



*DEFERRED SETTLEMENT OF 2015 MBOs*

**INFORMATION DOCUMENT**  
**PURSUANT TO ART. 84-BIS OF THE ISSUER REGULATIONS**

**Published on April 20, 2015**

## INTRODUCTION

With this information document (the “Information Document”), Telecom Italia S.p.A. (with registered office in Milan, at Via Gaetano Negri 1, tax code and registration number in the Milan Business Register 00488410010, registration number in the R.A.E.E. (Register of Manufacturers of Electric and Electronic Equipment) IT08020000000799, also referred to as “Telecom Italia”, the “Company” and the “Issuer”) fulfils the requirements for compensation plans involving the award of financial instruments with reference to the deferral by liquidation in ordinary shares of the Company of a portion of the short-term incentive (so-called MBOs: Management by Objectives) for the year 2015 (the “Plan”).

The Plan establishes that, following the 2015 MBO performance assessment, the bonus accrued is settled half in cash and half in non-transferable two-year rights to ordinary Telecom Italia shares. The number of rights allocated shall be equal to the ratio between said amount (i.e. 50% of the bonus) and the normal value of the share as of the date of the Board of Directors' meeting approving the finalised Top Management MBO scorecard.

Upon completion of the two-year deferral, if still in service (or, for the Chief Executive Officer, if retaining the office until the natural expiry of the mandate), the rights allocated above shall be converted free of charge into two ordinary shares in the Company (increased to three, upon achieving a specific performance condition).

The initiative involves the Top Management (including the Company's Chief Executive Officer) and a selected number of executives, aiming to align the interests of the management with those of the shareholders, making the management share in the business risk, while also introducing a deferral mechanism that rewards people who remain in office and can therefore act as a retention tool.

## DEFINITIONS

Share/Shares - *the ordinary shares of the Company, without par value, listed on the MTA electronic share market organised and managed by Borsa Italiana.*

Bonus Share - *the incremental Shares with respect to the Investment Shares that can be allocated to the Beneficiary at the end of the Deferral Period, in the number of 1 or 2 per each Right, in accordance with the conditions set forth in the Regulation.*

Exercise Condition – *(i) for the Chief Executive Officer, retention of the office until the natural expiry of the mandate; and (ii) for Beneficiaries other than the Chief Executive Officer, maintenance of the employment contract with a company of the Telecom Italia Group, even if not the same company the individual was employed by at the time the Rights were allocated.*

Performance Condition - *accumulated achievement over the two-year period 2016-17, on the Group consolidated financial statements, of an EBITDA – Organic Net Financial Charges amount equal at least to the sum of the corresponding indicators in the 2016 and 2017 budgets.*

Beneficiary/ies - *the beneficiaries of the Plan identified by the Issuer's Board of Directors or by its representatives.*

Selected Executives - *the selected part of the executives of Telecom Italia or another Group company as shall be duly identified by the Board of Directors of Telecom Italia (or its representatives), taking account of the role of the individual beneficiaries within the organisation and their individual quality.*

Right/s – *the free allocation of two-year non-transferable right/s to Investment Shares and Bonus Shares.*

Telecom Italia Group or the Group - *Telecom Italia and the companies it controls directly and indirectly.*

Investment Share – *the Shares that can be allocated to the Beneficiary at the end of the Deferral Period, in the number of 1 per each Right.*

Lock-up – *the twelve-month time frame running from allocation, with respect to which the Investment Shares allocated to the Beneficiaries and belonging to the category of Top Management shall be non-transferable and subject to mandatory deposit in a securities account held with the Company.*

Deferral period - *the period of twenty-four months from the moment the Rights are allocated.*

MBO premium – *any MBO premium as may be accrued by the Beneficiaries for FY 2015, as per the Company's remuneration policy.*

Regulations - *The regulations of the Plan, as defined by the Board of Directors in due time.*

Top Management – *the Chief Executive Officer and resources holding - at the time of allocation of the Rights - organisational positions reporting directly to the Board of Directors, the Chairman and the Chief Executive Officer of the Issuer (as per the Telecom Italia organisational chart), with the exception of the CEO of Tim Brasil, insofar as he is the beneficiary of specific incentives within the subsidiary.*

