applies to informed people and/or insiders are the personal responsibility of the respective recipients;
- provides rules for the phase of public disclosure (and delay in disclosure ) of inside information, setting out the roles and responsibilities of the various subjects involved;
- describes the ways in which the obligation to draw up lists of people who have access to inside information may be complied with, envisaging the activation of a specific supplementary section applicable only to those who have permanent access to all the Company information that qualifies as inside information (essentially: the CEO and the departments structurally involved in the phase of establishing the inside nature of the information);
- provides a series of operational references, principles of application and criteria for interpretation on the topic of insider dealing;

- sets out the legal penalty regime that applies in case of non-compliance with the relevant law, also setting out the contractual responsibility aspects of breaching this regime (and its possible consequences).

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

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In its meeting on 27 February 2015, the Board of Directors resolved to avail itself of the right to waive the obligations to publish information documents in case of significant merger or de-merger, purchase or sale operations, or operations to increase the share capital by investment in kind.

## **7. BOARD COMMITTEES**

The Board committees are a Nomination and Remuneration Committee and a Control and Risk Committee, the functions of which are described in the Corporate Governance Principles (available for consultation from the [www.inwit.it](http://www.inwit.it) web site, Governance section ).

Regarding the conclusion of transactions with related parties of major importance, the procedure adopted by Inwit pursuant to the Consob Related Party Regulations (see paragraph 12) always requires the approval of the Board of Directors, subject to the prior opinion of a Committee comprised of all the independent directors in office.

## **8. NOMINATION AND REMUNERATION COMMITTEE**

### ***Composition and functioning***

The regulations of the Nomination and Remuneration Committee (henceforth in this paragraph simply "the Committee") are contained not only in the Corporate Governance Principles but also in the specific regulations approved by the Board of Directors at its meeting of 27 July 2015 (documents available on the website [www.inwit.it](http://www.inwit.it), Governance section).

In its meeting on 28 April 2017, the Board of Directors confirmed Giuseppe Gentile as a member of the Nomination and Remuneration Committee, and also proceeded to redetermine the number of members of the aforementioned Committee, increasing it from 3 to 5, and appointed Luca Aurelio Guarna and Filomena Passeggio as additional members. The Committee is thus currently made up of five non-executive and independent Directors (Cristina Finocchi Mahne - Chair, Paola Bruno, Giuseppe Gentili, Luca Aurelio Guarna and Filomena Passeggio). All the members of this Committee possess adequate expertise in financial matters or remuneration policies.

### ***Functions and activities performed***

Based on considerations of operational efficiency, the Committee combines the duties and

responsibilities attributed to the nomination committee and the remuneration committee by the Borsa Code, pursuant to the Corporate Governance Principles.

In particular, with regard to the specific duties of the nomination committee pursuant to art. 5, application criterion 5.C.1 of the Corporate Governance Code, the Committee:

- a) expresses opinions to the Board of Directors regarding its own size and composition and expresses recommendations with regard to the professional skills it considers advisable on the Board as well as with regard to the topics addressed in articles 1.C.3 and 1.C.4;
- b) proposes to the Board of Directors candidates for co-option as directors, should it be necessary to replace independent directors.

Furthermore, with regard to the specific duties of the remuneration committee, the Committee, pursuant to art. 6, principle 6.P.4 and criterion 6.C.5 of the Corporate Governance Code:

- a) proposes to the Board of Directors the adoption of the remuneration policy for Directors and Key Managers with Strategic Responsibilities;
- b) periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, also on the basis of the information provided by the managing directors; it shall formulate proposals to the Board of Directors in that regard;
- c) submit proposals or issue opinions to the Board of Directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration; monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives.

In addition to the above, pursuant to the Inwit Corporate Governance Principles, the Committee:

- a. establishes the procedure and period for the annual evaluation of the Board of Directors;
- b. proposes the criteria for allocating the total annual remuneration established by the Shareholders' Meeting for the whole Board of Directors;
- c. performs other duties assigned to it by the Board of Directors.

In 2017, the Committee has met 9 times. The average duration of meetings was approximately three hours and thirty-one minutes and the percentage attendance at meetings in 2017 was 95%. In 2018, three meetings have already taken place.

For further information on the work of the Committee, see the Remuneration report for 2017, which may be consulted on the company website at [www.inwit.it](http://www.inwit.it), Governance channel.

The Board of Directors was kept informed of the various activities performed by the Committee at each first available meeting.

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

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

Information on the remuneration of the directors and key managers with strategic responsibilities are made available in the Remuneration Report, which may be consulted in the Governance section of the Company website at [www.inwit.it](http://www.inwit.it).

For a specific indication of the individual sections of the Report on remuneration, please see the comparative Table shown above.

## **10. CONTROL AND RISK COMMITTEE**

### ***Composition and functioning***

The regulations of the Control and Risk Committee (henceforth in this paragraph simply "the Committee") are contained not only in the Corporate Governance Principles but also in the specific Regulations approved by the Board of Directors at its meeting of 27 July 2015 (documents available on the website [www.inwit.it](http://www.inwit.it), Governance section).

In its meeting on 28 April 2017, the Board of Directors redetermined the number of members of the aforementioned Committee, increasing it from 3 to 5, and appointed Luca Aurelio Guarna and Filomena Passeggio as additional members.

The Committee currently consists of five independent, non-executive directors (Paola Schwizer - Chair, Primo Ceppellini, Alessandro Foti, Luca Aurelio Guarna and Filomena Passeggio), all with suitable competences in accounting and financial or risk management matters.

### ***Functions and activities***

The Committee is a body that is responsible for providing advice and recommendations, which, as prescribed in art. 7, principle 7.P.3, letter (a), sub (ii) of the Corporate Governance Code, has the task of supporting, with adequate fact-finding activity, the assessments and decisions of the Board of Directors regarding the internal control and risk management system, and the activities relating to the approval of the periodic financial reports.

In particular, the Committee, in accordance with the provisions of art. 7, criterion 7.C.2 of the Corporate Governance Code, in assisting the Board of Directors:

1. together with the person responsible for the preparation of the corporate accounting documents, after hearing the external auditors and the Board of Statutory Auditors, assesses whether the accounting principles have been correctly applied, and, in the case of groups, their consistency for the purposes of preparing the consolidated financial statements;
2. expresses opinions on specific aspects relating to the identification of the main risks for the company;

3. reviews the periodic reports evaluating the internal control and risk management system, as well as those reports of the Internal Audit function that are particularly significant;
4. monitors the independence, adequacy, efficiency and effectiveness of the Internal Audit department;
5. may request that the Internal Audit department review specific operational areas, giving simultaneous notice to the Chair of the Board of Statutory Auditors;
6. reports to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half-year financial reports, on the activity carried out, as well as on the adequacy of the internal control and risk management system.

The Committee, as specified in art. 7, criterion 7.C.1 of the Corporate Governance Code, expresses its opinion to the Board of Directors regarding:

1. the definition (by the Board of Directors) of the broad policies of the internal control and risk management system in such a way that the principal risks pertinent to the Company and the companies it controls are correctly identified, and adequately measured, managed and monitored, also determining the degree of compatibility of such risks with a business management that is coherent with the strategic objectives identified;
2. the periodic assessment (by the Board of Directors), at yearly intervals at least, of the adequacy of the internal control and risk management system in relation to the characteristics of the business and the assumed risk profile, as well as its effectiveness;
3. the approval (by the Board of Directors), at yearly intervals at least, of plan of work drawn up by the Head of the Internal Audit department, having obtained the opinion of the Board of Statutory Auditors and the Director in charge of the internal control and risk management system;
4. the description (by the Board of Directors), in the report on corporate governance, of the principal characteristics of the internal control and risk management system, expressing its assessment of the adequacy of said system;
5. the assessment (by the Board of Directors), after having obtained the opinion of the Board of Statutory Auditors, of the results set out by the external auditor in its letter of suggestions, if any, and in its report on the fundamental issues that emerged during the external audit;
6. the nomination and revocation (by the Board of Directors) of the Head of Internal Audit; the adequacy of the resources which are available to the Head of the Internal Audit function to perform the duties assigned; the definition (by the Board of Directors) of the remuneration of the Head of Internal Audit in line with company policies.

