

Telecom Italia S.p.A. Report on corporate governance and share ownership for the 2012 financial year

pursuant to art. 123-bis CFL

(Report approved by the Board of Directors at its meeting of 7 March 2013)

Telecom Italia S.p.A.
Registered Office in Milan at Piazza degli Affari 2
General Administration and Secondary Office in Rome at Corso d'Italia 41
PEC (Certified electronic mail) box: telecomitalia@pec.telecomitalia.it
Share capital 10,693,628,019.25 euros fully paid up
Tax Code/VAT Registration Number and
Milan Business Register Number 00488410010

Contents

1. Introduction	Page	5
2. Information on share ownership (pursuant to art. 123 bis CFL)	Page	6
a) Share capital structure	Page	6
b) Restrictions on transfer of securities	Page	6
c) Significant shareholdings	Page	6
d) Securities that confer special rights of control	Page	6
e) Employee shareholdings: mechanism for exercising voting rights	Page	7
f) Restrictions on voting rights	Page	7
g) Shareholders' agreements	Page	7
h) Change of control clauses and statutory provisions on tender offer	Page	8
i) i) Authorisation to increase share capital and share buy-back	Page	9
j) Management and coordination	Page	10
3. Compliance	Page	11
4. Board of Directors	Page	12
4.1 Appointment and replacement	Page	12
4.2 Composition	Page	12
4.3 Role of the Board of Directors	Page	14
4.4 Delegated bodies	Page	16
4.5 Other executive Directors	Page	16
4.6 Independent directors	Page	17
4.7 Lead Independent Director	Page	17
5. Handling of corporate information	Page	18
6. Board committees	Page	19
7. Nomination and Remuneration Committee	Page	19
8. Remuneration of directors, general managers and key managers with strategic responsibilities	Page	20
9. Control and Risk Committee	Page	21
10. Internal control and risk management system	Page	21
10.1 Director in charge of the Internal control and risk management system	Page	24
10.2 Head of audit department	Page	25
10.3 Organisational model pursuant to legislative decree 231/2001	Page	26
10.4 Independent Auditor	Page	27
10.5 Manager responsible for preparing the corporate accounting documents and other corporate roles and functions	Page	27
10.6 Coordination of subjects involved in the internal control and risk management system	Page	28
11. Interests of Directors and transactions with related parties	Page	30
12. Appointment of Statutory Auditors	Page	32
13. Composition and operation of the Board of Statutory Auditors	Page	32
14. Shareholder relations	Page	35
15. Shareholders' Meetings	Page	35
16. Further corporate governance practices	Page	36
17. Changes since the end of the reference year	Page	36

Tables

Table 1 – Information on share ownership	Page	37
• Capital structure up to 31 December 2012	Page	37
• Significant shareholdings	Page	37
Table 2 – Structure of the Board of Directors and Committees and other positions held	Page	38
Table 3 – Structure of the Board of Statutory Auditors	Page	40

1. Introduction

The purpose of this Report is to provide an update on the general framework of the corporate governance system in force in Telecom Italia in 2012.

Telecom Italia's system of corporate governance, structured according to the traditional model, is in line with the principles contained in the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana (available at the website www.borsaitaliana.it). At the end of 2012, the Company abrogated its own internal code, considered obsolete, and adopted some corporate governance Principles that derogate and/or supplement the framework of applicable rules regarding the duties and operation of the corporate bodies, referring to the principles and criteria of the Borsa Italia Code (December 2011 edition) for the remainder.

In relation to the internal Code previously in force, the new corporate governance Principles:

- reaffirm the responsibilities of the Board of Directors, with a greater focus on the internal control and risk management system;
- simplify the listing of strategic operations subject to prior board resolutions, making clear that the listing is given by way of example;
- confirm the principles by which the Board operates, introducing the principle of advance scheduling of Board agenda items;
- confirm the presence of a Lead Independent Director and three Board committees: the Executive Committee, the Nomination and Remuneration Committee, and the Control and Risk Committee (which replaces and incorporates the responsibilities of the Committee for Internal Control and Corporate Governance);
- transfer the issue of the annual appraisal of the Board of Directors from the Committee for Internal Control and Corporate Governance to the Nomination and Remuneration Committee;
- introduce specific references to the procedures designed to assure that the undertakings given to the Brazilian and Argentine authorities to ensure the "separateness" of Telefónica in the management of the Group's South American subsidiaries are respected;
- renew the internal control and risk management system rules in their entirety.

The articles regarding the management of corporate information, transactions with related parties, shareholders' meetings and relations with investors and shareholders have been abolished.

The corporate governance Principles can be consulted on the Company website www.telecomitalia.com, Governance section - Governance System/Codes channel.

In June 2012 the Board of Directors reviewed the Procedure for the management of transactions with related parties (approved in November 2011). The revisions – made as a result of the first year of application of the rules – involved a series of clarifying amendments, with no changes to the authorisation system or investigatory powers in force. The new Procedure for the management of transactions with related parties can also be consulted on the Company website www.telecomitalia.com, Governance section - Governance System/Procedures channel.

The Board then started a process of reviewing the governance documents of the Company in the month of December, focussing in particular on the Code of Ethics and Conduct and the Organisational Model pursuant to legislative decree 231/2001. Regarding the Code of Ethics, a step-wise process was defined which led to a first supplement of the text in force, with a small number of targeted interventions, in December 2012, with the intention of proceeding to a general rewriting of the document by the end of 2013. The interventions on the Organisational Model pursuant to legislative decree 231/2001, adopted in January 2013, involved the incorporation of the new predicate offences of corruption between private subjects and unlawful inducement to promote or give profit to a public official/public service employee, with a consequent rewriting of the control schemes. In the meantime a specific policy on anti-corruption matters had already been adopted, as a systematic reference framework for the prohibition of corrupt practices (December 2012).

2. Information on share ownership

(pursuant to Article 123-bis, subsection 1, CFL)
as at 31 December 2012

► a) Share capital structure

The subscribed and paid-up share capital is shown in Table 1.

The Company's ordinary and savings shares are listed on the Italian Stock Exchange (Borsa Italiana), as well as on the New York Stock Exchange in the form of American Depositary Shares, each corresponding to 10 ordinary or savings shares, respectively, represented by American Depositary Receipts issued by JPMorgan Chase Bank. The characteristics of the savings shares are governed by Article 6 of the Bylaws (available on the website www.telecomitalia.com, Governance section - Governance System/Company Bylaws channel).

In relation to Telecom Italia's existing share-based incentive plans and the share capital increases to service these plans, reference should be made to the description in the note "Remuneration plans in the form of shareholdings in the Company capital" of the Company's separate financial statements as at 31 December 2012 and to the information documents made available to the public pursuant to Article 84-bis of CONSOB Issuer Regulations, available on the website www.telecomitalia.com, Governance Section - Remuneration Channel.

► b) Restrictions on transfer of securities

There are no limitations under the Company Bylaws on the transferability of shares issued by the Company, except as provided for in Article 22 of the Bylaws in relation to the special powers of the Minister of Economy and Finance under Law 474/1994, which include the power to oppose the acquisition of shareholdings of over 3% of the capital with voting rights.

The current share-based incentive plans (such as the proposals in the "Long Term Incentive Plan 2013" and the new share ownership plan for all employees) have no lock-up requirements, apart from the forfeiture of the right to the assignment of matching shares if the investment is not retained by the recipients of the initiative. Furthermore, for serving Executive Directors in office only, the Long Term Incentive Plan 2011 has a two-year contractual lock-up provision, with the assigned ordinary shares on deposit with the Company.

► c) Significant shareholdings

Significant holdings in the ordinary capital of Telecom Italia are shown in Table 1 - Information on share ownership.

► d) Securities that confer special rights of control

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

In the configuration as at 7 March 2013, the special powers of the Minister of Economy and Finance under Law 474/1994, referred to in Article 22 of the Bylaws (which do not depend on having a shareholding in the Company capital), are as follows:

- to object to the acquisition of shareholdings equal to or greater than 3% of the share capital represented by shares that confer the right to vote in ordinary shareholder's meetings. If the Minister believes that the transaction is prejudicial to the vital interests of the State, the objection must be expressed in a reasoned opinion within 10 days of notification by the Company upon the purchaser's application to be registered in the shareholders register. The decision to exercise the power of veto may be appealed against within sixty days by the transferee shareholders before the Regional Administrative Court of Lazio.
- to veto, duly stating reasons relating to the actual prejudice caused to the vital interests of the State, the adoption of resolutions for the dissolution of the Company, transfer of the operations, merger, demerger, transfer of the registered office abroad, change of company purpose and that cancel or modify said special powers. The decision to exercise the power of veto may be appealed against within sixty days by the dissenting shareholders before the Regional Administrative Court of Lazio.

The Official Gazette published Legislative Decree no.21/2012 on 15 March 2012, which contains "Regulations on the matter of special powers on share ownership in the sectors of defence and national security, and as well as activities of strategic importance in the sectors of energy, transport and communications". The regulations provide that, at the moment the Prime Ministerial decrees come into force identifying "the networks and systems, goods and relationships of strategic importance for the communications [...] sector", the statutory

clauses on special powers will cease to have effect. Expressed in its briefest form, the new regulations provide:

- a power to impose conditions and possibly to oppose the purchase, for any reason whatever, by non-EU citizens, of controlling shareholdings in companies which hold strategic assets identified as above. Purchase is in any case permitted solely on condition of reciprocity;
- a power of veto (including in the form of imposition of prescriptions or conditions) on any resolution, act or transaction which has the effect of modifying the ownership, control or availability of said strategic assets or changing their destination, including resolutions of merger, demerger, transfer of registered office abroad, transfer of the company or business units which contain the strategic assets or their assignment by way of guarantee.

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

No specific methods or limits on the ways in which employee shareholders can exercise their voting rights are prescribed, irrespective of the provenance of the shares held (including from specific employee share plans).

▶ **f) Restrictions on voting rights**

There are no restrictions on voting rights of shares constituting the ordinary share capital of Telecom Italia. However, pending expiry of the term for exercising the power to object to the acquisition of shareholdings greater than 3% of ordinary share capital, pursuant to Article 22 of the Bylaws, the right to vote connected to shares representing the relevant shareholding is suspended. Similarly, the right to vote cannot be exercised if said power of objection is exercised.

Savings shares are not granted the right to vote at ordinary shareholders' meetings.

▶ **g) Shareholders' Agreements**

Telecom Italia's main shareholder is Telco S.p.A. (Telco), a company that is in turn currently owned by: Intesa Sanpaolo S.p.A. (11.62%), Mediobanca S.p.A. (11.62%), companies belonging to the Generali Group (30.58%) and Telefónica S.A. (46.18%).

* * *

On 29 February 2012 the shareholders of Telco terminated the shareholders' agreement initially made on 28 April 2007, and then amended on 25 October 2007, 19 November 2007, 28 October 2009, 11 January 2010 and 10 December 2010, and made a new shareholders' agreement, on the same terms and conditions as the existing one, with a duration until 28 February 2015.