## **1. BENEFICIARIES**

### **1.1 Names of individuals who are Beneficiaries of the Plan by virtue of their being members of the Board of Directors of the Issuer or the Issuer's controlling companies or subsidiaries of the Issuer.**

The Chief Executive Officer, Marco Patuano, and Alessandro Talotta, as CEO of the subsidiary Telecom Italia Sparkle and, as such, a member of the Top Management, are Beneficiaries of the Plan.

Some of the remaining Beneficiaries, as identified at the time in accordance with the Regulations, may hold offices in the corporate bodies of Issuer subsidiaries without their participation in the Plan being correlated with this specific circumstance.

The provision is not applicable to the corporate bodies of companies which control the Issuer since the Issuer is not subject to control.

**1.2 Categories of employees or collaborators of the Issuer or the Issuer's controlling companies or subsidiaries of the Issuer**

Members of the Top Management and Selected Executives shall be Beneficiaries.

**1.3 Names of the Beneficiaries belonging to the followin groups:**

- a) soggetti che svolgono funzioni di direzione nell'Emittente, ai sensi dell'articolo 152-sexies, subsection 1, letter c)-c.2 of the Issuer Regulations**

Not applicable. Currently there are no subjects in the Issuer performing the role of General Manager.

- b) individuals performing executive functions within a subsidiary of the Issuer, if the book value of the holding represents more than fifty percent of the total balance sheet assets of the Issuer under Article 152-sexies, subsection 1, letter c)-c.3 of the Issuer Regulations**

Not applicable.

- c) natural persons controlling the Issuer who are employees or collaborators of the Issuer**

Not applicable.

**1.4 Description and indication of number, divided into categories:**

- a) executives who have regular access to sensitive information and have the power to make management decisions which could influence the development and future prospects of the Issuer under Article 152-sexies, subsection 1, letter c)-c.2 of the Issuer Regulations**

Top Management includes the Chief Executive Officer of the Company and all managers with regular access to sensitive information, who have the power to take management decisions that can influence the development and future prospects of the Issuer (and in particular the heads of the Business, Public & Regulatory Affairs, Legal Affairs, People Value, Operations, Administration Finance & Control, Consumer, National Wholesale Services and Business Support Officer Departments).

In accordance with Art. 152-sexies, subsection 1, letter c)-c.2 of the Issuers' Regulations, the CEO of Tim Brasil, who is not included amongst the Beneficiaries insofar as he benefits from specific incentives within the subsidiary, is also classified as a significant strategic executive.

- b) executives who have regular access to sensitive information and have the power to make management decisions which could influence the development and future prospects of a subsidiary of the Issuer, if the book value of the holding represents more than fifty percent of the total balance sheet assets of the Issuer under Art. 152-sexies, subsection 1, letter c)-c.3 of the Issuer Regulations**

Not applicable.

- c) any other categories of employees or collaborators for whom different characteristics are provided for in the Plan**

The Plan envisages identical characteristics for all categories of Beneficiaries, with the exception of the Lock-up, limited to Top Management alone.

**d) persons indicated at letters a) and/or b) for whom different exercise prices are established**

Not applicable.

## **2. REASONS FOR ADOPTION OF THE PLAN**

### **2.1 Objectives that are intended to be achieved by adopting the Plan**

The aim of the Plan is to align the interests of the Beneficiaries with those of the shareholders, making the management share in the business risk, while also introducing a deferral mechanism that rewards people who remain in office and which can therefore act as a retention tool.

### **2.2 Key variables, including *performance* indicators, considered for the purpose of the application of the Plan**

At the end of the Deferral Period, subject to the meeting of the Exercise Condition, the following will be allocated free of charge to the Beneficiaries, for each Right:

- 1 Investment Share (a Share comprising the deferred MBO);
- 1 Bonus Share, which can be increased to 2 Bonus Shares if the Performance Condition is met.

