



SUSTAINABLE SUPPLY CHAIN INSIGHTS

June 2024

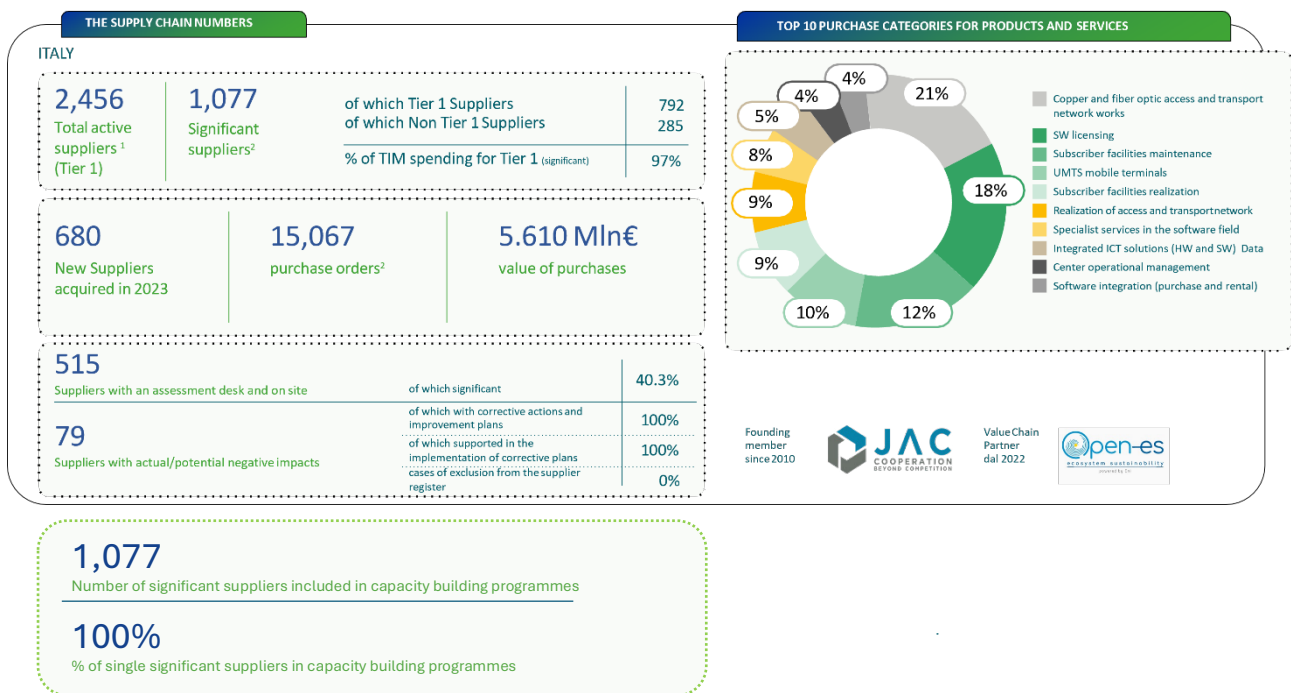
We select suppliers by evaluating their commitment to sustainability

Transparency, collaboration, free competition, respect of human rights and quality are the values on which our relationship with suppliers is based.

We have also undertaken a path towards a sustainable Supply Chain with the aim of increasing the environmental, economic and social value of this relationship over time.

We identify significant suppliers based on their relevance to the business and aspects related to ESG (environmental, social and governance) dimensions, adopting methodologies based on specific risks relating to the country, sector and type of product/service.

The Supply Chain numbers:



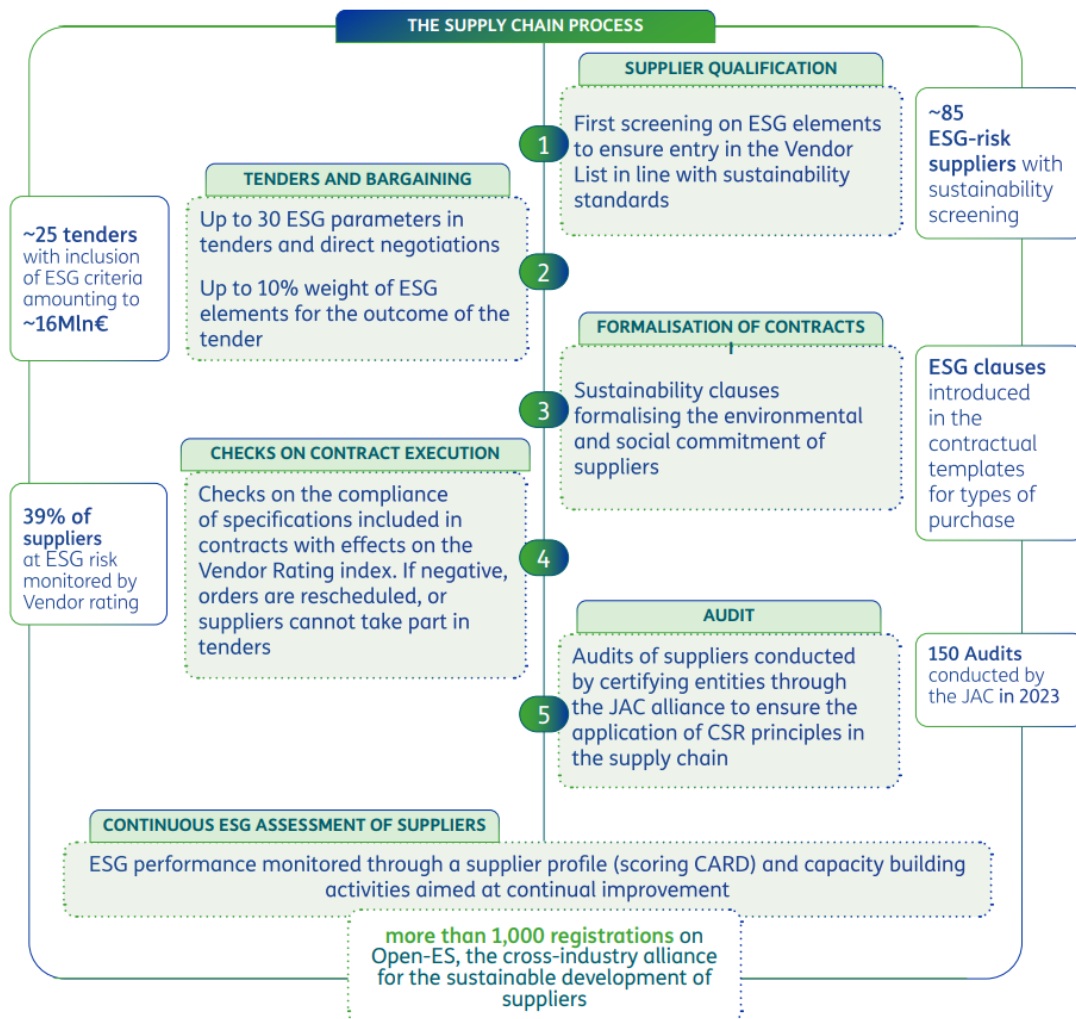
¹ Suppliers with order and expected delivery in 2023

² Suppliers with order ≥€500,000 and sustainability risk >€250,000.

The following targets are set for FY 2023:

- Total number of suppliers subjected to desk/on-site assessment: 500
- Number of significant suppliers with negative impacts supported in the implementation of corrective action plans: 79
- Percentage of significant suppliers included in capacity building programs: 100%

Sustainability of the supply chain reduces Scope 3 emissions, considering that purchases account for over 80% of the company’s total emissions and **improves market performance** because it stimulates suppliers to seek innovative, efficient and low emission impact solutions. We have therefore introduced **ESG control elements** at all stages of the purchasing process.



Policies and programmes related to the implementation of a sustainable supply chain are subject to supervision by the Group’s Board of Directors and the Procurement function at executive level, in order to ensure consistency between the vision and the implementation of the same policies. In addition, **purchasing practices** towards suppliers **are periodically reviewed** to ensure alignment with our Code of Conduct (which is mandatorily applied to all our suppliers) and avoid potential conflicts with ESG requirements.

We also support our supply chain towards continuous improvement on ESG issues, **training internal stakeholders** involved in the purchasing process and our **suppliers** on technical aspects, requirements and Group **ESG programs**, carrying out **ESG benchmarking** activities with respect to peer and best practices, implementing **screening and assessment activities** to build ESG skills and carry out any corrective actions.

Focus on the Supply Chain Process

Supplier qualification

In the qualification phase of our suppliers we require that their practices should be in line with our company principles and policies on ESG and with our **commitments in terms of human rights and labour** (for example regarding forced labour and child labour, adequate working conditions, health and safety at work, discrimination and harassment, freedom of association and collective bargaining), **environmental impact** (emissions, pollution prevention and waste management, protection and promotion of natural habitats, forest areas, biodiversity and soil management) and **business ethics** (anti-corruption and conflict of interest, anti-competition).