Furthermore, each party

- may request the de-merger of Telco by sending a communication to the other parties between 1 August and 28 August 2014, with an obligation to give effect to the de-merger within the subsequent 6 months;
- may withdraw from the agreement and request the de-merger of Telco by sending a communication to the other parties in the period between 1 September and 28 September 2013, with an obligation to give effect to the de-merger within the subsequent 6 months.

The agreement defines, among other things, the criteria for the composition of the slate of candidates for appointment to the Board of Directors of Telecom Italia:

- Telefónica, insofar as it holds at least 30% of Telco's share capital, will be entitled to designate two candidates;
- the other shareholders of Telco, as they hold the absolute majority of its share capital, have the right to designate the other members on the slate, of whom three candidates unanimously and the others on a proportional basis.

The shareholders' agreement provides that the Telecom Italia Group and the Telefónica Group are managed autonomously and independently. In particular, the Board members designated by Telefónica to serve in Telco and Telecom Italia are instructed by Telefónica not to attend or vote in board meetings that examine proposals and resolutions regarding the policies, management and operations of companies directly or indirectly controlled by Telecom Italia and that provide their services in countries where legal or regulatory restrictions or limitations concerning the exercise of voting rights by Telefónica are in force. In addition, specific provisions and prohibitions regarding Brazil and Argentina take account (i) of the prescriptions imposed by the Brazilian telecommunications authority (Anatel) and (ii) the "Compromiso" signed before the Comisión Nacional de Defensa de Competencia of Argentina (CNDC) on 6 October 2010 by the contracting parties, by Telco and – as intervening parties in order to execute the obligations assumed – by Telecom Italia, Telecom Italia International

N.V., Sofora Telecomunicaciones SA, Nortel Inversora SA, Telecom Argentina SA, Telecom Personal SA, Telefónica de Argentina SA, and Telefónica Mviles SA.

Consistently with the provisions of the agreement, board members Alierta and Linares undertook at the time of their appointment not to participate in the discussion and voting of the Board of Directors (as well as of the Executive Committee) when matters are proposed or discussed that relate to the activities of the Company and its subsidiaries in the telecommunications markets of Brazil and Argentina, as well as, in general, in all cases where there could be possible prejudice to the Telecom Italia Group.

At the same time as signing the new shareholders' agreement, Telco and Telefónica renewed and extended to 28 February 2015 the option to purchase shares in the Company initially agreed on 6 November 2007 and then amended on 28 October 2009. In accordance with the existing agreement, in the case of dissent by Telefónica from the decision by the Telco Board of Directors to transfer or set up encumbrances on the Telecom Italia shares in its portfolio, Telefónica could alternatively purchase the Telecom Italia shares from Telco at the same price and under the same conditions offered by a third party proposing to buy them, or require the de-merger of Telco.

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

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

This obligation, provided for by national legislation governing the certificates of permission, is first of all referred to in the general authorisation certificates granted to Telecom Italia for operating and providing the network together with the supply of electronic communications services; the same obligation is specified in the general concession/authorisation certificates granted to the subsidiary TI Media as network operator and content provider. A similar obligation is regulated by local legislation and specified in the concession/license certificates of telecommunications services granted to foreign subsidiaries of the Group.

Telecom Italia is also party to agreements in which the change of control involves a modification or even the cancellation of the facility. Other agreements, however, not related to financing, are subject to confidentiality constraints, such that the disclosure of the presence of this clause would be seriously detrimental to the Company, which therefore exercises the right not to make a disclosure on this point, pursuant to Article 123-bis of CFL, subsection 1, letter h), second part. In other cases, the agreement is not considered significant.

The following cases remain, all of which relate to financing agreements:

- Multi currency revolving credit facility (8,000,000,000 euros). The agreement was signed by Telecom Italia with a syndicate of banks on 1 August 2005, and subsequently amended. In the event of a change of control, Telecom Italia must inform the agent within 5 working days and the agent, on behalf of the financing banks, will negotiate in good faith to determine how to continue the relationship. Neither party shall be obliged to continue such negotiation beyond the term of 30 days; upon expiry of the term, in the absence of agreement, the facility will cease to be effective and Telecom Italia will be required to return sums paid to the same (currently equal to 2,000,000,000 euros). No change of control arises should the control be acquired (i) by shareholders who, at the date of signature of the agreement, directly or indirectly, held more than 13% of the voting rights at the shareholder's meeting, or (ii) by the parties to the Telco shareholder's agreement signed on 28 April 2007, or (iii) by a pool of subjects belonging to these two categories;
- Revolving credit facility (200,000,000 euros). The agreement was signed between Telecom Italia and Unicredit S.p.A. on 20 December 2010, and envisages regulations corresponding to those described above. Currently the line is not used.
- Notes. The regulations of loans issued within the framework of the EMTN Programme and loans denominated in U.S. dollars typically state that, in the case of merger or transfer of all or substantially all of the assets of the issuing company or surety, the incorporating or transferee company must assume all the obligations of the incorporated or transferred company. Failure to comply with this obligation, if not rectified, constitutes an event of default;
- Contracts with the European Investment Bank (EIB). (i) In the first set of contracts for an amount of 2.65 billion euros, there is an obligation to promptly notify the Bank of any amendments to the Bylaws or the distribution of capital among the shareholders that may lead to a change of control. Failure to provide this notification entails the termination of the contract. In addition, if a shareholder who at the date of signature of the contract does not hold at least 2% of the share capital comes to hold more than 50% of the voting rights at the ordinary Shareholders' Meeting, or in any event, of the share capital, and, according to the reasonable opinion of the Bank, this could prejudice or compromise the execution of the funding project, the Bank has the right to require Telecom Italia to arrange guarantees or amendments to the contract or an alternative solution. If Telecom Italia does not

comply with the EIB's request, the latter has the right to terminate the contract. In the funding contract agreed on 5 August 2011, for an amount of 100 million euros, and in the three contracts agreed on 26 September 2011, for a total amount of 200 million euros, the obligation was specified for Telecom Italia to notify the Bank immediately of any substantial alteration regarding the Company Bylaws or its shareholder ownership. Failure to provide this notification entails the termination of the contract. Under the terms of the four contracts under examination, a change of control is produced if a party or group of parties acquire control of Telecom Italia, or of the entity that directly or indirectly controls it. A change of control is not brought about if control is acquired directly or indirectly by any shareholder who at the date of the contract holds directly or indirectly at least 13% of the voting rights in the ordinary shareholders' meeting or by the investors Telefonica S.A., Assicurazioni Generali S.p.A., Intesa San Paolo S.p.A. or Mediobanca S.p.A. or subsidiaries thereof. In the event that a change of control occurs, the Bank shall have the right to require immediate repayment of the loan;

- Export Credit Agreement (remaining nominal amount of 12,524,650.66 euros at 31 December 2012). The agreement was signed in 2004 between Telecom Italia and Société Générale and provided for repayment of the loan in April 2013. It was established that, in case of change of control and subsequent failure to reach an agreement with the lending bank, Telecom Italia would have to repay the remaining quota of the loan still outstanding on the first due date for the payment of interest.

► i) Authorisation to increase share capital and share buy-back

Under the provisions of Article 5 of the Bylaws, the Directors are given the right to increase the share capital as follows:

- for five years from 8 April 2009, for a maximum nominal total sum of 880,000,000 euros, by the issue, with or without share premium, of a maximum of 1,600,000,000 ordinary shares, to be offered with the right of pre-emption to persons having entitlement, or, even if only for some of the shares, to be offered by subscription to employees of Telecom Italia S.p.A. or its subsidiaries, with the exclusion of the right of pre-emption;
- for five years from 29 April 2010, to service the “Long Term Incentive Plan 2010-2015” for a maximum amount of 5,000,000 euros by assignment of the corresponding maximum amount of profits, with the issue of a sufficient number of new ordinary shares for the assignment of one free share for every paid share subscribed, subject to the terms and conditions and by the methods specified in the “Long Term Incentive Plan 2012-2015”. In light of the maximum increase in share capital for cash resolved by the Board of Directors on 7 March 2013 to service the “Long Term Incentive Plan 2010-2015”, the maximum number of matching shares must be understood to have been recalculated as shares, for a maximum amount of euros.....;
- for five years from 12 April 2011, to service the “Long Term Incentive Plan 2011”, as follows:
 - (i) for cash, by the issue of new ordinary shares, for a maximum amount of 5,000,000 euros, excluding the right of pre-emption, to be reserved for some of the employees who are beneficiaries of the “Long Term Incentive Plan 2011”, and then, subsequently (ii) for a maximum amount of 5,000,000 euros, by allocation of the corresponding maximum amount of profits or retained profits, by the issue of a sufficient number of ordinary shares in the number necessary for the allocation of one free share for each paid share, subject to the terms and conditions and by the methods specified in the “Long Term Incentive Plan 2011”;
 - by a maximum amount of 5,500,000 euros by allocation of the corresponding maximum amount of profits or retained profits pursuant to article 2349 of the Italian Civil Code, by the issue of ordinary shares reserved to a part of the employees who are beneficiaries of the “Long Term Incentive Plan 2011”, subject to the terms and conditions and by the methods specified in the “Long Term Incentive Plan 2011”.
- for five years from 15 May 2012, to service the “Long Term Incentive Plan 2012”, as follows:
 - (i) for cash, by the issue of new ordinary shares, for a maximum amount of 5,500,000 euros, excluding the right of pre-emption, to be reserved for some of the employees who are beneficiaries of the “Long Term Incentive Plan 2012”, and then, subsequently (ii) for a maximum amount of a further 5,500,000 euros, by allocation of the corresponding maximum amount of profits or retained profits, by the issue of a sufficient number of ordinary shares in the number necessary for the allocation of one free share for each paid share, subject to the terms and conditions and by the methods specified in the “Long Term Incentive Plan 2012”;
 - by a maximum amount of 4,000,000 euros by allocation of the corresponding maximum amount of profits or retained profits, by the issue of ordinary shares reserved to a part of the

employees who are beneficiaries of the “Long Term Incentive Plan 2012”, subject to the terms and conditions and by the methods specified in the “Long Term Incentive Plan 2012”.

For a description of the status as at 31 December 2012 of the aforementioned remuneration plans, please refer to the note in the separate financial statements (“Remuneration plans in the form of shareholdings in the Company capital”)

For completeness, please note that the “Long Term Incentive Plan 2013”, which the Board of Directors will submit for the approval of the shareholders' meeting on 17 April 2013, also provides, for servicing it, authorisations to increase the share capital using mechanisms similar to those in the Long Term Incentive Plans mentioned above.

* * *

The period within which purchases of savings shares in Telecom Italia S.p.A. were authorised, as resolved by the ordinary shareholders' meeting on 12 April 2011, expired in October 2012.

As at 31 December 2012 Telecom Italia owned 37,672,014 treasury shares; Telecom Italia Finance owned 124,544,373 Telecom Italia ordinary shares.

► **j) Management and coordination**

Telecom Italia is not subject to management and coordination pursuant to Article 2497 and subsequent articles of the Italian Civil Code.

3. Compliance

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

- in relation to the listing of its shares on Borsa Italiana and of some of its bonds on the Luxembourg Stock Exchange, it is required to comply with corresponding regulations;
- in its capacity as a foreign issuer, registered at the U.S. Securities and Exchange Commission and listed on the New York Stock Exchange, it is subject to U.S. law.