As specified above, Exercise Condition means: (i) for the Chief Executive Officer, retention of the office until the natural expiry of the mandate; (ii) for Beneficiaries other than the Chief Executive Officer, maintenance of the employment contract with a company of the Telecom Italia Group, even if not the same company the individual was employed by at the time the Rights were allocated. Performance Condition, on the other hand, means the accumulated achievement over the two-year period 2016-17, on the Group consolidated financial statements, of an EBITDA – Organic Net Financial Charges amount equal at least to the sum of the corresponding indicators in the 2016 and 2017 budgets.

### **2.3 Elements used as the basis for determining the size of the financial instrument-based remuneration**

With regards to the respective MBO Premium, the Plan establishes that the Beneficiaries shall receive:

- liquidation in cash of 50% of the premium;
- for the remaining 50% of the premium, allocation of a number of Rights calculated by applying a divisor to said amount equal to the normal value of the Share as of the date of the meeting of the Board of Directors called to approve the finalised Chief Executive Officer 2015 MBO scorecard and in any case no less than the accounting par value of the Shares as of 31 December 2014 (0.55 euros).

In accordance with the Company's remuneration policy, submitted for the approval of the Shareholders' meeting on 20 May 2015 with a non-binding vote, the annual incentive plan (MBO) for 2015 is connected, for the Chief Executive Officer, to the following objectives:

Objective	Weight
Ebitda - Organic Net financial Charges (GATE)	30%
Domestic + Brazil Innovative Investments	15%
<i>TI Group Net Financial Position</i>	25%
Total <i>TI Group Organic Revenue</i>	20%
<i>Customer Satisfaction Indicator</i>	10%

With regards to the other Beneficiaries, as for all beneficiaries of the MBO measure, the annual incentive plan is connected with the achievement of a combination of predefined objectives:

- corporate objectives which are intended to create team-building, directing the behaviour of management towards the achievement of overall corporate results;
- functional objectives related to the specific activities of the Department;
- an objective that is worth 20%, based on the overall result of the assessment from the new Performance Management system. More specifically, the new system will consider both individual objectives and conduct in relation to the new leadership model, assessed in a multi-rater manner, namely by the direct manager, colleagues and collaborators, putting both on equal footing.

The allocation of company, functional objectives varies according to the organisational structure to which they belong. The company EBITDA - Organic Net Financial Charges indicator acts as a "gate" objective applied to all MBO beneficiaries; this objective must be achieved in order for the Chief Executive Officer to access the MBO Premium, whilst for the remaining incentivised parties, the "gate" only affects company objectives and not the functional Performance Management ones.

The MBO envisages an annual target value of 100% of the fixed remuneration for the Chief Executive Officer (with a parametrised scale that awards a bonus of 50% of the target if all objectives are reached at minimum level, up to a bonus of 150% of the target if all objectives are reached at maximum level) and up to a maximum of 50% of the fixed remuneration for the other Beneficiaries (with a parametrised scale that awards a bonus of 70% of the target if all objectives are reached at minimum level, up to a bonus of 140% of the target, if all objectives are reached at maximum level).

For more details on the MBO measure, please refer to the Report on Remuneration prepared in accordance with Art. 123-ter of the CLFI, approved by the Issuer's Board of Directors in the meeting held on 19 March 2015 and available on the website [www.telecomitalia.com](http://www.telecomitalia.com).

#### **2.4 Reasons for any decision to adopt remuneration plans based on financial instruments not issued by the Issuer**

Not applicable: the Plan is based on the allocation of Shares in the Issuer.

**2.5 Evaluation of significant tax and accounting implications that have influenced the definition of the Plan**

No significant accounting or tax implications have influenced the definition of the Plan.

**2.6 Any support for the Plan from the Special Incentive Fund for encouraging employee ownership of firms pursuant to Art. 4, subsection 112, of Law No. 350 of 24 December 2003**

The Plan does not receive support from the special Fund for encouraging employee ownership of firms, pursuant to Article 4, subsection 112 of Law no. 350 of 24 December 2003.