In addition to the above, pursuant to the Inwit Corporate Governance Principles, the Committee:

- *provides high-level supervision related to corporate social responsibility, monitoring the consistency of the actions performed with the principles laid down by the Code of Ethics and the values of the Group;*
- performs other duties assigned to it by the Board of Directors.

It should be noted that the Control and Risk Committee absorbs the functions and tasks of the



committee referred to in the procedure for the execution of Transactions with Related Parties.

The Chair of the control body attends those Committee meetings that are not held jointly with the Board of Statutory Auditors (or, if he cannot attend, another Auditor delegated by him will take his or her place).

During 2017, the Committee, inter alia, analysed the reports of the Audit departments and received its assessment of the internal control and risk management system, approving and confirming it; expressed its opinion on the planning of the activities of the control departments, monitoring their progress and requesting specific interventions when it deemed this necessary; expressed the opinions required by the special procedure on transactions with significant related parties; periodically met the representatives of the external auditing firm to receive information on its activities.

The Committee also undertook an investigation for the definition of the procedure for carrying out the impairment test of goodwill and assets with an indefinite useful life, and for the assessments of risk appetite and risk tolerance. The Committee also conducted an investigation on the adoption of the Group Regulations by the Company, expressing itself in favour of this initiative.

The Committee also closely monitored the process to select the new Head of the Audit Department, who took over from the previous Department Head on 1 January 2018, expressing its approval of the proposal formulated by the Director responsible for the internal control and risk management system, who in Inwit is the Chief Executive Officer.

The Committee has on each occasion reported to the Board of Directors on the activities it carried out at the first subsequent meeting.

The Committee had access to the necessary information and corporate departments for performing its tasks. The Committee was not assigned financial resources of a predetermined amount, but was able autonomously to bring in external consultants of its choice.

In 2017, the Committee held nine meetings (of which 7 jointly with the Board of Statutory Auditors), all minuted, with the support of the company management, representatives of the independent auditor and external consultants. The average duration of meetings was approximately three hours and forty minutes and the percentage attendance was 95%. The Board of Statutory Auditors was represented at all meetings through the attendance of at least its Chair.

In 2018 the Committee has met twice; an annual schedule of the activities of the Committee has not been defined yet, although the practice is for the Committee to meet prior to all meetings of the Board of Directors called to approve the periodic financial reports.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

### ***Organisational structure and configuration***

The internal control and risk management system (hereafter, for brevity: the Internal Control System) is organised and operates according to the principles and criteria set out in the Corporate Governance Code of Borsa Italiana. It is an integral part of the general organisational structure of

the Company and the Telecom Italia Group, and involves several components that act in a coordinated way according to their respective responsibilities – the responsibility of the Board of Directors to direct and provide strategic supervision, the responsibility of the Chief Executive Officer and management to monitor and manage, the responsibility of the Control and risk Committee and the Head of the Audit department to overview and provide support to the Board of Directors, and the supervisory responsibilities of the Board of Statutory Auditors.

An effective internal control and risk management system contributes to ensuring, *inter alia*, the reliability of all information (not just financial information) supplied to the company bodies and to the market.

In particular, the internal control and risk management system consists of set of rules, procedures and organisational structures that, through a process of identifying, measuring, managing and monitoring the principal risks, allows the sound, fair and consistent operation of the company in line with the pre-established objectives. As such this process is aimed at pursuing the values of both procedural and substantial fairness, transparency and accountability, which are considered key factors for managing Inwit's business, in compliance with the Code of Ethics and Conduct of the Telecom Italia Group and the Company's Corporate Governance Principles (both of which can be found on the website [www.inwit.it](http://www.inwit.it), Governance section). This process, constantly monitored with a view to progressive improvement, is intended to ensure, in particular, the efficiency of company operations and entrepreneurial conduct, its transparency and verifiability, the reliability of information and management and accounting data, and compliance with applicable laws and regulations as well as the safeguarding of company integrity and its assets, in order to prevent fraud against the Company and the financial markets.

The Board of Directors, as the body responsible for the internal control and risk management system, defines the guidelines of the system, verifying its adequacy, effectiveness and proper functioning, so that the main corporate risks (including, among others, operational, compliance-related, economic and financial risks) are properly identified and managed over time.

In carrying out its assessment with regard to 2017, the Board adopted the opinion expressed by the Control and Risk Committee, which formulated a substantially positive assessment of the control and risk management system, although it expressed a recommendation that the management ensure the maximum commitment to its further improvement, also by paying constant attention to the prompt adoption by all structures of the remediation measures proposed by the Audit department.

### ***Enterprise Risk Management***

Inwit has adopted the Enterprise Risk Model (or ERM) of Telecom Italia which enables risks to be identified, assessed and managed in a homogeneous way within the Company, highlighting potential synergies between the players involved in the assessment of the Internal Control System. There is particular focus on the relationship between the ERM process and the business planning process, particularly in proposing the acceptable level of risk for the Group (Risk Appetite), as well

as its distribution in levels of acceptable deviation on the principal corporate objectives (Risk Tolerance).

The ERM process is designed to identify potential events that may impact on business activity, to bring the risk back within acceptable limits and to provide reasonable assurance of the achievement of the corporate objectives.

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

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

- Risk Appetite is the amount and type of risk that a company is willing to take, overall, to create value, that is in order to meet their strategic objectives (the Committee of Sponsoring Organizations of the Treadway Commission definition, CoSO 2013). It is defined annually by the Board of Directors in the sessions dedicated to the approval of the Strategic Plan, after evaluation by the Control and Risk Committee. If the Risk Appetite level is exceeded, the Board assesses the reasons for this, and the adequacy of the recovery plans.

- Risk Tolerances represents the level of risk that the Company is willing to take, with reference to the single categories of objectives (strategic, operational, compliance and *financial*: according to the CoSO classification). Within each category of objectives (Strategic, Operational, Financial), the relevant KPIs in the Strategic Plan are identified, on which the Risk Tolerance thresholds that are coherent with the aforementioned definition of Risk Appetite are expressed.

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

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

The Risk Universe is the document which contains the description of the principal characteristics of all the risks identified, through a process that involves the whole company. These risks are positioned on a specific matrix, the dimensions of which are inherent risk level, linked to the potential deviation from the Strategic Plan that might derive from the occurrence of a risk event, and the level of oversight. The matrix enables intervention priorities for the mapped risks to be directed.

**3. *Mitigation Actions***

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

**4. *Reporting***

Periodic reporting to the Corporate Bodies concerned and to the Executive Directors, and also to the Parent Company regarding the above-mentioned outputs.

***Financial Reporting***

Inwit is aware that financial reporting has a central role when building and maintaining positive relationships between the company and those it interacts with, contributing – in addition to the company performance – to create value for the shareholders.

The internal control system on financial reporting is aimed at supplying reasonable assurance of

the trustworthiness<sup>1</sup>, accuracy<sup>2</sup>, reliability<sup>3</sup> and promptness<sup>4</sup> of the financial reporting.