As indicated in the introduction, Telecom Italia adheres to the Corporate Governance Code of Borsa Italiana and adapts its own system of corporate governance to Italian and international best practices in the matter.

* * *

Telecom Italia's strategic subsidiaries include:

- the Tim Brasil group companies, the holding company of which Tim Participações S.A. is a company registered and listed in Brazil, as well as registered with the US Securities and Exchange Commission and listed on the New York Stock Exchange;
- the Telecom Argentina group companies, controlled through Sofora Telecomunicaciones S.A. and Nortel Inversora S.A., both companies registered in Argentina. Nortel Inversora S.A. and Telecom Argentina S.A. are listed locally, registered with the US Securities and Exchange Commission and listed on the New York Stock Exchange.

The corporate governance structure of Telecom Italia is not affected by the legal provisions governing Tim Participações S.A. and Telecom Argentina S.A.

In compliance, therefore with the provisions of the Brazilian telecommunications authority Anatel (31 October 2007, 31 July 2009 and 8 November 2011) and the agreement made on 28 April 2010 between Conselho Administrativo de Defesa Econômica (CADE) and Telco shareholders (in which the company TIM Brasil Serviços e Participações S.A. intervened, assuming a series of obligations in its own name and that of companies in the Group), Telecom Italia took appropriate proceedings to formalise the separation between the activities of the Telecom Italia Group and the Telefónica Group in the Brazilian telecommunications market. A similar procedure was adopted to ensure compliance with the undertakings assumed by the Group with regard to CNDC Argentina, aimed at maintaining separation and independence between the Telefónica and Telecom Italia groups in activities in Argentina.

The aforementioned procedures can be found at the website www.telecomitalia.com, Governance section - Governance System/Procedures channel .

4. Board of Directors

► 4.1 Appointment and replacement

In accordance with Article 9 of the Bylaws, the Board of Directors (composed of a minimum of 7 to a maximum of 19 Directors, at least one third of whom of the less represented gender, with fractions rounded to the nearest whole number) is appointed on the basis of slates submitted by persons entitled to vote holding a total of at least 0.5% of the ordinary share capital or different proportion as required by Consob. By Resolution no. 18452 of 30 January 2013, Consob fixed this percentage at 1%. 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, without prejudice to the legal provisions requiring the presence of at least one Director chosen from a slate not connected with the shareholders who have submitted or voted for the Majority Slate and at least two Directors meeting the requirements of independence legally established for the members of the Board of Statutory Auditors. 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 board resulting from the slate voting system does not reflect gender balance, 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.

At the first renewal of the Board of Directors after the Shareholders' Meeting of 15 May 2012, the quota to be assigned to the less represented gender is limited to one fifth of the total; in the event of a fractional number, it shall be rounded up to the nearest whole number.

The Board of Directors has adopted a procedure for planning the succession of Executive Directors, in order to ensure the availability over time of a shortlist of possible replacements, with reference to cases of retirement earlier than the ordinary expiry of the term of office. The Board of Directors is responsible for the existence and efficacy of the Succession Plan, the establishment, updating and monitoring of which it assigns to the Nomination and Remuneration Committee, working closely with the competent human resource management structures of the company. The Executive Directors also participate in the implementation of this process. In the meeting of the Board of Directors on 7 February 2013, the Nomination and Remuneration Committee presented a report on the actions taken on succession issues in the preceding year.

The plan provides that, if the need to replace an Executive Director earlier than planned should arise, the Nomination and Remuneration Committee must formulate a recommendation without delay, and transmit it to the Chairman or, in his absence, to the Vice Chairman of the Board of Directors, in view of the decisions to be taken by the full board. In making its selection, the Board of Directors is obliged to consider the suggestions and proposals of the Nomination and Remuneration Committee, but is not bound by them. In particular, the candidates indicated by the Committee are examined in a special hearing, with the participation of at least three Directors, at least one of whom independent. If unexpected events should occur that create a vacancy among those occupying the role of Executive Director, the rules in the Bylaws, in accordance with the current organisational model, provide that if the Chairman-Chief Executive Officer should cease to hold office, the Vice-Chairman shall assume the role of Chairman of the Board, while his management powers will automatically be assumed by the Managing Director-Chief Operating Officer. If the Managing Director-Chief Operating Officer should cease to hold office, his powers shall automatically be assumed by the Chairman-Chief Executive Officer. As the natural end of the term of office of the Board approaches, in the knowledge of the intrinsic limits of the role and responsibilities of the serving Board of Directors regarding its renewal, the Nomination and Remuneration Committee shall formulate a recommendation on the profile of the candidates for the renewal of the executive officers, which shall be presented and discussed by the Board.

► 4.2 Composition

The Shareholders' meeting of 12 April 2011 set the number of members of the Board of Directors at 15 and

their term of office at three financial years (until the shareholders' meeting called to approve the financial statements for the year ended 31 December 2013). The Directors have also been authorized to continue their activities as indicated in their curricula vitae, releasing them from the non-competition clause contained in Article 2390 of the Italian Civil Code.

Pursuant to the regulations applicable at that time, three slates were presented:

Telco Slate

(Presenting Shareholder: Telco S.p.A.)

1. Cesar Alierta Izuel
2. Tarak Ben Ammar
3. Franco Bernabè
4. Elio Cosimo Catania
5. Jean Paul Fitoussi
6. Gabriele Galateri di Genola
7. Julio Linares Lopez
8. Gaetano Micciché
9. Aldo Minucci
10. Renato Pagliaro
11. Marco Patuano
12. Mauro Sentinelli
13. Francesco Coatti
14. Filippo Bruno
15. Oliviero Edoardo Pessi

Institutional Investors' slate

(Presenting Shareholder: Allianz Global Investors Italia SGR S.p.A., Anima SGR S.p.A., APG Algemene Pensioen Groep N.V., Arca SGR S.p.A., Aviva Investors Global Services Limited, Azimut SGR S.p.A., AZ Fund Management SA, Carige A.M. SGR, Ersel Gestion Internationale S.A., Ersel Asset Management SGR S.p.A., Eurizon Capital SGR S.p.A., Eurizon Capital S.A., Fideuram Gestions S.A., Fideuram Investimenti SGR S.p.A., Interfund Sicav, JP Morgan Asset Management Limited, Kairos Partners SGR S.p.A., Mediolanum Gestione Fondi SGR p.A., Mediolanum International Funds Limited, Pioneer Asset Management S.A., Pioneer Investment Management SGR p.A. Prima SGR S.p.A.).

1. Luigi Zingales
2. Ferdinando Falco Beccalli
3. Francesco Profumo

Findim Slate

(Presenting Shareholder: Findim S.A.)

1. Gianemilio Osculati
2. Paolo Carlo Renato Dal Pino
3. Carlos Manuel De Lucena e Vasconcelos Cruz

The number of votes in relation to the voting share capital gave the following results:

- Telco Slate: 3.151.992.215 votes (46,88%)
- Institutional Investors' slate: 2,645,933,381 votes (39.35%)
- Findim Slate: 786,861,815 votes (11.70%)

Therefore, from the Telco slate, which obtained the majority of the votes cast, twelve Directors were chosen in the order they were listed: Cesar Alierta Izuel, Tarak Ben Ammar, Franco Bernabè, Elio Cosimo Catania, Jean Paul Fitoussi, Gabriele Galateri di Genola, Julio Linares Lopez, Gaetano Micciché, Aldo Minucci, Renato Pagliaro, Marco Patuano and Mauro Sentinelli. The remaining three Directors, in compliance with the criteria governed by article 9 of the Company Bylaws, were drawn from the Institutional Investors' slate (Luigi Zingales, Ferdinando Falco Beccalli and Francesco Profumo).

Following the resignation tendered on 6 June 2011 by Ferdinando Beccalli Falco and the termination on 16 November 2011 of Francesco Profumo (who was appointed a Government Minister on that day), and in view of the fact that this necessitated the replacement of independent directors, the Board of Directors at its meetings on 4 August and 1 December 2011 received the proposal of the Nomination and Remuneration Committee (who, among other things, informally consulted Assogestioni for the purpose), and co-opted Lucia Calvosa and Massimo Egidi. The shareholders' meeting nominated directors of the Company until the end of the term of office of the current Board of Directors on 15 May 2012 (meeting called to approve the financial statements as

at 31 December 2013).

The curricula vitae of the members of the administrative body are available on the website www.telecomitalia.com, Governance Section - Board of Directors channel.

Table 2 provides information on the composition of the Board of Directors as at 31 December 2012. There were no changes during the year.

* * *

According to the provisions of Telecom Italia's 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 control 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 (which would 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.

► 4.3 Role of the Board of Directors

During 2012, twelve meetings of the Board of Directors were held; documentation was sent to the Directors, as promptly as compatible with the circumstances of the case (as a rule, the Friday preceding the day on which the meeting is to be held), to enable informed participation in the 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 meetings was approximately 3 hours. The percentage of attendance was 90.33% (98.50% for independent Directors). There are thirteen meetings scheduled for 2013, four of which have already been held.

* * *

The Corporate Governance Principles of Telecom Italia reserve to the Board of Directors the role of providing strategic supervision and direction, pursuing the primary objective of creating value for the shareholders, with a medium-long term perspective, also taking the legitimate interests of the remaining stakeholders into account. The Board of Directors shall, in particular, have overall responsibility for the internal control and risk management system, including the definition of the nature and level of risk consistent with the specific strategic objectives of the business.

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

- agreements with competitors which, considering the subject, commitments, conditions, or limits that they may produce, have long-term effects on the freedom of strategic business decisions;
- investments and disinvestments exceeding 250 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 500 million euros and the granting of loans and guarantees in favour of non-subsidiary companies for amounts exceeding 250 million euros; transactions that, in their execution or upon their completion, can create commitments and/or deeds of this nature and scale;
- the above transactions, to be performed by unlisted subsidiaries of the Group, excluding those controlled by listed subsidiaries;
- the listing and delisting of financial instruments issued by the Company or Group companies in regulated markets inside or outside Europe;

- instructions to be given to listed subsidiaries (and their subsidiaries), when the Parent Company exercises its management and coordination activity for the performance of transactions with the characteristics indicated above.

* * *

The completeness of the information available to the non-executive directors and the Board of Statutory Auditors represents an essential condition for the correct exercise of the competencies and responsibilities of directing, managing and controlling the activities of the Company and the Group. The evaluation of the operations is based on a continuous flow of information to non-executive Directors and Statutory Auditors, coordinated by the Chairman of the Board of Directors, which utilises the Secretary of the Board of Directors and the General Counsel of the Company. This happens from time to time during the meetings and specifically, with a detailed comparison between the results obtained and the objectives of the budget, when examining financial reports and monthly progress data.

* * *

The Board of Directors has assessed the adequacy of the organizational, administrative and accounting structure of the Company on the basis of information from management and, with specific reference to the internal control system, based on the preparatory work conducted by the Committee for control and risk. The Board of Directors has determined the remuneration of the Chairman-Chief Executive Officer and the Managing Director-Chief Operating Officer and the allocation of the total remuneration of the members of the Board resolved by the Shareholders' Meeting: see the Remuneration Report approved on 7 March 2013.