**3. APPROVAL PROCESS AND TIMETABLE FOR ALLOCATION OF THE INSTRUMENTS**

**3.1 Scope of the powers and functions delegated by the Shareholders' Meeting to the Board of Directors for implementing the Plan**

The Plan is subject to the approval of the Shareholders' Meeting called for 20 May 2015 (in a single call), which will also be asked to approve a proposal to attribute the following powers to the Board of Directors:

- authorisation to service the Plan with treasury Shares as held in the Company's portfolio at the time;
- power to increase the share capital free of charge, by allocating profits (or retained profits) to the employee Beneficiaries to a maximum of 25,500,000 euros, with the issue of a sufficient number of Shares to fulfil the Rights, in accordance with the conditions laid down in this document.

It will also be proposed that all the powers necessary or appropriate to implement the Plan, making any amendment and/or supplement that might be necessary, also in order to comply with all applicable legal provisions, be attributed to the Board of Directors. In particular, but not limited to, powers are to be attributed in order to: (i) identify the beneficiaries and define the limits and arrangements; (ii) establish all terms and conditions for the execution of the Plan; (iii) draw up and approve the rules for the initiative, as well as amend and/or supplement them; (iv) make any amendments necessary to the terms and conditions of the Plan if the applicable law should change, or if extraordinary events that might influence the Plan itself should occur.

**3.2 Information on the persons in charge of administering the Plan and their functions and duties**

The Board of Directors, in exercising the powers and mandates granted to it by the Shareholders' Meeting, may decide to delegate all or part of the activities of managing and administering the Plan.

### **3.3 Procedures for revising the Plan, including with regard to any changes in the underlying objectives**

No special procedures are planned for revising the Plan.

The Board of Directors may still make any amendments to the terms and conditions of the Plan required by changes in the applicable law or extraordinary events that might influence it.

### **3.4 Description of how the availability and allocation of the financial instruments on which the Plan is based were established**

The Plan, based on the characteristics of the Beneficiaries and at the discretion of the Board of Directors, will be serviced by using treasury Shares in the Company's portfolio and/or by means of a capital increase, exercising the relevant powers to increase the share capital free of charge proposed to the Extraordinary Shareholders' Meeting of 20 May 2015 subject to the possibility of some or all of the liquidation being serviced by other equivalent means, at the Board of Director's discretion, based on the normal value of the Share at the end of the Deferral Period.

### **3.5 Role played by each director in determining the features of the Plan; any conflict of interest involving the directors concerned**

In defining the proposed Plan to submit to the Shareholders' Meeting called for 20 May 2015 (single call), the Board of Directors based their examination on the work of the Company's Nomination and Remuneration Committee, concurring with their conclusions.

The Chief Executive Officer did not vote on the relevant board meeting resolution.

At the date of this document, the members of the Board of Directors of Telecom Italia were: Giuseppe Recchi(Chairman), Marco Patuano (Chief Executive Officer), Tarak Ben Ammar, Davide Benello, Lucia Calvosa, Flavio Cattaneo, Laura Cioli, Francesca Cornelli, Jean Paul Fitoussi, Giorgina Gallo, Denise Kingsmill, Luca Marzotto and Giorgio Valerio. Members of the Nomination and Remuneration Committee as of 18 March 2015 included: Davide Benello (Chairman), Flavio Cattaneo, Jean Paul Fitoussi and Denise Kingsmill. On 26 March 2015, the Board of Directors received the resignation from office of Committee Member, Director Flavio Cattaneo, who was replaced by Director Luca Marzotto.

### **3.6 Plan approval procedure**

The Nomination and Remuneration Committee completed the process of defining the terms and conditions for implementing the Plan at its meeting on 18 March 2015, resolving to submit it for approval by the Board of Directors of the Issuer the next day.

The meeting of the Board of Directors of the Issuer held on 19 March 2015 resolved to submit the Plan (and the authorisations/amendments to the company bylaws required for its implementation) to the Shareholders' Meeting for approval.