For that purpose, Inwit uses a regulatory/documentary system including accounting principles of the Group, administrative and accounting procedures, guidelines, operation instructions, accounting manuals and a chart of accounts, intended to guarantee an efficient coordination and exchange of information between Inwit and the Parent Company, as well as the correct drafting of the financial statements.

In order to guarantee compliance with Italian law (Law no. 262/2005) and U.S. law (Section 404 of the Sarbanes Oxley Act, since the Company supplies financial data and information to Group Parent Company Telecom Italia, which is listed on the NYSE), Inwit operates a structured and documented model of detection and monitoring of risks based on the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organisations of the Treadway Commission (hereinafter the CoSO Report).

The system of risk management and internal control on the financial reporting of Inwit is a structured process operating continuously, that includes periodic assessment phases intended to document and assess its planning and operational effectiveness.

The process starts with the identification and assessment of the risks<sup>5</sup> regarding financial reporting.

Under this scope and for both the Group and independent certifications, Inwit defines identification criteria of the organisation limits and of the “significant” processes in terms of potential impact on the financial reporting (understood as the reporting contained in the financial statements prospectuses and the explanatory notes), as well as on the risks resulting from non-achievement of the control objectives<sup>6</sup>, due to potential non-intentional errors<sup>7</sup> or frauds<sup>8</sup>, if capable of having a significant impact on the financial reporting.

In particular, the annual process starts with the identification of the accounts and disclosures in the financial statements that are deemed significant, whether in terms of their quality value<sup>9</sup> or with reference to updated materiality parameters.

The reporting units that contribute significantly to make up the previously selected items are then identified, using both quantitative parameters and specific qualitative assessments.

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<sup>1</sup>Trustworthiness (of the reporting): reports that are correct and comply with the generally accepted accounting principles and with the requirements of the applicable laws and regulations.

<sup>2</sup>Accuracy (of the reporting): reports that are neutral and precise. Financial reports are considered neutral if they do not contain pre-conceived distortions aimed to influence the decision-making process of its users in order to obtain a specific result.

<sup>3</sup>Reliability (of the reporting): reporting that is so clear and complete that investors can make informed and aware investment decisions. Reporting is considered clear if it simplifies the understanding of complex aspects of the Company, without being excessive and pointless.

<sup>4</sup>Promptness (of the reporting): reports that comply with due dates set for its release.

<sup>5</sup>Risk: potential event that may impair the achievement of goals related to the control system on financial reporting (the System), that is to say, accuracy, reliability, trustworthiness and promptness goals of the financial information.

<sup>6</sup>Control goals: set of goals that the System aims to achieve in order to assure a truthful and correct representation of the Financial Reporting. Such goals consist of “financial statement affirmations” (existence and occurrence, completeness, rights and obligations, assessment and registration, presentation and reporting) and of “other control goals” such as compliance of authorisation limits, separation of incompatible duties, controls on physical safety and the existence of assets).

<sup>7</sup>Error: in relation to the System, any unintentional act or omission that results in a misleading declaration in the financial reporting.

<sup>8</sup>Fraud: in relation to the System, any intentional act or omission that results in a misleading declaration in the financial reporting.

<sup>9</sup>As also prescribed in Standard 5 of the PCAOB (Public Company Accounting Oversight Board).

In parallel, the processes<sup>10</sup> associated with the financial statement items and selected disclosures are identified, and the specific inherent risks are assessed for each process, contextualising the risk of non-achievement of the general control objectives, phase by phase. The frequency of this assessment, at least once a year, allows the new risks inherent in the financial reporting, deriving from the evolution of exogenous or endogenous factors such as market and competition, internal organisation, IT systems, to be taken into account.

The inherent risks of the components<sup>11</sup> of *the CoSO Report* are assessed in coherence with their present allocation across the reference framework.

Inwit presents the internal control system in its financial reporting in coherence with the CoSO Report, documenting the assessment activities, controls and processes in an organised way<sup>12</sup>, in a specific application, attributing responsibilities precisely, in accordance with the principle of accountability.

The process continues with a more operational phase that involves determining the controls for the risks identified, during which Inwit updates and documents the controls carried out in the company that are able to mitigate the previously identified risks.

Inwit uses different types of controls in its model, in order to assess all five components of the control system relating to the objective of trustworthy financial reporting. The Entity Level Controls are the controls defined at the Group/Company/Organisational Unit level and they have a pervasive impact on the efficiency of the controls at the process, transaction or application level. This set of controls thus provides a representation of how sensitive the organisation is on topics such as corporate governance, risk management, responsibilities for the internal control system, the attribution of powers and responsibilities. The IT General Controls are controls that are applicable to all the systems, processes and data of the IT organisations, and they meet specific objectives<sup>13</sup>. The Process Controls are the controls to protect the company processes and are carried out through human intervention and/or directly by IT applications that implement or support them. The controls are classified by degree of assurance into primary controls and secondary controls. Within the primary controls, the set of key controls, that is those controls deemed necessary to guarantee with reasonable security that material errors on financial reporting are promptly prevented or identified, are determined using top-down risk-based criteria.

The next phase is the assessment of the controls against the specific risks identified, which is carried out through specific test activities, managed by a methodology guide and a strategy that is updated annually. Using top-down, risk-based logic, the test activities are differentiated by timing, frequency and depth, in relation to the type, classification and other characteristics of the controls.

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<sup>10</sup>The standard processes identified are: Procurement, Budgeting.

<sup>11</sup>The components (Control Environment, Risk Assessment, Control Activity, Information & Communication, Monitoring) identify what the internal control system needs to achieve the objectives pursued by the Company (in this specific instance, the reliability of the financial reporting).

<sup>12</sup>For example, the business processes of each reporting unit are organised in a conventional hierarchy, composed of standard documents, the same throughout the Group (Real Process, Sub-process, Activity, Control Objective) and open documents whose content reflects the specific nature of the controls carried out by the management and the consequent assessment activities (Control, Test Design, Efficacy Testing). The key document of the Inwit control model is the control objective, which defines and describes the requirements that the management controls must have to mitigate the specific inherent risks.

<sup>13</sup>Such as the integrity of programmes, files and data, the correct development and production of applications, the correct management of changes to applications.

The testing activities are designed to check both the efficacy of the design and the operational effectiveness of the control. If a test has a negative outcome, due to a lack of efficacy in the design and/or operation of a control, the risk of error is then assessed in terms of probability and impact. The risk is then managed through the opening of a formal control shortcoming and with the definition, scheduling, and assignment of responsibilities for specific remedial plans.

The Inwit Chief Financial Officer periodically brings the findings of the assessment process described above (and in particular, any control shortcomings deemed significant/material in terms of potential impact of error/fraud on the financial reporting) to the attention of the Control and Risk Committee and the Board of Statutory Auditors of the Company. It also presents a summary of the activities carried out to date, at each of its meetings.

The certification process is guided by a specific Telecom Italia Group organisational procedure that identifies the roles and responsibilities for the different phases of its execution. For the independent certifications in accordance with national legislation, the Chief Financial Officer<sup>14</sup> retains the final responsibility for the whole process, and has a direct responsibility in the periodic definition of the perimeter of application of the reference standards, in the final and overall assessment of the financial reporting internal control system and in the management of relations with the Independent Auditor. The management is responsible for identifying and assessing the controls against the risks identified, and consequently for the assessment and management of the control shortcomings, as well as for the execution of the remedial plans needed to overcome them.

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

The institution and maintenance of the internal control system are assigned to the Chief Executive Officer and to the Executive responsible for preparing the corporate accounting documents for this field of competence, so as to ensure the overall adequacy of the system and its practical functionality, in a risk-based perspective, which is also taken into account in determining the agenda for the Board's proceedings.