* * *

The self-assessment of the size, composition and operation of the Board and its Committees was carried out for 2012, as for every year since 2005. The board review was carried out internally by completion of an on-line questionnaire, developed by the offices under the supervision of the Nominations and Remuneration Committee, containing a series of questions on the three self-assessment components specified in the Borsa Italiana Corporate Governance Code: size, composition, operation

The results of the questionnaires were first discussed in the Nominations and Remuneration Committee and then by the full Board of Directors, focussing on the operational aspect, commenting on its strongpoints (quality of the debate and the contribution of preparatory work by the Board committees) and areas of improvement (essentially: the need for proceedings to be organised differently, to permit adequate discussion of all the topics on the agenda, which at present are rarely discussed in sufficient depth despite the frequency and duration of meetings) As is now the rule, the Board of Directors concluded the financial year by defining a series of concrete actions intended to overcome the weaknesses found. These decisions, however, were not unanimous, since different views emerged according to the background and expertise of the individual Directors.

In accordance with the new corporate governance principles, long term scheduling has been introduced for analysis of organisational structure and risk management, as well as for the strategic planning process, confirming recourse to instances of more in-depth preparation and investigation work outside the Board, particularly in relation to scenario issues, to facilitate more effective Board discussions. At the same time, the training and information opportunities offered to Directors and Statutory Auditors on the evolution of an industry characterised by rapid technological change will be enhanced (in this sense, a series of workshops with management input and external contributions already took place in 2012).

* * *

During 2012, Directors attended specific meetings with the management and/or external consultants to provide them with adequate knowledge of the business sector in which the Company operates, the corporate dynamics and their evolution. Working lunches with the management and workshops on new technologies were organised, as were training-information sessions to prepare for strategic meetings; two off-site meetings were held, on technologies and services respectively.

► 4.4 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 13 April 2011, following the renewal approved by the Shareholders' Meeting on 12 April 2011, the Board of Directors appointed Franco Bernabè Chairman and Chief Executive Officer, Aldo Minucci Vice Chairman and Marco Patuano Managing Director and Chief Operating Officer.

In addition to the power to legally represent the Company, as laid down in the Bylaws and all the powers necessary for performing actions pertinent to the activity of the company in its various manifestations, to be exercised with a single signature, the following powers were conferred on the Chairman,

- overall governance of the Group, including coordinating the activities of the Managing Director-Chief Operating Officer, and defining the Company's strategic guidelines;
- responsibility for extraordinary transactions and extraordinary finance operations to be proposed to the Board of Directors.

In addition to the power to legally represent the Company and to exercise, with a single signature, all powers required to perform actions pertinent to the activity of the company in its various manifestations, the Managing Director-Chief Operating Officer was made responsible for the overall governance of operations in Italy.

Moreover, the Executive Directors (each for their own delegated area) are charged with establishing and maintaining the internal control system (see paragraph headed "Director in charge of the internal control and risk management system" contained in the chapter entitled "Internal control and risk management system").

The powers conferred on the Vice Chairman were as follows: representing the Company, as laid down in the Bylaws, in the event that the Chairman is absent or unable to act, and – initially - a proxy relating to the functioning of the internal control system, this to be taken to mean representing the Board of Directors as a whole, by means of this proxy, in relation to the internal control functions. In the Board meeting on 1 August 2012, the Vice Chairman renounced this proxy; the Board therefore resolved to maintain unchanged the organisational and governance choices regarding internal audit and the structures in charge of "high" and transverse compliance, confirming, in relation to the Internal Audit Manager, and laying down, in relation to the Group Compliance Officer and the IT & Security Compliance Function Manager, that they report directly to the full Board and therefore, to ensure that this reporting be effective, to attribute the role of link between the Board of Directors and said control structures to a non-executive Director. This role was assigned to Director Gabriele Galeteri di Genola in the meeting of the Board of Directors on 8 November 2012.

* * *

Since 2008 there has been an Executive Committee, composed of the executive Directors (who ensure coordination with the Group's management) and some non-executive Directors; the Chairman of the Committee is the Chairman of the Board of Directors. Its current composition can be found in Table 2.

As provided for by the Corporate Governance Principles of the Company, the Committee has the task of monitoring the performance of the Company and the Group, approving, upon the proposal of the executive Directors, the organizational macro-structures, formulating opinions to the Board of Directors on the budget and the strategic, industrial and financial plans of the Company and the Group as well as on operations that, according to their nature, strategic importance, size or commitments, may have a significant impact on the activity of the Company and the Group and carrying out any other duties assigned by the Board of Directors relating to matters that can be delegated. The Committee reports to the Board on the activities carried out in the most appropriate ways, and, in any case, each time at the first useful meeting.

Insofar as they are applicable, the operational rules specified for the Board of Directors shall apply to the Committee.

During 2012, the Committee held two meetings, with an average duration of approximately 2.3 hours. The percentage of attendance was 92.85% (100% for independent Directors). In 2013, two meetings are planned, of which one has already been held.

► 4.5 Other executive Directors

The Chairman-Chief Executive Officer and the Managing Director-Chief Operating Officer are deemed to be

executive Directors.

▶ **4.6 Independent directors**

Telecom Italia has adopted the criteria established by the Corporate Governance Code of Borsa Italiana for the qualification of the independence of Directors. On the basis of the information provided by the Directors, the following are independent Directors: Lucia Calvosa, Elio Cosimo Catania, Massimo Egidi, Jean Paul Fitoussi, Mauro Sentinelli and Luigi Zingales.

The Board of Directors, at its meeting of 7 March 2013, verified the independence requirements of its members, noting that the requirements of the composition of the administrative body (the presence of at least two independent Directors according to the criteria established by law for Statutory Auditors) had been complied with. The Board of Statutory Auditors monitored the verification of the requirements and the correct application of the criteria of independence.

▶ **4.7 Lead Independent Director**

The Lead Independent Director is the Director Luigi Zingales.

He is the point of reference and coordination for the issues and contributions of the independent Directors and the non-executive Directors in general. He is granted the right to use corporate structures to perform the tasks entrusted to him and to convene special meetings of only the Independent Directors (Independent Directors' Executive Sessions) to discuss issues affecting the functioning of the Board of Directors or the management of the business, and may invite representatives of the management of the Group to these meetings. During 2012 there were eight of these meetings, usually held the day before the Board meeting.

Pursuant to the Corporate Governance Principles, the Chairman of the Board of Directors is assisted by the Lead Independent Director in improving the functioning of the administrative body (including the identification of topics to be examined by the entire Board).

5. Handling of corporate information

Telecom Italia has suitable procedures for classifying and managing information in terms of confidentiality. Moreover, a procedure has been adopted for the internal handling and external communication of documents and information concerning the Company, with specific reference to sensitive information (available at www.telecomitalia.com, Governance Section, Governance System Channel). The procedure regulates the management of sensitive information relating to Telecom Italia, its unlisted subsidiaries and listed financial instruments of the Group; this procedure is addressed to all members of corporate bodies as well as employees and outside collaborators who have access to information that is likely to evolve into sensitive information (known as market sensitive information). It also applies as an instruction to all subsidiaries in order to obtain from them, without delay, the information necessary for the timely and proper fulfilment of the public disclosure obligations.

The procedure in question, finally, regulates the register of persons having access to sensitive information (article 152-bis et seq. of the Issuers Regulations).

In its meeting on 17 January 2013, 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.

6. Board committees

In addition to the aforementioned Executive Committee, the Board also has a Nomination and Remuneration Committee and a Committee for Control and risk (previously called the Committee for Internal Control and Corporate Governance), whose functions are described in the Company's Corporate Governance Principles.

7. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises non-executive Directors, the majority of whom are independent directors, with at least one Director from a minority slate submitted pursuant to the Bylaws. At least one member of this Committee shall possess adequate expertise in financial matters or remuneration policies. Its current composition can be found in Table 2.

The Chairman of the Board of Statutory Auditors (or, if he or she cannot attend, another Statutory Auditor appointed by the latter), shall attend the meetings of the Committee, which makes use of the Company structures or of external consultants of its choice to perform its functions.

The Committee, which combines duties and responsibilities attributed to the nomination committee and the remuneration committee by the Borsa Italiana Code, also, pursuant to the corporate governance principles of the Company:

- oversees the succession plan for Executive Directors, and monitors the updating of the company management replacement lists, prepared by the Executive directors.
- establishes the procedure and period for the annual evaluation of the Board of Directors;
- proposes the criteria for allocating the total annual compensation established by the Shareholders' Meeting for the whole Board of Directors;
- performs other duties assigned to it by the Board of Directors.

During 2012 the Committee monitored the deployment of the remuneration policy for the year and investigated the 2013 cycle incentive measures; it started the investigation in view of the reproposal of a share ownership plan extended to all employees (investigation concluded in 2013, with the formulation of the proposal for the Shareholders' Meeting in April); it defined the ways in which the 2012 board evaluation will be carried out and overseen the succession plan for Executive Directors, extending its checks to the functioning of the strategic management replacement tables. For further information on the work of the Committee on the 2013 corporate remuneration policy, see the Remuneration report for 2012, which may be consulted on the company website at www.telecomitalia.com, Governance section Remuneration channel.

The Board of Directors was kept informed of these various activities at each first available meeting.

The Committee had access to the necessary information and corporate functions for performing its tasks. The Committee was not assigned financial resources of a predetermined amount, but was able autonomously to bring in external consultants (Sandro Catani from Ambrosetti), who do not have relationships with the Company which could prejudice their independence of judgement.

In the course of 2012 there were ten such meetings. At the meetings (average length: approximately 2 hours), from time to time, the managers responsible for the issues under discussion were invited to offer support. The percentage of attendance was 91% (92% for independent Directors).

Three meetings have already taken place in 2013.

8. Remuneration of directors, general managers and key managers with strategic responsibilities

The information in this section and that regarding the agreements between the Company and the Directors which provide for compensation in the case of resignation or dismissal without just cause or in the event that their employment ceases following a tender offer, are made available in the Remuneration Report for 2012, which may be consulted on the company website at www.telecomitalia.com, Governance section Remuneration channel.

9. Control and Risk Committee

In its meeting on 6 December 2012, the Board of Directors, in adopting the new Corporate Governance Principles, identified the pre-existing Committee for Internal Control and Corporate Governance (part of the governance structure of the Company since 2000) as the Control and Risk Committee referred to in the Borsa Italiana Code.

The Control and Risk Committee comprises non-executive Directors, the majority of whom are independent directors, with at least one Director from a minority slate submitted pursuant to the Bylaws. At least one member of this Committee shall possess adequate expertise in accounting and finance or risk management. The composition of the Committee is shown in Table 2.

Without prejudice to the duties attributed to it by the Borsa Italiana Code and the internal corporate rules (which, in particular, assign to the Committee the oversight of transactions with related parties), 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 of the Group and the values of Telecom Italia;
- monitors observance of the Company's corporate governance rules, the evolution of rules and best practice in the field of controls, corporate governance and corporate social responsibility, also with a view to proposing updates to the internal practices and rules of the Company and the Group;
- performs other duties assigned to it by the Board of Directors.
- expresses a prior opinion (i) on the transactions with related parties entrusted to the board pursuant to the law, Bylaws or Corporate Governance Code; (ii) on ordinary standard or market transactions, according to terms not predetermined or defined after a tender worth over 10 million euros; (iii) on non ordinary transactions worth more than 2 million euros.