Regarding suppliers with ESG risk, identified on the basis of the geographical area in which they operate (Asia, Central and South America, North Africa, Eastern Europe) we carry out an assessment based on the compilation of an ESG questionnaire - which is obligatory in order to access our Suppliers Register- for the assessment of potential violations of environmental regulations, human rights and working conditions.

- **Suppliers at ESG risk: 85**
- **% of total suppliers: 0,03 %**

Since 2022 we have also become **Value Chain Partners** of the **Open-es** alliance that, through a common platform and an ESG questionnaire based on international standards, allows us to carry out shared assessments of the ESG performance of suppliers.

- **TIM suppliers registered with Open-es with ESG questionnaire at the end of 2023: 1022**

The ESG assessment activity as a whole (desk and on-site) is aimed at verifying **the supplier's compliance with the ESG requirements** provided by TIM, including the systematic request for supporting evidence and, in case of non-alignment within certain timeframes, it entails the exclusion of the same from the list of suppliers.

In 2023, more than 200 significant suppliers underwent **desk evaluation**, and cases with impacts that were evaluated as actually/potentially negative were identified.

If necessary, we provide our suppliers with corrective actions and improvement plans and support them in their implementation (both remotely and on site), also through the definition of capacity building programs. In FY 2023, there was no need to exclude any supplier from the list of suppliers.

Execution of the contract

In contracts we insert standard clauses that commit suppliers to respect **TIM's Code of Ethics**. In addition, we are beginning to insert specific **ESG clauses** for the purchased product/service.

In order to verify the conformity of the performance of the product/ service to the requests expressed during the choice of the supplier, we conduct **on-site verification activities with our employees** that help define the performance of the supplier and define the «vendor rating» score.

EXAMPLE OF ESG TECHNOLOGICAL WASTE CONTRACTUAL CLAUSES

- End of Waste (EoW) certification required, recyclability percentage and recycling reports;
- Power to terminate the contract in case of non-compliance even with a single environmental protection clause.

We evaluate suppliers' performance on the basis of audits to verify the compliance of the technical characteristics of the products or the performance of services. The results are synthesized in indicators of Vendor Rating that, if negative, lead to the remodeling of the orders or in non-participation in contests.

Examples of ESG elements for vendor rating

- Contract for Work on copper and fiber optics Access and Transport Networks: **safety and environmental protection** aspects are taken into account and then checks are carried out to verify the **energy consumption** parameters.

External audits

In order to promote sustainability throughout the value chain, we plan **on-site verification activities also using third parties**, such as the JAC (Joint Audit Cooperation) or certification bodies, with the aim of assessing suppliers' compliance with the main industry standards and methodologies in ESG, such as SA8000 and ISO14001, and identify any corrective actions and improvement plans with our suppliers. The multi-stakeholder initiative JAC, founded in 2010 by Orange, Deutsche Telekom and TIM³, is a collective of telecommunications companies that aims to promote safe and fair working conditions, as well as responsible management from an economic, social and environmental point of view.

In the event that third-party audits lead to the detection of non-compliance with the required standard or methodology, a CAP (Corrective Action Plan) is defined in order to commit the supplier to resolve the non-compliance within the deadlines set out in the same Plan. Where appropriate, and without prejudice to the independent responsibility of the supplier/partner, TIM may allow access to specific training activities, with a view to mutual cooperation. Such access can be, for example, to the Open-ES platform, which supports and guides suppliers in defining a growth plan for their ESG performance, to the JAC Academy project, which, through a "supplier development program", contributes to their training on ESG issues.

➤ Main activities:

- socio-environmental audits on common Supply Chain suppliers;
- Tables on Scope 3, zero waste, circular economy and human rights to implement shared solutions;
- Capacity building activities for suppliers;

➤ The numbers:

- 27 members in 16 different countries representing over 51% of the Top 50 worldwide turnover;
- On-site checks in 45 countries since 2010;
- 1060 Audits conducted (150 of which in 2023);
- Over 1.5 million workers involved in total.

³ The following companies subsequently joined the JAC initiative: Proximus, KPN, Swisscom, Vodafone Group in 2011; Telenor and Telia Company in 2012; Verizon in 2013; AT&T and Telefónica in 2016; Mobile Tele System and Telstra in 2018; Elisa OYJ in 2019; TDC, MTN, and British Telecom in 2021; NTT in 2022. By the end of 2023, 27 telephone operators from all over the world were part of the association. For further information on the Joint Audit Cooperation, please refer to the following web page: <https://jac-initiative.com/>.