The Chief Executive Officer oversees in the context of the ERM process the identification of the major company risks (strategic, operational, financial and compliance) in the operational areas covered by his powers, taking account of the characteristics of the activities undertaken by the Company. He implements the guidelines defined by the Board, overseeing the design, creation and management of the internal control and risk management system and constantly checking the system's adequacy and efficacy. He reports on issues and critical points that emerge during the execution of their activities to the Board of Directors. He may also ask the Audit department to carry out audits on specific operational areas and on compliance with the internal rules and procedures in the execution of the company operations, giving simultaneous notice to the Chair of the Board of Directors, and the Chairs of the Control and Risk Committee and the Board of Statutory Auditors.

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<sup>14</sup>In Inwit he or she is also the Executive responsible for preparing the corporate accounting documents.

## 11.2 Head of Audit Department

Pursuant to the Corporate Governance Principles that the Company has adopted, in exercising the responsibility of the Board of Directors for the internal control and risk management system, the Board, in addition to the Control and risk Committee, also involves the Head of the Audit Department, a manager with organisational independence and suitable and sufficient resources to perform this duty. The latter is responsible for supporting the management and control boards in assessing the adequacy and effectiveness of the Internal Control System and consequently to propose corrective measures in case of anomalies and malfunctions.

In particular, in accordance with the provisions of the Corporate Governance Code of Borsa Italiana, the Head of the Audit Department:

- 1) verifies, both on a continuous basis and in relation to special needs, in conformity with international standards, the adequacy and effective functioning of the Internal control and risk management system, through an audit plan approved by the Board of Directors, based on a structured analysis and ranking of the main risks;
- 2) is not responsible for any operational area and reports directly to the Board of Directors;
- 3) has direct access to all information useful for the performance of his or her duties;
- 4) drafts periodic reports containing information on his or her own activity, and on the risk management process, as well as about compliance with the plans defined to mitigate these risks. The periodic reports contain an assessment of the adequacy of the Internal control and risk management system with regard to the processes examined;
- 5) prepares timely reports on particularly significant events;
- 6) submits the reports indicated under items 4) and 5) to the chairs of the Board of Statutory Auditors and Control and Risk Committee and to the Chair of the Board of Directors and Chief Executive Officer, as the director in charge of the internal control and risk management system;
- 7) tests the reliability of the information systems, including the accounting system, as part of the audit plan;

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

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

The Head of the Audit Department also acts as guarantor that the principles and values expressed in the Code of Ethics and Conduct are respected. To do this, they oversee the receipt, analysis and handling of reports (“whistleblowing”) of conduct suspected of not being compliant with laws, regulations and external discipline of any kind that applies to the Company, the TIM Group Code of

Ethics and Conduct, the Group Policy on the Respect for Human Rights, the Organisational Model 231 adopted by the Group, or internal procedures. Complaints and reports received by the Board of Statutory Auditors (also eventually in its role as 231 Supervisory Body) are also the subject of analysis.

Reports can be made, also anonymously, by any employee, collaborator, consultant, work provider or third party that has business dealings with the Group.

The Audit department resorts to professional and financial resources consistent with its organisational mandate, in compliance with the requirements of independence, adequacy, efficiency and effectiveness of the department prescribed by Borsa Code.

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

The Head of the Audit Department periodically reports to the Board of Directors, through the Control and Risk Committee, on the results of these assessments.

As permitted by the Corporate Governance Principles adopted by the Company, and resolved by the Board of Directors after having obtained the opinion of the Control and Risk Committee, the Audit Department, to carry out its activities, makes use of a primary independent auditor identified through a specific tender process, with which it has a specific Framework Agreement.

On 19 December 2017, as proposed by the Director responsible for the internal control and risk management system - who in INWIT is the Chief Executive Officer, as stated previously - and subject to the approval of the Control and Risk Committee, and having obtained the opinion of the Board of Statutory Auditors, the Board of Directors resolved to appoint Laura Trucco as Head of the Audit Department, with effect from 1 January 2018, to replace the preceding Head who had been granted long term leave of absence with effect from 1 September 2017. In the interim, before this appointment was made, internal auditing activities were outsourced to the external audit firm already appointed to support the work of the Audit Department.

### **11.3 Organisational model pursuant to Legislative Decree 231/2001**

The internal control system is completed by the "Organisational Model 231", i.e. a model of organisation and management adopted pursuant to Legislative Decree No. 231/2001, aimed at preventing the perpetration of offences that can result in liability for the Company. This Organisational Model is comprised of:

- the Code of Ethics and Conduct of the Telecom Italia Group, which sets out the general principles (transparency, fairness, loyalty) that guide the Company in the organisation and conduct of its business;
- the "general principles of internal control", tools to provide a guarantee with regard to the objectives of efficiency and operational effectiveness, reliability of financial and management



information, compliance with laws and regulations, and the safeguarding of the company's assets, including against possible fraud;

- the "principles of conduct", which consist of specific rules for relations with third parties and for all fulfilments and activities of a corporate nature, and
- the "internal control schemes" that describe business processes at risk of criminal offending, any predicate offences associated with said risks, and the controls and behaviours to be adopted to avoid unlawful behaviour.

The internal control schemes have been prepared in accordance with the following basic principles: (i) the separation of roles in undertaking the principal activities involved in business processes; (ii) the traceability of decisions, to allow for identification of specific points of responsibility and the motivations for the decisions themselves; and (iii) the objectification of the decision-making processes, so that decisions are not made on the basis of purely subjective considerations, but based on pre-established criteria.

The Organisational Model is a dynamic instrument, which affects the corporate operation, which in turn must be constantly checked and updated in the light of feedback, as well as the evolution of the regulatory framework.

The Organisational Model incorporates, in terms of application, the predicate offences provided for in Legislative Decree 231/2001, excluding those deemed to not be directly pertinent for the Telecom Italia Group. On 7 November 2017, the Company adopted a new version of the Organisational Model 231, which incorporates the updated legal provisions on Corruption between private subjects and on Market Abuse; the new predicate offences: "Instigation to commit corruption between individuals", and illicit brokering and exploitation of labour (so-called "gangmaster" crime); the internal control schemes were updated to reflect the new legal provisions mentioned above.

Like the preceding versions, this new version is an integral component of the reference compliance programme for the application of anti-corruption legislation such as - in particular - the US Foreign Corrupt Practices Act and the UK Bribery Act.

With reference to the Supervisory Body, its functions are attributed to the Board of Statutory Auditors, reflecting the approach adopted at Telecom Italia Group level. The Supervisory Body oversees the operation and observance of the Organisational Model and reports to the Board on the oversight and verification activities which it has performed and the corresponding outcomes. In this regard, the Supervisory Body is supported in its activity by the Legal Department of the Company, which has the task of carrying out specific compliance actions, also based on evidence received through the information flows that have been created.

The Legal Department is in turn supported by the Compliance Division of Telecom Italia by virtue of the agreement for the provision of services signed in execution of the Framework Agreement between the Company and the parent company, which identifies the general rules for the provision of audit, compliance and IT & security compliance services by Telecom Italia to INWIT on a non-exclusive basis.

There is a section on the website [www.inwit.it](http://www.inwit.it), Governance Section, dedicated to the Organisational Model 231 adopted by the Board of Directors of Inwit, which also adopted the anti-corruption policy of the Telecom Italia Group as the systematic reference framework on the prohibition of corrupt practices.

#### **11.4 Independent Auditor**

The Shareholders' meeting held on 27 February 2015, on the basis of the proposal put forward by the Board of Statutory Auditors, conferred the office of External Auditor (of the financial statements of INWIT S.p.A., the annual consolidated financial statements, and the abbreviated half-yearly consolidated financial statements) on PricewaterhouseCoopers S.p.A. for the period 2015 – 2023.