During 2012 the Committee also audited the procedure and outcome of the impairment test in view of the 2011 financial statements, monitored the progress of audit, compliance and IT Risk & Security Governance against the activity plans; oversaw the updating of the internal corporate governance arrangements, with particular reference to the devolution of the role and responsibilities of the Supervisory Body to the Board of Statutory Auditors, the updating of the Group Code of Ethics, the procedures for adapting to the December 2011 edition of the Borsa Italiana Code; it monitored the maintenance and updating of the so-called Organisational Model 231 (see below), and the activities related to the amendment of the Bylaws to ensure that the principle of gender equality applies within the Board of Directors and the Board of Statutory Auditors; it supervised the internal reviews that led, among other things, to the formulation of a proposal for liability proceedings (refused by the Shareholders' Meeting of 18 October 2012) be instituted against former Executive Directors Carlo Orazio Buora and Riccardo Ruggiero, and – finally – to the Company joining as a civil party the criminal proceedings that started in Milan against the ex-Chairman of the Board of Directors, Marco Tronchetti Provera, on the charge of handling stolen goods. The Board of Directors was informed of all of the above at each following Board meeting.

During 2012, the Committee held twenty meetings, supported by the expert contribution of the company management or external consultants. The average duration of meetings was approximately 3.3 hours and the percentage attendance was 95.20%. On ten occasions, the Committee met, on account of the issues to be addressed, with the Board of Statutory Auditors, which, in any case, attended all the meetings through the participation of at least its Chairman (or another Statutory Auditor designated by the Chairman).

In 2013, the Control and Risk Committee has already met three times.

10. Internal control and risk management system

The internal control and risk management system is organised and operates according to the principles and criteria set out in the Borsa Italiana Code. It is an integral part of the general organisational structure of the Company and the 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 Executive Directors 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.

In particular, the internal control and risk management system consists of set of rules, procedures and organizational 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 Telecom Italia's business, in compliance with the Code of Ethics and Conduct of the Group and the Company's Corporate Governance Principles (both of which can be found on the website www.telecomitalia.com, Governance section, Governance System channel). 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, insofar as it is 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 order to ensure a global approach to the management of risks, the Telecom Italia Group has implemented and is perfecting an integrated process inspired by Enterprise Risk Management (ERM), which requires a top-down approach through which the identification, evaluation and management of risks are performed. Compliance risks are excluded from the perimeter of this process.

The process of risk management (defined as "potential events whose occurrence could compromise the achievement of strategic objectives") is governed by the Group managerial Committee (the Group Risk Management Committee), chaired and coordinated by the Manager of the Administration, Finance and Control Function. This Committee reports to the Board of Directors and periodically informs the control and risk committee and the Board of Statutory Auditors on the results of its activities.

The ERM process is based on self-assessment of the risk profile by management and is intended to define:

- the mapping of risks, assessed by level of impact and probability of occurrence, focusing on the most significant risks (so-called Top Risks).
- the degree of maturity of the management process at Entity level and at Top Risks level by means of an analysis based on the evaluation of the components of Governance, Assessment, Quantification & Aggregation, Monitoring and Risk & Control Optimisation. A maturity index (Risk Maturity Index - RMI), traceable over time, is identified for each Top Risk and for the Risk Management System at Entity level;
- treatment of risk, performed by risk-owner company structures by defining and implementing specific action plans, aimed at reducing the level of residual risk and increasing the maturity index (RMI).

The Group Risk Management Committee receives periodic reports of the results of the oversight of compliance risks activities undertaken by the Group Compliance Officer and the manager of the IT & Security Compliance function.

* * *

In particular, with regard to financial risks, the Telecom Italia Group, in conducting its operations, is exposed to:

- market risk: arising from variations in interest and exchange rates related to financial assets and financial liabilities incurred;
- credit risk: representing the risk of non-fulfilment of obligations assumed by a counterparty in relation to the utilization of liquidity;
- liquidity risk: related to the need to meet short-term financial liabilities.

These risks are faced through (i) the definition of guidelines which must motivate the operations, (ii) the operation of an internal management committee which monitors the level of risk exposure in line with the pre-set objectives, (iii) monitoring the results achieved. In particular, management policies include:

- for market risk: fully hedging the exchange risk and minimizing exposure to interest rates through appropriate diversification of the portfolio, including the use of derivative financial instruments;
- for credit risk: liquidity management based on prudential criteria and articulated primarily in "money market management" activities (investment of temporary cash surplus) and "bond portfolio management" (investment of a permanent level of liquidity). In both situations, in order to reduce the risk of non-fulfilment of the obligations assumed by a counterparty, the counterparties and selected issuers have a credit rating within the limits established by the aforementioned guidelines, and a

- careful policy is pursued to diversify the use of liquidity and allocate credit positions among the different banks;
- for liquidity risk: an adequate level of financial flexibility obtained by maintaining a Treasury margin that allows the refinancing requirements to be covered for at least the next twelve months.

* * *

Telecom Italia 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 ensuring the trustworthiness¹, accuracy², reliability³ and promptness⁴ of the financial reporting. For that purpose, Telecom Italia has prepared and constantly updates 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 the Parent company and the subsidiaries as well as the correct drafting of the separate and consolidated financial statements.

In order to guarantee compliance with the Italian law (Law No. 262/2005) and U.S. law (Section 404 of the Sarbanes Oxley Act), Telecom Italia operates a structured and documented model of detection and monitoring of risks connected to the financial reporting, which refers to the CoSO framework.

The system of risk management and internal control on the financial reporting of Telecom Italia 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 risks⁵ regarding financial reporting.

For that purpose, Telecom Italia defines identification criteria of the organization 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 objectives⁶, due to potential non-intentional errors⁷ or frauds⁸, 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 value⁹ 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.

In parallel, the processes¹⁰ 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 components¹¹ of the CoSO Model are assessed in coherence with their present allocation across the reference framework.

Telecom Italia presents the internal control system in its financial reporting in coherence with the CoSO Report,

1 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.

2 Accuracy (of the reporting): reports that are neutral and precise. Reporting is considered neutral if it does not have pre-conceived distortions aimed to influence the decision-making process of its users in order to obtain a specific result.

3 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.

4 Promptness (of the reporting): reporting that complies with due dates set for its release.

5 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.

6 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 authorization limits, separation of incompatible duties, controls on physical safety and the existence of assets).

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

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

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

10 For example, the Sales, Procurement, Investment, Financial Statement, Finance, Tax, HR etc. processes.

11 The components (Control Environment, Risk Assessment, Control Activity, Information & Communication, Monitoring Activities) 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).

documenting the assessment activities, controls and processes in an organised way¹², 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 Telecom Italia updates and documents the controls carried out in the company that are able to mitigate the previously identified risks. 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.

Telecom Italia 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 objectives¹³. 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 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 (half-yearly, annually, at closure of the financial statements), frequency and depth, in relation to the type, classification and other characteristics of the controls. 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 Group Compliance 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 Control and Risk Committee and the Board of Statutory Auditors. It also presents a summary of the evolution of control shortcomings for the current certification year at each meeting of the Control and Risk Committee, comparing their stock with those of preceding certification periods/years and a comparison with the findings of the External Auditor.

The certification process is guided by a specific organisational procedure that identifies the roles and responsibilities for the different phases of its execution. The Chief Financial Officer¹⁴ 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 External Auditor. He or she is supported in these phases by the Systems, Processes and Administration and Control Procedures function, which coordinates the scoping activities and periodically shares the information on the execution and outcomes of the process with the offices of the Group Compliance Officer. The management, with the support of resources who coordinate the activities planned in the certification calendar in each business function/company, is responsible for identifying the 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. Finally, for its own specific sphere, the management is responsible for relations with the External Auditor. The offices of the Group Compliance Officer are responsible for the definition and updating of the methodology for monitoring the end-to-end process. Together with the IT& Security Compliance function for IT, they are responsible for the assurance activities (independent testing, follow-ups to check the assessment of the overcoming of the control shortcomings) to strengthen the management certification, and they provide support to the management and the Chief Financial Officer in all phases of the process.

► 10.1 Director in charge of the Internal control and risk management system

The institution and maintenance of the internal control system are assigned to the Executive Directors

¹² 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 Telecom Italia control model is the control objective, which defines and describes the requirements that the management controls must have to mitigate the specific inherent risks.

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

¹⁴ In Telecom Italia he or she is also the Manager responsible for preparing the corporate accounting documents.

(currently, the Chairman-Chief Executive Officer Franco Bernabè and the Domestic Managing Director-Chief Operating Officer Marco Patuano, each with respect to the area delegated to him), and to the Manager in charge of drawing up the Company's 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 Board of Directors at its meeting on 13 April 2011 conferred the proxy in respect of functionality of the internal control system on the Vice Chairman, who exercised it in terms of representing the Board of Directors in its entirety by means of this proxy. In the Board meeting on 1 August 2012, the Vice Chairman renounced this proxy and on the same date the Board resolved (i) to maintain unchanged the organisational and governance choices regarding internal audit and the appropriate structures for "high" and transverse compliance, confirming, in relation to the Internal Audit Manager, and laying down, in relation to the Group Compliance Officer and the IT & Security Compliance Department Manager, that they report directly to the full Board; (ii) to attribute the role of link between the Board of Directors and said control structures to a non-executive Director. This role was assigned to Director Gabriele Galeteri di Genola in the meeting on 8 November 2012.

The Executive Directors have overseen the identification of the major company risks (strategic, operational, financial and compliance) in the operational areas covered by their mandates, taking account of the activities undertaken by the Company and its subsidiaries. They implement 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. They may also ask the Internal Audit function to carry out audits of specific operational areas and of respect for the internal rules and procedures in the execution of the company operations, giving simultaneous notice to the Chairmen of the Board of Directors, the Control and risk Committee and the Board of Statutory Auditors.

► 10.2 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 utilises the Head of the Audit Department, a manager with an adequate level of independence and means suitable to perform this duty. The Head of the Audit Department is responsible for supporting the management and control boards in assessing the adequacy, full functioning and effectiveness of the control and risk management 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:

- a) 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;
- b) is not responsible for any operational area and reports directly to the Board of Directors;
- c) has direct access to all information useful for the performance of his or her duties;
- d) 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. Such periodic reports contain an evaluation of the adequacy of the internal control and risk management system;
- e) prepares timely reports on particularly significant events;
- f) submits the reports referred to in points d) and e) to the Chairs of the Board of Statutory Auditors, Control and Risk Committee and Board of Directors;
- g) tests the reliability of the information systems, including the accounting system, as part of the audit plan;
- h) reports on his work to the Director delegated for this purpose, the Control and risk Committee and, through the latter, to the Board of Directors, as well as the Board of Statutory Auditors. In particular, he reports on how risk is managed, as well as on compliance with established plans for risk containment, and expresses his assessment on the suitability of the internal control system for achieving an acceptable overall risk profile.