This was convened for 20 May 2015 (single call) in ordinary and extraordinary session to resolve on both the Plan and the authorisation to use treasury Shares, as well as on the power to increase share capital to service the implementation of said Plan.



**3.7 Date of the decision taken by the competent body concerning allocation of the financial instruments and any proposal made to such body by any remuneration committee**

See paragraph 3.6.

**3.8 Market price on the above-mentioned dates of the financial instruments on which the Plan is based, if traded on regulated markets**

The official price of the Shares on the Borsa Italiana S.p.A. Electronic Share Market on 18 and 19 March 2015 was 1.1 euro.

**3.9 Terms and procedures considered by the Issuer with regard to establishing the schedule for allocation of the financial instruments in implementing the Plan and the potential coincidence in time between (i) such allocation or any decisions taken in this respect by the remuneration committee and (ii) the dissemination of any relevant information pursuant to article 114, subsection 1 of the CLFI**

On 19 March 2015 Telecom Italia issued a press release announcing the 2014 financial results.

It is expected that the resolutions necessary to implement the Plan (including the definition of the Regulations) may be taken by the Board of Directors in the first meeting scheduled following the approval by the shareholders' meeting .

**4. CHARACTERISTICS OF THE FINANCIAL INSTRUMENTS ALLOCATED**

**4.1 Description of how the Plan is structured**

With regards to the respective MBO Premium, the Plan establishes that the Beneficiaries shall receive:

- liquidation in cash of 50% of the premium;
- for the remaining 50% of the premium, allocation of a number of Rights calculated by applying a divisor to said amount equal to the normal value of the Share as of the date of the meeting of the Board of Directors called to approve the finalised Chief Executive Officer 2015 MBO scorecard and in any case no less than the accounting par value of the Shares as of 31 December 2014 (0.55 euros).

At the end of the Deferral Period, subject to the meeting of the Exercise Condition, the following will be allocated free of charge to the Beneficiaries, for each Right:

- 1 Investment Share (a Share comprising the deferred MBO);
- 1 Bonus Share, which can be increased to 2 Bonus Shares if the Performance Condition is met.

#### **4.2 Indication of the period of actual implementation of the Plan with reference also to any different cycles envisaged**

Following the 2016 assessment of the level of achievement of the annual performance objectives relating to the 2015 MBO short-term variable incentive system, on which the size of the MBO Premium depends, in the structure decided, the Rights will be allocated, to be converted into Shares at the end of the Deferral Period, which will mature in 2018, in accordance with the terms of the Regulations.

For Top Management, the Lock-up period of the Investment Shares should be 12 months from allocation.

#### **4.3 Expiration of the Plan**

See section 4.2

#### **4.4 Maximum number of Shares involved in the Plan allocated in the fiscal year in relation to the persons individually identified or to the categories specified**

At present, it is not possible to specify the number of Shares involved in the Plan, which will depend first and foremost on the number of Rights allocated and, therefore, the effective size of the MBO Premium.

The maximum number of Shares that might be issued free of charge for allocation in 2018 is equal to 46,363,635. Said quantity is a theoretical quantity, calculated by applying

- to the result of the ratio between (i) 50% of the maximum MBO Premium (equal to 17 million euros) and (ii) the accounting par value of the Share as of 31 December 2014 (maximum number of Rights that can be allocated)
- the multiplier 3 (maximum number of Shares stemming from the conversion of each Right: 1 Investment Share + 2 Bonus Shares).

#### **4.5 Plan-implementing procedures and clauses, specifying whether actual allocation of the Shares is subject to the fulfilment of conditions or to the achievement of specific results, including *performance* results**

As already described in paragraph 2.2, at the end of the Deferral Period, subject to the meeting of the Exercise Condition, the following will be allocated free of charge to the Beneficiaries, for each Right:

- 1 Investment Share (a Share comprising the deferred MBO);
- 1 Bonus Share, which can be increased to 2 Bonus Shares if the Performance Condition is met.