The preparatory work prior to the conferment (or subsequent modifications) of the assignment to audit the financial statements of INWIT is coordinated by the executive responsible for preparing the Company accounting documents, under the supervision of the Board of Statutory Auditors.

To protect the independence of the appointed auditor of Parent Company TIM and the Company, the Guidelines establish the principle under which the conferment of further assignments on the external auditor (when allowed by the reference regulations) is limited to services and activities closely related to the audit of the financial statements and must in any event be authorised in advance by the Board of Statutory Auditors.

Given that the mandate conferred by TIM S.p.A. on PricewaterhouseCoopers S.p.A. for the nine year period 2010-2018 is due to expire, the process to select a new Sole External Auditor of the Group for the nine year period 2019-2027, pursuant to the new legal and regulatory provisions consequent on the EU directive on the auditing of companies' financial statements, started in 2017, under the responsibility and supervision of the Boards of Statutory Auditors of TIM and INWIT and the audit committees of the other Group Companies listed on the NYSE or that qualify as public interest entities pursuant to the applicable law. This preparation was necessitated by the need to respect the prohibition to receive any “*Design and implementation of internal control or risk management procedures related to preparing and/or controlling financial reporting, or designing and implementing IT systems for financial reporting*” services from the New Sole External Auditor of the Group (or members of its network) in the 12 months prior to the start of the period of audit (cooling-in period).

The Board of Statutory Auditors of INWIT was in favour of the undoubted advantages that might accrue from the presence of a sole external auditor for the Group (principally, the advantages of better coordination of the activities and operations of the structures, as well as the cost reductions) compared to the eventuality that each company opt for a different auditor, which could happen.

Having ascertained that the current external auditor is willing to terminate the current assignment, by consent, after the TIM Shareholders' Meeting that will resolve on the appointment of the new Sole Auditor, an INWIT Shareholders' Meeting may be held to resolve in that sense, based on the Board of Statutory Auditors' recommendation to do so.

### **11.5 Executive responsible for preparing the corporate accounting documents**

As per the Bylaws (Art. 18), it is the Board of Directors that nominates the responsible manager, after hearing the opinion of the Board of Statutory Auditors and – for corporate governance principles – of the Control and Risk Committee). Their attributes and powers are defined upon appointment.

The Board of Directors, in its meeting on 8 May 2015 appointed Rafael Perrino, Head of the Finance & Administration Department, as the executive responsible for preparing the corporate accounting documents.

Insofar as, by law, responsible for the preparation of suitable administrative and accounting procedures to prepare the annual accounts and consolidated financial statements as well as any other financial communications, this role is recognised to have functional responsibility (organisational and by topic) for the internal controls for financial reporting. In relation to this area, the executive appointed is supported by the Chief Executive Officer, as well as by the Company's management.

The Executive reports to the Board of Directors, the Control and Risk Committee and – for those matters within its competence – the Board of Statutory Auditors.

### **11.6 Coordination of subjects involved in the internal control and risk management system and other roles and company departments**

The main subjects involved in the operation of the internal control system are:

1. the Board of Directors, which provides direction and periodic (annual) assessment of the system;
2. the Chief Executive Officer, as director charged with the establishment and maintenance of the system, in accordance with the guidelines defined by the full Board of Directors (see preceding paragraph 11.1);
3. the Control and Risk Committee, with the role of providing fact-finding support to the Board in relation to its internal control and risk management duties (see preceding Chapter 9);
4. the head of the Audit department, who supports the Board of Directors and whose mission, briefly, is to test the functioning and adequacy of the system (see preceding paragraph 11.2);
5. the executive responsible for the preparation of the company's accounting documents, appointed by the Board, with the competences provided for by law and rights defined in the specific internal regulations (see preceding paragraph 11.5);
6. the Board of Statutory Auditors which, borrowing the expression used in the Corporate Governance Code of Borsa Italiana, represents the top of the supervisory system. In addition to the competences provided for by law of the Board of Statutory Auditors, it also has those of the supervisory body pursuant to Italian Legislative Decree no. 231/2001, by internal corporate governance choice.

The competences of the figures specified above correspond to those recommended by the Corporate Governance Code of Borsa Italiana, to which, on this matter, Inwit adheres without

exceptions.

## **12. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES**

The company procedure for effecting transactions with related parties (the "Procedure"), drawn up in compliance with Consob Regulation no. 17221 of 12 March 2011, was adopted by the Board of Directors in its meeting on 18 May 2015, after hearing the favourable opinion of the Independent Directors, and became effective on the date trading started in the Company's Shares on the Electronic Share Market organised and managed by Borsa Italiana S.p.A. (i.e. 22 June 2015). The Procedure was last updated on 25 July 2017, with some amendments of an operational nature, and is available on the company website, [www.inwit.it](http://www.inwit.it), in Governance section.

Pursuant to the Procedure, opinions on relevant transactions are expressed by the control and risk Committee when the transaction is of lesser importance and by a committee composed of all the independent Directors together when the transaction is of greater importance (in the Related Parties Procedure the "**Board Committee**" refers alternately to the control and risk Committee and the committee composed of all the independent Directors).

For a transaction to be qualified as one of greater importance, the Related Parties Procedure firstly refers to the criteria set out in the Consob Regulations, and hence to the relevance indicators, and namely: the equivalent-value ratio (the ratio of the equivalent transaction to the consolidated net equity or, if greater, the market capitalisation of the company), the asset relevance ratio, or the liabilities relevance ratio, where the indicator exceeds the thresholds specified in the Consob Regulation (5% or 2.5% in case of transactions with the listed parent company or subjects related to it that are in turn related to such a company); in addition, whether or not these thresholds are exceeded, transactions that are subject to the approval of the Board of Directors pursuant to the INWIT Corporate Governance Principles or due to a provision of the law or the bylaws are considered transactions of greater importance.

The Related Parties Procedure classifies the transactions into different categories and, according to this classification scheme, different assessment and approval procedures are applied, when these transactions are to be carried out with Related Parties.

There are two main differences: (i) a qualitative distinction, by subject, between regular and non-regular transactions; and (ii) a quali-quantitative distinction, by significance, between relevant transactions, to which the Related Party Regulation applies, and non-relevant transactions, to which the Related Party Regulations do not apply.

In accordance with the provisions of the Related Parties Procedure "regular transactions" are understood to be transactions carried out in the course of regular business, generating costs and revenues, and related financial activities. In determining whether a transaction falls within the ordinary course of business or associated financial activities, the following elements may be taken into account: (i) the subject of the transaction; (ii) the recurrence of the type of transaction under

the scope of business of the company implementing it; (iii) the size of the transaction; (iv) contractual terms and conditions, insofar as contractual clauses that differ from standard business usage and practice may represent a significant indicator of an extraordinary nature; (v) the nature of the counterparty and coherence of its characteristics with respect to the type of transaction implemented; (vi) the time of approval and completion of the transaction.

Pursuant to the Related Parties Procedure, "non-relevant transactions" are: (i) all transactions of value less than or equal to 500,000 euros; (ii) regular transactions, with no value limits, concluded at conditions equivalent to market or standard terms established by independent authorities that cannot be amended, or defined as the outcome of a competitive procedure; (iii) regular transactions concluded at conditions equivalent to market or standard (at arm's length) terms of value less than or equal to 2,000,000 euros; (iv) intra-group transactions, without value limits; (v) resolutions of the shareholders' meeting on remuneration, pursuant to article 2389, subsections one and three, and article 2402, of the Italian Civil Code; (vi) resolutions regarding the remuneration of directors and key managers that respect the requirements set out in the Related Party Regulations; (vii) remuneration plans based on financial instruments approved by the shareholders' meeting pursuant to art. 114-*bis* of the CLF and the related translations to execute them; (viii) any further transactions that the Related Party Regulations exclude from its sphere of application. It should be noted that intra-group transactions, as defined in point (iv), are understood to be transactions with subsidiary companies, including those subject to joint control, as well as transactions with associated companies, provided that no other parties related to INWIT hold interests in said companies. Interests arising from the mere sharing of one or more executives with strategic responsibilities between the company and the subsidiaries or associated companies are not considered to be significant interests.