The Head of the Audit Department also has a role in ensuring respect for the principles and values expressed in the Code of Ethics and Conduct, by handling reports from employees, collaborators, consultants, employers and third parties in business relationships with the Group on violations of laws or regulations, of the Code itself, and of internal procedures, as well as irregularities or negligence (including accounting), and promoting the most appropriate resulting initiatives, including the proposal to impose sanctions.

The oversight role of the head of the Audit Department is directed, in particular, towards expressing an

assessment in terms of reasonable certainty about the capacity of the internal control and risk management system to impact on the actual achievement of the objectives assigned to individual company structures (effectiveness profile), taking account of the rational use of resources for their realization (efficiency profile) in the light of the (qualitative/quantitative) risk factors present and the probability of their affecting the achievement of those objectives.

This oversight is assured through:

- the direct execution of assurance services (audits and complementary activities – so-called 3rd level controls – aimed at assessing the governance, control and risk management processes) and consultancy services;
- checking the implementation of improvement plans by continuous monitoring and specific follow-up work in cases that are complex and significant to the topics originally analysed.

► 10.3 Organisational model pursuant to legislative decree 231/2001

The internal control system is complemented by the so-called "Organizational Model 231", i.e. a model of organization and management adopted pursuant to Legislative Decree No. 231/2001 aimed at preventing offences that can result in liability for the Company.

The Organisational Model has also been adopted by domestic subsidiaries of the Group as well as by Telecom Italia, and consists of:

- the Code of Ethics and Conduct of the Telecom Italia Group, where the general principles (transparency, fairness, loyalty) that guide the Company in the organization and conduct of business are indicated;
- the "general principles of internal control", 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, safeguarding of assets against possible fraud;
- the "principles of conduct", which consist of specific rules for relations with third parties and for all fulfilments and activities of a corporate nature, and
- the "internal control schemes" that describe business processes at risk of crime, any predicate offences relating to them, the preventive control activities and the behavioural indications aimed at avoiding the related risks.

The internal control 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 Organizational 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 amendments were drafted by a managerial committee called Steering Committee 231, briefed by the Supervisory Board and approved by the Board of Directors when of a significant nature.

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. In January 2013, a new version of the Model was adopted that incorporated the new predicate offences of corruption between private subjects and unlawful inducement to promise or give profit to a public official/public service employee, introduced by Law 190 of 6/11/12. As well as adapting and updating the internal control schemes based on the new offences, the new version of the Organisational Model 231 contains an explicit reference to the fight against all forms of corruption and to the Anti-corruption Policy adopted by the Group (see below).

The new version also constitutes an integral component of the reference compliance program for the application of anti-corruption legislation such as FCPA and the UK Bribery Act.

With Reference to the Supervisory Board, its functions, extending to Group level, have been attributed to the Board of Statutory Auditors.

The Supervisory Board (supported in its activities by appropriate offices) oversees the operation and observance of the Organizational Model and reports to the Board the checks it has undertaken and their outcome.

There is a section on website www.telecomitalia.com, Governance section - Governance System/ Organisational Model 231 dedicated to the Organisational Model 231 adopted by the Company.

The adoption of a specific anti-corruption Policy is also part of the process of revising the governance documents mentioned in the Introduction. This policy is a systematic reference framework on the prohibition of corrupt practices in the Telecom Italia Group, containing the principles to deploy in the various internal procedures, in accordance with international standards.

The sphere of application of the document is both active and passive corruption with public and private subjects, and essentially regards the following areas: gifts, entertainment expenses, events, sponsorships, gratuities, shares on companies/charities/joint ventures, acquisitions and sales, consultancy, intermediation, relations with suppliers and business partners.

The anti-corruption Policy will become operation during 2013, by the adoption/adaptation of internal procedures.

► **10.4 Independent Auditor**

The Shareholders' meeting held on 29 April 2010, on the basis of the proposal put forward by the Board of Statutory Auditors, conferred the office of External Auditor (separate financial statements of Telecom Italia S.p.A., annual consolidated financial statements, abbreviated half-yearly consolidated financial statements, annual report for the purposes of the US Security Laws) on PricewaterhouseCoopers S.p.A. for the nine year period 2010 – 2018.

Telecom Italia has adopted special Guidelines for the appointment of the independent auditors. In compliance with said guidelines PricewaterhouseCoopers was selected after a comparative analysis carried out under the supervision of the Board of Statutory Auditors. When assessing the candidacies, their skills and specific auditing experience in the telecommunications sector, the adequacy of their technical structure in terms of requirements due to the size and complexity of the Company and the Group, the experience in SEC registrant Italian companies, the independent and unbiased judgement with respect to the Company and the Group, and the consistency of the compensation requested with the time and level of professionalism shown were particularly considered.

The independent auditor appointed by the Parent company Shareholders' Meeting is the main independent auditor for the entire Telecom Italia Group. To protect the independence of the appointed auditor, the Guidelines establish the principle under which the appointment of further assignments (when allowed by the reference regulation) is limited to the services and activities closely related to the audit of the financial statements. This is subject to the preventive favourable opinion of the Parent company's Board of Statutory Auditors, which expresses its opinion from time to time or beforehand on different types of assignments (so-called pre-approved assignments). In any event, the Board of Statutory Auditors has the right to establish guidelines and qualitative and quantitative criteria regarding the appointment of independent auditors, valid for the entire Group, which it did by requiring the introduction, from 1 January 2012, of an operative procedure which provides for prior examination by the Board of Statutory Auditors (even for pre-approved appointments) when certain qualitative conditions occur or when specific quantitative thresholds are exceeded. The Board of Statutory Auditors has also stated that it will endorse the corresponding determinations adopted by the audit committees of the SEC-registered subsidiary companies (see above, paragraph 3), provided that they are made on the basis of rules compliant with the applicable regulations - including United States regulations - and in conformity with the Group Guidelines in the matter.

► **10.5 Manager responsible for preparing the corporate accounting documents and other corporate roles and functions**

The position of Manager responsible for preparing the corporate accounting documents is held by the Head of Administration, Finance and Control, Piergiorgio Peluso, who took over the role held by Andrea Mangoni in the board meeting on 13 September 2012.

As per the Bylaws (Art. 13), 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. When the manager responsible for preparing the corporate accounting documents is appointed, his rights and powers are defined, disciplined in the specific Regulations, available on the website www.telecomitalia.com, *Governance* Section, *Governance System* channel.

As the person legally responsible for the preparation of suitable administrative and accounting procedures to draw up the annual accounts and consolidated financial statements as well as any other financial communications, the appointed manager is one of the main subjects involved in the operation of the internal control system of the Company. The Regulations acknowledge his functional responsibility (organizational and for topics) with regard to the internal controls for financial reporting, clarifying that, in this context, he or she is

supported by the Executive Directors, as well as by the Management of the Company.

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

On the question of internal control and risk management, players other than the “typical” ones are added in Telecom Italia, without entailing any contrast with the principles of the Borsa Italiana Code, including: (i) the head of the Compliance Department (otherwise known as the Group Compliance Officer) and the head of IT & Security Compliance Function, who reports directly to the Board of Directors, and who are responsible for overseeing eminent/transverse/Group compliance (Compliance Department) and IT compliance (IT & Security Compliance Function), respectively; (ii) the head of Operational Compliance Function, who report directly to the Domestic Managing Director-Chief Operating Officer and is responsible for specific (regulatory and commercial) domestic compliance.

► 10.6 Coordination of subjects involved in the internal control and risk management system

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 Executive Directors (currently the Chairman-Chief Executive Officer and Domestic Managing Director-Chief Operating Officer, each with reference to the operating contexts covered by their respective mandates), as directors charged with the establishment and maintenance of the system, in accordance with the guidelines defined by the full Board of Directors (see preceding paragraph 10.1);
3. the Control and Risk Committee, with the role of providing investigative 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 (the person with sole responsibility for third level controls), who reports directly to the Board of Directors and whose mission, briefly, is to test the functioning and adequacy of the system (see preceding paragraph 10.2);
5. the manager responsible for preparing the accounting documents of the Company, appointed by the Board, with the competences provided for by law and rights defined in the specific internal regulations (see preceding paragraph 10.5);
6. the Board of Statutory Auditors which, borrowing the expression used in the Borsa Italiana Code, 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 the following functions, by internal corporate governance choice: (i) the audit committee functions pursuant to the United States’ laws applicable to Telecom Italia as a private foreign issuer registered with the SEC and listed on the NYSE, and (ii) the functions of supervisory board pursuant to Legislative Decree no. 231/2001.

These “typical” players¹⁵ are joined in Telecom Italia (without this implying any contrast with the principles of the Borsa Italiana Code), others, including:

- a. the head of Compliance (otherwise known as the Group Compliance Officer) and the head of IT & Security Compliance, who report directly to the Board of Directors, and who are responsible for overseeing eminent/transverse Group compliance (Compliance Department) and IT compliance (IT & Security Compliance Department), respectively;
- b. the head of the Operational Compliance Function, who reports directly to the Domestic Managing Director-Chief Operating Officer and is responsible for specific (regulatory and commercial) domestic compliance;
- c. the non-executive Director who represents the link between the Board of Directors and the control structures that report directly to the Board (currently: Gabriele Galateri);
- d. the Director charged with the ordinary management of the employment relationship between the Company and the heads of the control structures that report directly to the Board (role attributed to the Chairman of the Board of Directors);
- e. the Chairman of the Control and Risk Committee who continuously represents it in the execution of the tasks of (i) evaluating and discussing the work plan for the control structures that report directly to the Board, (ii) examining the progress reports on activities (periodic and/or extraordinary reports), (ii) directing activities through specific requests for audit/investigation, all to assist and support the execution of the duties and the exercise of the responsibilities of the full Board on control and risk management system matters.

The competences of the figures specified in numbers 1-6 correspond to those recommended by the Borsa Italiana Code, to which, on this matter, Telecom Italia adheres without exceptions. The establishment of the

¹⁵ In relation to these essential figures, the internal corporate governance Principles do not waive any of the provisions contained in the Borsa Italiana Code in terms of responsibilities, competences and operational rules.

managerial figures specified in letters *a* and *b*, with so-called second level control tasks, meets the specific internal control needs of the Group, and as such is expressly referenced in the Borsa Italiana Code, which refers to the organisational assessments of the issuer (also with reference to the corresponding hierarchical relations). The “facilitator” Director (letter *c*) performs the essential guarantee function, in the presence of a Chairman of the Board of Directors with executive functions, and hence first controlled figure. He does not concern himself with either the operational aspects of the controls nor with the flow of information between the control functions and the Board of Directors (which are instead the responsibility of the Committee), but is called on to facilitate board oversight of the adequacy of the resources assigned to the control functions that report directly to the Board of Directors. The option to not assign this role to the Chairman of the Committee meets the redundancy and multiplication logic of the checks and balances that inform the whole control governance of the company. The Chairman of the Board of Directors is instead responsible for the bureaucratic aspects of the employment relationship of the managers responsible for the control structures who report directly to the Board (letter *d*). Said managers do not have a single reference point, and it is normal that the administrative aspects mentioned are assigned to a legal representative (who by the will of the board is its representative to the outside world: its Chairman), avoiding the need to issue an ad hoc delegation of powers. As for the Chairman of the Control and Risk Committee (letter *e*), he has no independent role, but exercises one that derives from the specific role of the Committee: the board is too broad a body to govern the controls, and the fact that many control and risk management system responsibilities cannot be delegated (and/or the choice of the Board not to delegate them) emphasises the prominent role of the Committee, given its focussed and specialised internal articulation (which also meets specific composition requirements). In this context, the Chairman of the Committee is assigned the task of the continuous operational management of the relations of the Committee with managerial level exponents of the control governance system (while the bureaucratic aspects are assigned to Chairman-Chief Executive Officer).