As specified above, Exercise Condition means: (i) for the Chief Executive Officer, retention of the office until the natural expiry of the mandate; (ii) for Beneficiaries other than the Chief Executive Officer, maintenance of the employment contract with a company of the Telecom Italia Group, even if not the same company the individual was employed by at the time the Rights were allocated. Performance Condition, on the other hand, means the

accumulated achievement over the two-year period 2016-17, on the Group consolidated financial statements, of an EBITDA – Organic Net Financial Charges amount equal at least to the sum of the corresponding indicators in the 2016 and 2017 budgets.

**4.6 Information on any restrictions on the availability of the Shares**

The Shares in the Plan shall have full and regular entitlement to dividends as of the time of conversion of Rights.

Lock-up is only expected for Investment Shares deriving from the conversion of the Rights allocated to the Top Management, which are non-transferable and subject to mandatory deposit in a securities account held with the Company for a period of 12 months from allocation.

**4.7 Description of any resolatory conditions in relation to the application of the Plan in the event that the Beneficiaries should perform *hedging* operations enabling the neutralisation of any bans on the sale of the financial instruments allocated, including those in the form of options, or financial instruments deriving from the exercise of such options**

Not applicable/not envisaged.

**4.8 Description of the effects arising from termination of employment**

If, during the Deferral Period, employment with the Company (or with other Group companies, even if not the same company the individual was employed by at the time the Rights were allocated) should be terminated, or the office of Chief Executive Officer should be terminated before the natural expiry of the appointment, the Rights will lapse, as better specified in the Regulations. In this case, the amount not liquidated initially will be paid in cash without any interest.

Termination of employment and/or office during the Lock-up period envisaged for Top Management will not cause the unavailability of the Investment Shares to lapse.

**4.9 Indication of any other grounds for cancellation of the Plan**

The Board of Directors will have the right to make any amendments to the terms and conditions of the Plan required by changes in the applicable law or extraordinary events that might influence it.

**4.10 Reasons for any provision made by the Company to "repurchase" the financial instruments underlying the Plan, as provided for by Article 2357, et seq., of the Italian Civil Code, and related description**

No provision is made for the Company to "repurchase" the Shares involved in the Plan.

**4.11 Any loans or other credit facilities that are to be granted for subscription of the Shares pursuant to Art. 2358, subsection 3, of the Italian Civil Code**

Not applicable.

**4.12 Indication of the cost which the Company is expected to incur at the time of the allocation of the shares, as may be determined based on previously established terms and conditions, as an overall amount and for each financial instrument in the Plan**

At the date of this document, it is not possible to indicate the exact amount of the expected cost of the Plan for the Issuer, for the following reasons:

- this cost depends on the degree to which the 2015 annual performance parameters are reached and for 50% of the bonus, represented by Rights to be converted into Investment Shares and thereafter into Bonus Shares at the end of the Deferral Period, in a variable number according to the extent to which the Performance Condition is met;
- the allocation of Shares by means of the conversion of Rights is subject to the Exercise Condition for each Beneficiary;
- the number of Bonus Shares that can be allocated for each Right depends on the achievement of the Performance Condition.

The MBO Premium and the Bonus Shares will be entered in the financial statements according to the International accounting standards of reference (IAS 19 *Employee benefits* and IFRS 2 *Share-based payments*).

Telecom Italia will guarantee the administration of the Plan as part of the current activities of its corporate structures, with no additional costs for the Company.

**4.13 Indication of any capital dilution effects caused by the Plan**

The issue of the maximum theoretical number of Shares involved in the increase in capital, which it is proposed that the Shareholders' meeting authorises the Board of Directors to resolve to service the Plan, would result in a theoretical maximum dilution effect of 0.24% with respect to the total share capital and 0.34% with respect to the ordinary share capital only, as of 31 December 2014.

**4.14 Any restrictions on the exercise of voting rights and the allocation of property rights**

Not envisaged.

**4.15 If the shares are not traded on regulated markets, provide all the information needed to properly assess the value attributed to them**

Not applicable: the Shares deriving from the conversion of the rights will be traded on the Electronic Share Market organised and managed by Borsa Italiana S.p.A.