The following transactions are considered relevant, and require the prior approval of the Board Committee (after analysis and favourable assessment of their completion carried out by the Management Committee, as defined herein): (i) transactions that do not qualify as non-relevant pursuant to the Related Parties Procedure, and (ii) transactions that, by law, the Bylaws or the INWIT Corporate Governance Principles are subject to the approval of the Board of Directors of INWIT, that are not intra-group transactions as defined in the Related Parties Procedure. As an example, the Board Committee has competence for transactions in which INWIT is a related party that are: (i) ordinary transactions concluded at terms that are not standard or market conditions of value greater than 500,000 euros; (ii) non-ordinary transactions of value greater than 500,000 euros; (iii) ordinary transactions concluded at market or standard terms of value greater than 2,000,000 euros.

They also require preparatory assessment by the committee composed of the Company's Head of Legal Affairs, Chief Financial Officer, and the INWIT manager who is the hierarchical head of the competent department, as owner of the transaction carried out directly by INWIT, namely the person assigned to review and approve the transaction carried out by the controlled company (the "**Management Committee**"): (i) transactions subject to the approval of the Board Committee; (ii)

relevant transactions carried out by Controlled Companies; (iii) non-relevant transactions, excluding intra-group transactions: (a) non-ordinary transactions that cannot be valued or have value of more than 50,000 euros and up to 500,000 euros; (b) ordinary transactions not concluded at conditions equivalent to market or standard terms that cannot be valued or have value of more than 50,000 euros and up to 500,000 euros; (c) ordinary transactions concluded at conditions equivalent to market or standard terms that cannot be valued (meaning, for example, agreements for which a price cannot be determined, such as letters of intent or framework agreements of a regulatory nature - or agreements that amend contractual terms that do not affect the economic aspects of the transaction) or that have value of more than 1,000,001 euros and up to 2,000,000 euros. In this respect, market or standard terms are taken to mean terms similar to those usually charged to unrelated parties for transactions of a corresponding nature, extent and risk, or based on regulated rates or at fixed prices or those charged to parties with which the issuer is obligated by law to contract at a certain price.

To perform transactions of major importance the Related Parties Procedure always requires the approval of the Board of Directors, subject to the prior opinion of the Board Committee, whose negative opinion shall be deemed binding and irrefutable.

### **13. APPOINTMENT OF STATUTORY AUDITORS**

In accordance with Art. 22 of the Bylaws, the Board of Statutory Auditors shall consist of three standing auditors, including at least one Auditor from the less represented gender. The Shareholders' Meeting shall also appoint two alternate auditors, one of each gender.

The appointment of the Board of Statutory Auditors shall be in compliance with the applicable laws and regulations on the basis of slates presented by shareholders.

The slates are divided into two sections: one for candidates for the office of Standing Auditor and the other for candidates for the office of Alternate Auditor.

Slates which in one or both sections contain three or more candidates must ensure the presence of both genders in said section, so that candidates of the less represented gender are at least one third of the total, rounding any fractions up to the next whole number.

The first candidate in each section shall be selected from among the external auditors entered in the appropriate register who have worked on external audits for a period of not less than three years.

The Board of Statutory Auditors shall be elected as specified below:

- 1) from the slate that obtains the majority of the votes cast by shareholders (the Majority Slate) 2 (two) standing and 1 (one) alternate auditors will be appointed in the order in which they are listed on the slate;
- 2) the remaining standing auditor and the other alternate auditor will be appointed from the second slate that obtained the majority of the votes cast by the shareholders in the Shareholders' Meeting (the Minority Slate), in the order in which they are listed on the slate.

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

The Shareholders' Meeting appointed the standing auditor chosen from the Minority Slate as the Chair of the Board of Statutory Auditors.

In appointing Statutory Auditors who for any reason have not been appointed pursuant to the procedure specified above, the Shareholders' Meeting shall vote on the basis of the majorities required by law, ensuring compliance with the requirements of the law and the Bylaws regarding the composition of the board and the category of Alternate Auditors.

In the event that a statutory Auditor chosen respectively from the Majority Slate or the Minority Slate should cease to serve, and without prejudice to the requirements of the Bylaws regarding the composition of the board, the alternate auditor chosen from the Majority Slate or the Minority Slate shall take their place. Appointments to fill vacancies on the Board of Statutory Auditors pursuant to Article 2401 of the Italian Civil Code shall be approved by the Shareholders' Meeting with the affirmative vote of the absolute majority of those voting and in compliance with the principle of the necessary representation of the minority shareholders, and of the requirements of the Bylaws regarding gender balance. The principle of the necessary representation of the minority shareholders shall be deemed to have been respected in the case of the appointment of the Alternate Auditor chosen from the Minority Slate who has taken the place of a Standing Auditor chosen from the same slate.

After notifying the Chair of the Board of Directors, the Board of Statutory Auditors, may call, as provided for by law, a Shareholders' Meeting or a meeting of the Board of Directors or the Executive Committee. This power to call meetings may be exercised individually by each Statutory Auditor, except for the power to call a Shareholders' Meeting, which must be exercised by at least two Statutory Auditors.

#### **14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors of the Issuer was appointed on 14 January 2015 at the time the Company was constituted, and will remain in office until the date of the next Shareholders' Meeting, which will be called to approve the financial statements for the year that will end on 31 December 2017. On that occasion, the Chair was appointed, and the amount of remuneration was determined. This was subsequently redetermined.

In particular, the following members were appointed: Enrico Maria Bignami – Chairman; Umberto La Commara and Michela Zeme Standing Auditors; Guido Paolucci and Elisa Menicucci Alternate Auditors.

On 15 May 2015 the Shareholders' Meeting established their annual fees as 30,000 euros for each Standing Auditor and 45,000 euros for the Chair of the Board of Statutory Auditors, including the fee for carrying out the functions of Supervisory Body pursuant to Legislative Decree 231/2001.

The *curricula vitae* of the members of the control body are available on the website [www.inwit.it](http://www.inwit.it).

In 2017 the Board of Statutory Auditors carried out the typical supervisory activities specified in Italian law, verifying that the Company's transactions of major impact on its revenues, finances and assets were carried out in accordance with the law, the Bylaws and the principles of correct administration, checking that the self-regulation procedures and principles adopted for the execution of transactions with related parties were respected, and that such transactions were aligned with the interests of the company, ensuring that the principles of correct administration were respected and the organisational structure of the business was adequate. The Board also supervised the adequacy of the internal control system and the adequacy of the administrative and accounting system of the Company, and the reliability of the latter to correctly represent the actions of the management.

The Board of Statutory Auditors monitored the independence of the independent auditor, checking both that the applicable provisions were respected and the nature and entity of the non-audit services provided to Inwit by PricewaterhouseCoopers S.p.A. and entities in its network.

The Board of Statutory Auditors, with TIM's Board of Statutory Auditors and the audit committees of the other Group Companies listed on the NYSE or that qualify as public interest entities pursuant to the applicable regulations, has started the process to select the new Sole Auditor of the Group for the nine year period 2019-2027 (see paragraph 11.5 above).