11. Interests of directors and transactions with related parties

The company procedure for undertaking transactions with related parties, drawn up in compliance with Consob Regulation no. 17221 of 12 March 2010 and adopted in November 2010, was updated in June 2012, introducing some clarifying amendments based on the experience accrued in the first year of its application, without changing the authorisation system and investigative responsibilities in force.

The document classifies the transactions into different categories and, according to this classification grid, different validation and approval paths are applied, when these transactions are to be carried out with related parties. There are two main differences:

- a qualitative distinction, by subject, between ordinary transactions and non-ordinary transactions;
- a quali-quantitative distinction, by significance, between relevant transactions, to which the Consob Regulation is applied, and non-relevant transactions, to which the Consob Regulation is not applied, but they are regulated by governance principles.

According to the definition provided by Consob, ordinary transactions are those included in the ordinary business and related financial activities; in short, (i) all the main activities generating revenues for the Company and (ii) all the other management activities, as long as they are not classified as investment or finance activities. That being stated on the nature of transactions with related parties, the Telecom Italia procedure provides that:

- it does not apply to transactions amounting to less than 100,000 euros;
- the following fall within management's responsibilities and do not require preventive ad hoc opinions
 - ✓ ordinary transactions under conditions predetermined by independent authorities, that cannot be modified or that are defined after a tender, without amount limits;
 - ✓ ordinary standard or market transactions according to terms not predetermined or defined after a tender, up to 5 million euros;
 - ✓ intercompany financing under market conditions, without amount limits;
- the following require the authorization of a Management Committee (comprised of the Group Compliance Officer, the General Counsel, the Chief Financial Officer and the Telecom Italia manager to the top of the relevant hierarchical line)
 - ✓ ordinary standard or market transactions, according to terms not predetermined by independent authorities or that cannot be modified or defined after a tender, amounting to between 5 and 10 million euros;
 - ✓ non-ordinary transactions up to 2 million euros;
- the transactions are considered relevant and require the preventive opinion of the Control and Risk Committee (or of the Committee of all the independent directors, if they are qualified as "of major importance": see below)
 - ✓ all transactions entrusted to the Board pursuant to the law, Bylaws or Corporate Governance Code;
 - ✓ ordinary standard or market transactions according to terms not predetermined or defined after a tender amounting to over 10 million euros;
 - ✓ non-ordinary transactions amounting to over 2 million euros.

The distinction between transactions of major or minor importance is made according to the indexes of importance established by Consob, with a reduced threshold of 3.5% under the self-regulatory procedure (the percentage indicated by Consob is 5%): ratio between transactions value and the net equity (consolidated)/capitalization of the company; ratio between total assets of the entity involved in the transaction and the total (consolidated) assets of the company; ratio between the total liabilities of the entity acquired and the total (consolidated) assets of the company.

To perform the transactions of major importance, the procedure 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. For transactions of minor importance, the decision may be made under standard responsibilities: Board of Directors, Managing Director-Chief Operating Officer or management, depending on the case, which must however have acquired the prior opinion of the Control and Risk Committee.

The opinions concern the Company's interests in fulfilment of the transactions as well as the substantial correctness and suitability of the conditions. In order to express their opinions, the Committees carry out specific investigations, with which the management must collaborate. The Management Committee assures the interrelation between the Committee at the Board level and the company structures.

If the opinions on the interest and conditions of the transactions are favourable, the transaction is completed, according to the mentioned responsibilities. If the opinions are negative, in order to be concluded under those conditions, the transaction is submitted to the Board of Directors. If a double majority is obtained (a “general” one, of all the Directors present at the meeting, and a “specific” one, of the non-related serving Independent Directors) the original negative opinion is rendered obsolete. If the transaction is not specifically approved by the independent directors, even if authorized by the Board, it may only be carried out under certain conditions:

- if it is of minor importance, with application of an increased regime of disclosure to the public, regulated by the Consob Regulations;
- if it is of major importance, it must be discussed further at the shareholders’ meeting, where it must obtain the favourable vote of the majority of the non-related shareholders entitled to vote.

Similar rules apply to transactions with parties related to Telecom Italia, to be carried out by its subsidiaries. In these cases (provided that the Board of Directors of the Parent company need not intervene for other reasons), the preventive check is always carried out by the Management Committee.

To support the correct application of the Procedure, an IT application is available; it allows verification of the correlation and the authorization process necessary for its completion. The application also ensures initiatives with related parties can be traced.

The Procedure for Transactions with Related Parties is available on the website www.telecomitalia.com Governance section - *Governance System/Procedure* channel.

12. Appointment of Statutory Auditors

Pursuant to article 17 of the Bylaws, the Board of Statutory Auditors consists of five standing auditors, including at least two from the less represented gender. The Shareholders' Meeting also appoints four alternate auditors, two of each gender.

The Board of Statutory Auditors is appointed in accordance with the law and applicable regulations, on the basis of slates presented by persons entitled to vote who jointly or separately hold shares representing at least 0.5% of the share capital with voting rights, or the different measure required by Consob for presentation of the slates of candidates for the appointment of the Board of Directors (Resolution No. 18452 of 30 January 2013 set the said percentage for Telecom Italia at 1%).

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. Three standing and two alternate auditors are chosen from the slate that obtains the majority of the votes (so-called Majority Slate), while the remaining standing and alternate auditors are chosen from other slates (so-called Minority Slates), in compliance with the applicable regulations concerning the limits of connection with the Majority Slate. For this purpose, the votes obtained from the Minority Slates are divided first by one and then by two and the quotients are assigned to the candidates of one section and of the other, according to the order listed. On the basis of the quotients assigned, the candidates on the various slates are arranged in a single decreasing ranking for the appointment of the standing auditor position and in a single decreasing ranking for the appointment of the alternate auditor position and those who have obtained the two highest quotients are elected. If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected a statutory auditor is elected or, subordinately, there is a tiebreaker vote by the entire Shareholders' Meeting and the candidate who obtains the majority of the votes is elected.

If the composition of the resulting board or category of alternate auditors does not reflect the gender balance, taking into account their ranking order in the respective sections, the necessary number of the last candidates of the more represented gender elected from the Majority Slate shall forfeit their position to ensure compliance with this requirement, and shall be replaced by the first unelected candidates 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.

In the event that a statutory auditor chosen from the Majority Slate or one of the Minority Slates should cease to serve, the alternate auditors from the Majority Slate or the Minority Slates shall take his/her 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. In the event that a standing auditor chosen from the Minority Slates should cease to serve, the principle of necessary representation of the minorities shall be deemed to have been respected if one of the alternate auditors chosen from the Minority Slates takes his/her place.

At the first renewal of the Board of Statutory Auditors after the Shareholders' Meeting of 15 May 2012, the quota to be assigned to the less represented gender is limited to one fifth of the total; in the event of a fractional number, it shall be rounded up to the nearest whole number.

13. Composition and operation of the Board of Statutory Auditors

The Shareholders' Meeting of 15 May 2012 appointed the serving Board of Statutory Auditors, whose term will expire with the Shareholders' Meeting to approve the financial statements for financial year 2014; it also appointed its Chairman and determined the amount of remuneration.

Three slates were presented within the terms and according to the procedure required by the applicable

regulations:

Telco Slate

(Presenting Shareholder: Telco S.p.A.)

Standing Auditors Section

1. Gianluca Ponzellini
2. Salvatore Spiniello
3. Ferdinando Superti Furga
4. Lelio Fornabaio
5. Mario Ragusa

Alternate Auditors Section

1. Ugo Rock
2. Vittorio Mariani
3. Luigi Merola
4. Luca Novarese

Findim Group Slate

(Presenting Shareholder: Findim Group S.A.)

Standing Auditors Section

1. Lorenzo Pozza

Alternate Auditors Section

1. Massimiliano Carlo Nova

Slate of Asset Management Companies and international institutional investors

(Presenting Shareholders: Allianz Global Investors Italia S.G.R. S.p.A. Anima S.G.R. S.p.A., APG Algemene Pensioen Groep N.V., Arca S.G.R. S.p.A., BancoPosta Fondi S.p.A., BNP Paribas Investment Partners S.G.R. S.p.A., Ersel Asset Management S.G.R. S.p.A., Eurizon Capital S.G.R. S.p.A., Eurizon Capital S.A., Fideuram Investimenti S.G.R. S.p.A., Fideuram Gestions S.A., Interfund Sicav, Mediolanum Gestione Fondi S.G.R.p.A., Pioneer Investment Management S.G.R.p.A. and Pioneer Asset Management S.A.)

Standing Auditors Section

1. Enrico Maria Bignami
2. Sabrina Bruno

Alternate Auditors Section

1. Roberto Capone
2. Franco Patti

The number of votes in relation to the voting share capital gave the following results:

Telco Slate: 3.240.488.244 votes (45,59%)

Findim Group Slate: 717,374,498 votes (10.09%)

Asset Management Company slate: 3,121,340,169 votes (43.91%)

From the Telco slate, which obtained a majority of the votes cast, three Standing Auditors and two Alternate Auditors were therefore chosen in the order in which they were listed in the slate: Gianluca Ponzellini – Standing Auditor, Salvatore Spiniello - Standing Auditor, Ferdinando Superti Furga - Standing Auditor, Ugo Rock – Alternate Auditor and Vittorio Mariani - Alternate Auditor. The remaining Standing Auditors and two Alternate Auditors were chosen from the Asset Management Companies slate: Enrico Maria Bignami – Standing Auditor, Sabrina Bruno – Standing Auditor, Roberto Capone – Alternate Auditor and Franco Patti – Alternate Auditor. The Shareholders' Meeting also appointed, pursuant to law, Enrico Maria Bignami as Chairman of the Board of Statutory Auditors.

The annual remuneration was established by the Shareholders' Meeting, as proposed by shareholder Telco, as 95,000 euros for each Standing Auditor and 135,000 euros for the Chairman of the Board of Statutory Auditors. After the resignation of Auditor Sabrina Bruno (appointed from the slate submitted by some asset management companies and international institutional investors – the so-called minority slate) on 18 September 2012, replacement Alternate Auditor Roberto Capone was appointed from the same list, and will remain in office until the next Shareholders' Meeting.

The Shareholders' Meeting on 17 April 2013 will proceed to confirm Roberto Capone as Standing Auditor and the appointment of the new Alternative Auditor, who will remain in office until the natural end of the term of office of the Board of Statutory Auditors (Shareholders' Meeting to approve the financial statements as at 31 December 2014).