In its meeting of 2 March 2018, the Board of Statutory Auditors confirmed that the independence requirements specified in article 148, subsection 3 of the CLF had been met, as had the requirements of the Borsa Italiana Corporate Governance Code. It also verified that the members of the Board of Statutory Auditors collectively possessed the skills in the sector in which the Company operates, pursuant to legislative decree 39/2010.

During 2017, there were 18 meetings of the Board of Statutory Auditors (7 of which were held jointly with the Control and Risk Committee). The average duration of the meetings was approximately three hours and twenty minutes. The percentage of attendance was 100%.

For the 2018 financial year, at the date of publication of this report, five meetings had been held, of which two jointly with the Control and Risk Committee.

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

The slate voting system was not applied to the appointment of the Board of Statutory Auditors currently in office, since it was appointed at the time the company was constituted.

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



of the CLF.

### **Diversity policies**

The section of the company bylaws regarding the appointment of the Board of Statutory Auditors takes account of the regulatory provisions that require the company to reserve a set quota of members to the less represented gender. For a description of the procedure for submitting slates that ensure the presence of the less represented gender in line with the set proportion, refer to article 22 of the Bylaws.

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

## **15. SHAREHOLDER RELATIONS**

Inwit S.p.A. has created a specific easy to find and easy to access section of its website on which it makes available information on the Company that is of importance to shareholders, to allow them to exercise their rights in an informed way.

Within the corporate structure, Michele Vitale has been appointed as the executive appointed to manage relations with the Italian and international financial community and with all the shareholders (*Head of Investor Relations*).

The references for investors within Inwit are:

Inwit S.p.A. – *Investor Relations*

Via Giorgio Vasari 19

20135 – MILAN

Telephone: +39 06.36883341

E-mail: [ir@inwit.it](mailto:ir@inwit.it)

## **16. SHAREHOLDERS' MEETINGS**

Pursuant to law, the shareholders entitled to attend the Meeting and to vote are those for whom the reference intermediary sent the Company specific communication certifying such right at the record date (seventh working day prior to the meeting first call). Those who are holders of shares only after such date will not be entitled to attend the Meeting and vote.

Ordinary shareholders may be represented, by giving a proxy to a physical or legal person, including the representative designated by the Company, if appointed (the decision is to be taken by the Board of Directors, at the time of calling the meeting). The Board of Directors also has the option of allowing electronic voting, specifying the procedure in the notice convening the meeting.

The Board of Directors shall use its best endeavours to ensure that Shareholders have adequate information about the elements necessary for taking decisions within the competence of the

Shareholders' meeting, with full knowledge of the facts.

The ordinary Shareholders' Meeting shall resolve on the matters specified by law and authorise the execution of transactions with parties related to the Company, in those cases and by those methods provided in the pertinent procedure adopted by the Board of Directors pursuant to current law.

In accordance with Art. 2365, second subsection of the Italian Civil Code, the bylaws also establish that the powers contained therein are removed from the shareholders' meeting and assigned to the Board of Directors.

It should be noted that the Shareholders' Meeting of 27 February 2015 resolved to adopt regulations for the orderly and functional running of the shareholders' meetings available on the Governance section of the Inwit website [www.inwit.it](http://www.inwit.it), Governance Section.

## **17. FURTHER CORPORATE GOVERNANCE PRACTICES**

As already stated (see paragraph 3, letter J), the Board of Directors, in its meeting on 7 November 2017, and after an in-depth investigation, approved the adoption of the Group Regulations, intended to define the reference framework for the exercise of direction and coordination activity over all the Group subsidiaries by TIM S.p.A., establishing its principles, limits, scope and procedural arrangements. The document is available on the Company website at [www.inwit.it](http://www.inwit.it), in the Governance System section.

## **18. CHANGES SINCE THE END OF THE REFERENCE YEAR**

Nothing to indicate.

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

The letter of the Chairman of the Italian Corporate Governance Committee was circulated to the Control and Risk Committee (which in INWIT is also competent for monitoring best practice in governance issues) in its meeting on 28 February 2018, which reviewed the overall approach of this Report, in light of the "Format" published by Borsa Italiana on 30 January 2018.

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

- the Company considers the level of transparency assured to its governance practices to be adequate, including with reference to the topic of information in advance of board meetings, which was the object of special attention also in the Board self-assessment (see point 5.3 of the Report);

- the Company has adopted a contractual clawback mechanism as described in the Remuneration Report. With reference to the variable components of long term remuneration, the Shareholders' Meeting to be held on 13 April 2018 is called on to review a proposed long term plan intended to introduce this measure among the company's remuneration policy tools;
- the Company does not feel the need to institute a permanent board committee focussed on issuing opinions/recommendations regarding the composition of the Board (an activity that is apparently relevant before renewal of the board and before the formulation of the guidance for the Shareholders' Meeting), on the selection of candidates before the replacement of any independent directors who might have ceased to hold office, on the accumulation of offices by the Directors (in the presence of a predefined limit, not reached by anyone, so far), since said activity is effectively carried out by the Nomination and Remuneration Committee (see paragraph 5.2, Self-Assessment). Finally, the Company does not feel that the considerations of the Italian Corporate Governance Committee on succession plans (see point 5.1 of the Report), assessments of the possession of the requirements of independence by Directors (see point 5.6 of the Report) or the process and content of the board review activity (see point 5.3 of the Report) are applicable to INWIT.

**TABLE 1: INFORMATION ON SHARE OWNERSHIP**

<b>SHARE CAPITAL STRUCTURE</b>				
	No. shares	% of share capital	Listed (indicate markets) / non listed	Rights and obligations
<b>Ordinary shares</b>	600,000,000	100.00	Listed on Borsa Italiana S.p.A.	Voting rights at Ordinary and Extraordinary Meetings
<b>Shares with limited voting rights</b>	Not applicable	=	=	=
<b>Savings shares</b>	Not applicable	=	=	=

<b>OTHER FINANCIAL INSTRUMENTS</b> (ATTRIBUTING THE RIGHT TO SUBSCRIBE NEWLY ISSUED SHARES)				
	Listed (indicate markets) / non listed	No. of instruments in circulation	Category of shares available for conversion/subscription	No. of shares available for conversion/subscription
<b>Convertible bonds</b>	Not applicable	=	=	=
<b>Warrants</b>	Not applicable	=	=	=

<b>MAJOR SHAREHOLDINGS</b>				
<b>Declarant or party at the top of the chain of holdings</b>	Indirect shareholder	Direct shareholder	% of ordinary capital	% of voting capital
<b>Vivendi S.A. (*)</b>	<b>Vivendi S.A. (*)</b>	<b>Telecom Italia S.p.A.</b>	60.03%	60.03%

(\*) In the notification of major shareholdings pursuant to art. 120 of the CLF, performed on 19 September 2017, Vivendi S.A. stated that: "This communication is made by Vivendi S.A., after communication no. 0106341 of 13 September 2017, with which Consob stated that it had "reached the conclusion that - following the shareholders' meeting of 4 May 2017, in which Vivendi appointed the majority of the directors of TIM - Vivendi itself exercises control over TIM pursuant to articles 2359, subsection 1, no. 2, of the Italian Civil Code and art. 93 of the CLF, as well as pursuant to the Consob RPT Regulation." Vivendi S.A. challenges the conclusions set out in the aforementioned communication no. 0106341 of 13 September, in any event reserving the right to take the advisable initiatives."

**TABLE 2: STRUCTURE OF BOARD OF DIRECTORS AND COMMITTEES**

Board of Directors													Control and Risk Committee		Nomination and Remuneration Committee	
Position	Members	Year of Birth	Date of first appointment *	Serving since	Serving until	Slate **	Exec.	Non exec.	Independ. Code	Independ. CLF	No. other offices ***	(*)	(*)	(**)	(*)	(**)
Chairman	PROFUMO Francesco	1953	15/05/2015	15/05/2015	31/12/2017	M				X	2	8/8				
CEO ◊ •	CICCHETTI Oscar	1951	14/01/2015	14/01/2015	31/12/2017	M	X				-	8/8				
Director	BRUNO Paola	1975	21/12/2015	21/12/2015	31/12/2017	M			X	X	2	8/8			9/9	M
Director	CEPELLINI Primo	1963	15/05/2015	15/05/2015	31/12/2017	M			X	X	-	8/8	9/9	M		
Director	FINOCCHI MAHNE Cristina	1965	15/05/2015	15/05/2015	31/12/2017	M			X	X	4	7/8			9/9	C
Director	FOTI Alessandro	1963	15/05/2015	15/05/2015	31/12/2017	M			X	X	2	8/8	7/9	M		
Director	GENTILI Giuseppe	1949	10/06/2016	10/06/2016	31/12/2017	M			X	X	-	7/8			7/9	M
Director	GUARNA Luca Aurelio	1972	20/04/2017	20/04/2017	31/12/2017	M			X	X	-	4/4	6/6	M	3/3	M
Director	IACOZZILLI Venanzio	1957	14/01/2015	07/11/2017	31/12/2017	M		X			-	2/2				
Director	NUZZOLO Agostino	1968	20/04/2017	20/04/2017	31/12/2017	M		X			-	4/4				
Director	ORLANDO Saverio	1957	16/03/2017	16/03/2017	31/12/2017	M		X			-	7/7				
Director	PASSEGGIO Filomena	1952	20/04/2017	20/04/2017	31/12/2017	M			X	X	1	4/4	6/6	M	3/3	M
Director	PELUSO Piergiorgio	1968	15/05/2015	15/05/2015	31/12/2017	M		X			-	7/8				
Director	RECCHI Giuseppe	1964	20/04/2017	20/04/2017	31/12/2017	M		X			2	3/4				
Director ◊	SCHWIZER Paola	1965	15/05/2015	15/05/2015	31/12/2017	M			X	X	2	8/8	9/9	C		

**DIRECTORS WHO RESIGNED DURING THE REFERENCE FINANCIAL YEAR**

Director	COLACCHIA Elisabetta	1974	15/05/2015	15/05/2015	31/07/2017	M		X			-	5/6				
Director	IACOZZILLI Venanzio		14/01/2015	14/01/2015	08/03/2017	M		X				1/1				

**No. meetings held during the reference financial year: Board of Directors 8 Control and Risk Committee 9 Nomination and Remuneration Committee 9**

**Quorum required to submit slates by the minorities for the election of one or more members (for the purposes of art. 147-ter of the CLF): 1.0%**

**NOTES**  
 The symbols given below must be included in the "Office" column:  
 • This symbol means the director in charge of the internal control and risk management system.  
 ◊ This symbol means the main person responsible for managing the issuer (Chief Executive Officer or CEO).  
 • This symbol indicates the Lead Independent Director (LID).  
 § Independent Director and member of the Nomination and Remuneration Committee till 3 May 2016.  
 \* Date of first appointment of each director means the date on which the director was appointed for the first time (overall) to the BoD of the issuer.  
 \*\* This column indicates the slate from which each statutory auditor was chosen ("M": majority slate; "m": minority slate; "BoD": slate presented by the BoD). The slate voting system was not applied for the appointment of the Board of Directors currently in office, which occurred before the shares of the Company were admitted to trading.  
 \*\*\* This column indicates the number of offices as director or statutory auditor held by the person concerned in other companies listed in regulated markets, including foreign markets, in finance, banking, insurance or other sizeable companies. The appointments are set out in full in the Corporate Governance Report.  
 (\*) This column shows the attendance of the directors respectively at the Board of Directors and Committee meetings (the number of meetings attended is indicated with respect to the total number of meetings he/she could have attended; such as 6/8; 8/8, etc.).  
 (\*\*) This column shows the status of the Director within the Committee: "C": chair, "M": member.

Below is a list of the **positions held by the Directors** currently in office, in companies included in the FTSE/MIB index, or in companies operating predominantly in the financial sector in relation to the public (appearing in the lists in Articles 106 and 107 of Legislative Decree no. 385 of 1 September 1993), or in companies that perform banking or insurance activities, considered significant pursuant to chapter three "Composition of the Board of Directors" paragraph 3.2 of the Inwit Corporate Governance Principles.

<b>Francesco Profumo</b>	Executive Chairman of the Compagnia di San Paolo Foundation; Director of FIDIA S.p.A.
<b>Oscar Cicchetti</b>	//
<b>Paola Bruno</b>	Independent director of: Alerion Clean Power S.p.A. and SEC S.p.A.
<b>Primo Ceppellini</b>	//
<b>Cristina Finocchi Mahne</b>	Independent director of: Banco di Desio e della Brianza S.p.A.; Trevi S.p.A.; Natuzzi S.p.A.; Italiaonline S.p.A. (formerly Seat Pagine Gialle S.p.A.)
<b>Alessandro Foti</b>	Bod member of di Ynap S.p.A.; Independent director of Burgo Group S.p.A.
<b>Giuseppe Gentili</b>	//
<b>Luca Aurelio Guarna</b>	//
<b>Venanzio Iacozzilli</b>	//
<b>Agostino Nuzzolo</b>	//
<b>Saverio Orlando</b>	//
<b>Filomena Passeggio</b>	Independent director of Caltagirone S.p.A.
<b>Piergiorgio Peluso</b>	//
<b>Giuseppe Recchi</b>	Deputy Chairman of TIM S.p.A.; Independent director of UnipolSai Assicurazioni S.p.A.
<b>Paola Schwizer</b>	Independent director of Credito Emiliano S.p.A. and Servizi Italia S.p.A.

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

**Board of Statutory Auditors**

Position	Members	Year of Birth	Date of first appointment *	Serving since	Serving until	Slate **	Independence as per Civil Code	Attendance at Board meetings***	Number of other offices****
Chairman	BIGNAMI Enrico Maria	1957	14/01/2015	14/01/2015	31/12/2017	M	X	18/18	19
Standing auditor	LA COMMARA Umberto	1967	14/01/2015	14/01/2015	31/12/2017	M	X	18/18	13
Standing auditor	ZEME Michela	1969	14/01/2015	14/01/2015	31/12/2017	M	X	18/18	4
Alternate auditor	MENICUCCI Elisa	1980	14/01/2015	14/01/2015	31/12/2017	M	X	=	=
Alternate Auditor	PAOLUCCI Guido	1969	14/01/2015	14/01/2015	31/12/2017	M	X	=	=

**Number of meetings held during the reference year: 18**

**Quorum required to submit slates at last appointment: not applicable\*\*\*\*\***

**NOTES**

- \* Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time (overall) to the Board of Statutory Auditors of the issuer.
- \*\* This column indicates the slate from which each statutory auditor was chosen (“M”: majority slate; “m”: minority slate). The slate voting system was not applied to the appointment of the Board of Statutory Auditors currently in office, since it was appointed at the time the company was constituted.
- \*\*\* This column shows the attendance of the auditors at the Board of Statutory Auditors meetings (the number of meetings attended is indicated with respect to the total number of meetings he/she could have attended).
- \*\*\*\* This column indicates the number of offices as director or statutory auditor held by the person concerned, considered significant pursuant to Article 148-bis of the CLF and the relative implementing provisions contained in the Consob Issuer Regulations. The complete list of offices held is published by Consob on its website, pursuant to article 144-*quinquiesdecies* of the Consob Issuer Regulations.
- \*\*\*\*\* The Board of Statutory Auditors was appointed when the Company was constituted.