The *curricula vitae* of the members of the control body are available on the website www.telecomitalia.com Governance Section - *Board of Statutory Auditors* channel.

In its meeting on 22 May 2012 the Board of Statutory Auditors acknowledged that two of its members (Salvatore Spiniello and Ferdinando Superti Furga) have acted as standing auditors for more than three mandates, without the emergence of elements that might be construed as a decrease in their independence.

In its meeting of 12 March 2013, the Board of Statutory Auditors confirmed that the independence requirements specified in article 148, subsection 3 of the CFL had been met, as had the requirements of the Borsa Italiana Code of Corporate Governance (other than for the auditors indicated above, for the latter).

During 2012, there were 39 meetings of the Board of Statutory Auditors (10 of which were held jointly with the Control and Risk Committee). The average duration of the meetings was 2 hours and twenty minutes. The percentage of attendance was 93.85%.

Regarding the induction sessions, the Board of Statutory Auditors participates in the initiatives made available by the Board of Directors (see paragraph entitled "Role of the Board of Directors").

Table 3 presents information on the composition of the Board of Statutory Auditors as of 31 December 2012.

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 CFL.

14. Shareholder relations

Within the Administration Finance and Control Function, Alex Pierre Bolis is the executive appointed to manage relations with the Italian and international financial community and with all the shareholders (Investor Relations Manager). The references for the institutional and individual investors within Telecom Italia are:

- Institutional investors:
Telecom Italia S.p.A. - ref. Investor Relations
Piazza degli Affari, 2
20123 Milan
Telephone: +39 02 85954131
E-mail: investor_relations@telecomitalia.it
- Individual investors:
Telecom Italia S.p.A. - ref. Investor Relations
Piazza degli Affari, 2
20123 Milan
Telephone: +39 02 85954131
E-mail: investitori.individuali@telecomitalia.it

Important information for shareholders and, in general, for current or potential investors (also with bonds) is available at www.telecomitalia.com in the *Investors* section.

15. 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 also exercise their right to vote by mail, as well as 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.

In order to facilitate the collection of proxies among employee ordinary shareholders of the Company and its subsidiaries who belong to shareholder associations satisfying the requirements established by law, special areas and instruments are made available for communication and performance of the activity.

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 resolves on matters of law and authorises transactions with parties related to the Company, in the circumstances and according to the methods provided for in the specific procedure adopted by the Board of Directors, in accordance with the applicable regulations (see preceding Paragraph 11).

The Bylaws also provide (article 12.1) decisions on the merger into Telecom Italia or demerger in favour of Telecom Italia of companies of which Telecom Italia owns at least 90% of the share capital, the reduction of the share capital in the event of the withdrawal of shareholders, the revision of the Bylaws to conform with statutory provisions, the relocation of the Company's registered office within Italy, and the opening and closing of secondary offices are matters that are remitted to the competence of the Board of Directors.

To ensure the regular conduct of shareholders' meetings, since 2000 the Company has adopted the Regulations for the Shareholders' Meetings, available at the website www.telecomitalia.com, *Governance* section, *Governance System* channel.

Nine directors attended the Shareholders' Meeting on 15 May 2012 and seven the meeting held on 18 October 2012.

During the course of the year no significant variations occurred in the market capitalisation of Telecom Italia shares and in the composition of the Shareholders' body.

16. Further corporate governance practices

Nothing to indicate.

17. Changes since the end of the reference year

The changes that occurred in the first months of 2013 have been described in the preceding sections and concerned the so-called opting out from the obligations to publish information documents on extraordinary operations and the amendment of the Organisational Model 231/2001.

On March 11, 2013 Norges Bank (Central Bank of Norway) reported that it holds n. 272,004,479 ordinary shares with voting rights, corresponding to 2.03% of the ordinary share capital.

Table 1 – INFORMATION ON SHARE OWNERSHIP

Share capital structure at 31 December 2012

	No. shares	% of share capital	Listed (indicate markets) / non listed	Rights and obligations
Ordinary shares	13,416,839,374	69.01%	Listed on Borsa Italiana S.p.A.	Voting rights at the Company Ordinary and Extraordinary Meetings
Savings shares	6,026,120,661	30.99%	Listed on Borsa Italiana S.p.A.	Right to vote in special shareholders' meetings; capital privileges contemplated by Article 6 of the Bylaws: preference dividend 5%, biennial carrying over of the right to preference dividend, dividend increased by 2% compared to the ordinary share

Significant shareholdings

Declarant	Direct shareholder	% on ordinary capital	% of voting capital
Telco S.p.A.	Telco S.p.A.	22.387%	22.387%
Findim Group S.A.	Findim Group S.A.	4.986%	4.986%

Table 2 – Structure of the Board of Directors and committees and other offices held

Position	Members	Serving since	Serving until	Board of Directors						Internal control committee		Nomination and Remuneration Committee		Executive Committee	
				Slate (M/m) [*]	Exec.	Non exec.	Independent ^{**}	(%) ^{***}	Number of other offices ^{****}	*****	***	*****	***	*****	***
Chairman-Chief Executive Officer	Franco Bernabè	3/12/2007	31/12/2013	M	X			100	=					X	100
Vice Chairman	Minucci Aldo	16/04/2007	31/12/2013	M		X		100	1					X	100
Managing Director-Chief Operating Officer	Marco Patuano	12/04/2011	31/12/2013	M	X			100	=					X	100
Director	Cesar Izuel Alierta	8/11/2007	31/12/2013	M		X		25	=						
Director	Tarak Ben Ammar	14/04/2008	31/12/2013	M		X		91	1						
Director	Lucia Calvosa ⁽²⁾	4/08/2011	31/12/2013	M		X	X	100	=	X	94				
Director	Elio Catania	14/04/2008	31/12/2013	M		X	X	100	1	X	100	X	100	X	100
Director	Massimo Egidi ⁽²⁾	1/12/2011	31/12/2013	M		X	X	100	=			X	88		
Director	Jean Paul Fitoussi	6/05/2004	31/12/2013	M		X	X	91	1	X	94	X	88		
Director	Gabriele Galateri	3/12/2007	31/12/2013	M		X		83	2			X	88		
Director	Julio Linares Lopez	8/11/2007	31/12/2013	M		X		83	=					X	100
Director	Gaetano Miccichè	24/07/2007	31/12/2013	M		X		91	3						
Director	Renato Pagliaro	6/05/2004	31/12/2013	M		X		91	2					X	50
Director	Mauro Sentinelli	29/04/2010	31/12/2013	M		X	X	100	=	X	88			X	100
Director	Luigi Zingales	16/04/2007	31/12/2013	m		X	X	100	=	X	100				

Directors who resigned during financial year 2012

No member of the Board of Directors resigned during financial year 2012

Number of meetings held during the reference year:

BOD: **13**

ICC: **18**

NRC: **9**

EC: **2**

NOTES:

* This column shows M/m, depending on whether the member was elected from the slate voted for by the majority (M) or by a minority (m).

** Independent Directors as per the Corporate Governance Code. As stated in the Report, Directors Calvosa, Catania, Egidi, Fitoussi, Sentinelli and Zingales have declared that they also possess the independence requirements specified by Legislative Decree no. 58/98.

*** This column indicates the percentage participation by the directors in the meetings respectively of the BoD and the committees (no. of attendances/no. of meetings held during the actual period of office of the person concerned).

**** 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. Attach to the Report the list of such companies with reference to each director, stating whether the company in which the position is held does or does not form part of the group which is controlled by the issuer or of which the Issuer forms part.

***** In this column, X indicates that the member of the BoD is a member of the committee.

Shown below are the positions held by the Directors, currently in office, in companies included in FTSE/MIB index, or in companies that operate principally in the financial sector in favour of the public (included in the slates referred to 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 Article 5 of the Corporate Governance Code of Telecom Italia.

Franco Bernabè	---
Aldo Minucci	Chairman of Genertel S.p.A.
Marco Emilio Angelo Patuano	---
Cesar Izuel Alierta	---
Tarak Ben Ammar	Independent member of the Board of Directors of Mediobanca S.p.A.
Lucia Calvosa	---
Elio Catania	Independent Member of the Management Board of Intesa Sanpaolo S.p.A.
Massimo Egidi	---
Jean Paul Fitoussi	Independent Member of the Supervisory Board of Intesa Sanpaolo S.p.A.
Gabriele Galateri di Genola	Chairman of Assicurazioni Generali S.p.A., Member of the Board of Directors of SAIPEM S.p.A.
Julio Linares Lopez	---
Gaetano Micciché	Chief Executive Officer of Banca IMI S.p.A., Member of the Board of Directors of Banca Caboto S.p.A. and of Intesa San Paolo Group Services S.C.p.A.
Renato Pagliaro	Chairman of Mediobanca S.p.A.; Member of the Board of Directors of Pirelli & C. S.p.A.
Mauro Sentinelli	---
Luigi Zingales	---

TABLE 3 – STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Position	Members	Serving since	Serving until	* Slate (M/m)	Independence as per Civil Code	** (%)	*** Number of other offices
Chairman	Enrico Maria Bignami	16/04/2007	31/12/2014	m	X	100	25
Standing auditor	Roberto Capone(1)	18/09/2012	17/04/2013	m	X	100	=
Standing auditor	Gianluca Ponzellini	8/04/2009	31/12/2014	M	X	95	14
Standing auditor	Salvatore Spiniello	24/05/2003	31/12/2014	M	X	87	14
Standing auditor	Ferdinando Superti Furga	24/05/2003	31/12/2014	M	X	87	11
Alternate auditor	Franco Patti	15/05/2012	31/12/2014	m	X	=	=
Alternate auditor	Vittorio Giacomo Mariani	8/04/2009	31/12/2014	M	X	=	=
Alternate auditor	Ugo Rock	08/04/2009	31/12/2014	M	X	=	=
STATUTORY AUDITORS WHO RESIGNED DURING FINANCIAL YEAR 2012							
Standing auditor	Sabrina Bruno	15/05/2012	18/09/2012	m	X	100	=
Standing auditor	Lorenzo Pozza	8/04/2009	15/05/2012	m	X	100	=
Alternate auditor	Silvano Corbella	8/04/2009	31/12/2011	m			=
Alternate auditor	Maurizio Lauri	8/04/2009	31/12/2011	m			=
Number of meetings held during the relevant year: 39							

NOTES

* This column shows M/m, depending on whether the member was elected from the slate voted for by the majority (M) or by a minority (m).

** This column indicates the percentage participation by the statutory auditors in the meetings of the BoSA. (no. of attendances/no. of meetings held during the actual period of office of the person concerned).

*** 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 CFL. The full list of offices is attached, pursuant to Article 144-*quinquiesdecies* of the Consob Issuer Regulations, to the report on supervisory activity, drafted by the statutory auditors for the purposes of Article 153, subsection 1 of the CFL.

(1) Roberto Capone, appointed Alternate Auditor (taken from minority list) in the Shareholders' Meeting on 15/5/2012, took over as Standing Auditor (minority list) from 18/9/2012 upon the resignation of Sabrina Bruno, until the Shareholders' Meeting called for 17/4/2013 to approve the financial statements for the financial year 2012.