



REPORT ON CORPORATE GOVERNANCE
AND SHARE OWNERSHIP
OF TELECOM ITALIA S.P.A. 2014

pursuant to art. 123-bis CLFI

(Report approved by the Board of Directors at its meeting of 19 March 2015
available on the website www.telecomitalia.com)

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GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code of listed companies approved in July 2014 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Civ.cod/ c.c.: the Italian civil code.

Board: the Board of Directors of the Issuer.

Issuer/Telecom Italia/Company: Telecom Italia S.p.A., i.e. the issuer of shares to which the Report refers.

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

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

Report: the report on corporate governance and share ownership which companies are obliged to draw up under art. 123-bis CLFI.

Consolidated Law on Financial Intermediation/CLFI: Legislative Decree no. 58 of 24 February 1998.

1. Introduction

Telecom Italia's corporate governance system, set up in line with the traditional model, focuses on the role of strategic leadership given to the Board; on the transparency of management decisions both within the company and in relation to the market; on the efficiency and effectiveness of the internal control system; on the rigorous governance of potential conflicts of interest and on solid rules of conduct in executing transactions with related parties.

With this report Telecom Italia provides the market with the information required by the Consolidated Law on Financial Intermediation in relation to its own system of Corporate Governance, designed and constructed also in the light of the principles developed by the Corporate Governance Committee of Borsa Italiana and of international best practices; it has been implemented with the adoption of codes, principles and procedures which characterise the activity of the various organizational and operative components and which are constantly the subject of examination and updating in order to respond effectively to the evolution of the legislative context and the changes in operating practices.

The Board appointed by the Shareholders' Meeting of 16 April 2014, radically renewed in its composition (only four Directors out of thirteen formed part of the previous structure) and in its internal balances (currently nine Directors possess the requirements of independence established by the Corporate Governance Code: there were five at 31 December 2013, when furthermore the total number of Directors in office was eleven, out of a number established by the Shareholders' Meeting at fifteen), has decided on a comprehensive review of the corporate governance structures, launching a workout initiative assigned to a workgroup composed of the Chairman of the Full Board, the Chairman of the Control and Risk Committee and the General Counsel.

The initiative, aimed at verifying and updating the Company's instruments of corporate governance, with a view to alignment with best practice and the model of a public company, goes to join a series of workshops that were already running, producing a number of proposals for improvement, which the Board of Directors in part has already adopted (including the proposals for amendments to the bylaws submitted to the Shareholders' Meeting of 20 May 2015), and in part is still evaluating (particularly the review of the Company's corporate governance principles and the adoption of a set of Group regulations). The Report does not take account of these developments in progress but, following approval, the updated versions of the governance documents will be available as always on the Company's website www.telecomitalia.com, About Us section - Governance System channel.

The Report – drawn up taking account of the indications developed by Borsa Italiana – contains a general description of the system of corporate governance adopted by the Group and sets out the information on share ownership and adherence to the Corporate Governance Code, including the principal governance practices applied and the principal characteristics of the internal control and risk management system, including in relation to the process of disclosing financial information. Any failure to adhere to certain specific provisions of the Corporate Governance Code is justified in the section of the Report which deals with the relevant governance practice, otherwise applied by the Company, as per the comparison table below.

All the information contained in the Report, where not otherwise indicated, is updated on the basis of the information available at the date of its approval.

2. Comparative table

Article 1 Role of the Board of Directors	Comply or explain
Principles	
1.P.1. The issuer is guided by a board of directors that meets regularly and is organised and operates in such a way as to guarantee the effective execution of its functions.	(see Chapter 5. of the Report on Corporate Governance and Share Ownership - RCG)
1.P.2. The directors act and resolve with full knowledge of the facts and autonomously, pursuing the priority objective of creating value for the shareholders with a medium-long term perspective.	(see Chapters 5.3 and 5.4. of the RCG)
Application criteria	
1.C.1. The board of directors:	
a) examine and approve the strategic, operational and financial plans of both the issuer and the group it heads, monitoring periodically the related implementation; it defines the issuer's corporate governance system and the group structure;	(see Chapter 5.3 of the RCG)
b) define the nature and level of risk in a manner compatible with the issuer's strategic objectives;	(see Chapter 5.3 of the RCG)
c) evaluate the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control system and risk management;	(see Chapters 5.3 and 11. - RCG)
d) specify the frequency, in any case no less than once every three months, with which the delegated bodies must report to the Board on the activities performed in the exercise of the powers delegated to them;	(see Chapter 5.4 of the RCG)
e) evaluate the general performance of the company, paying particular attention to the information received from the delegated bodies and periodically comparing the results achieved with those planned;	(see Chapters 5.3 and 5.4 of the RCG)
f) resolve upon transactions to be carried out by the issuer or its controlled companies when such transactions have a significant impact on the issuer's strategies, profitability, assets and liabilities or financial position; to this end, the Board shall establish general criteria for identifying the material transactions;	(see Chapter 5.3 of the RCG)
g) perform at least annually an evaluation of the performance of the Board of Directors and its Committees, as well as their size and composition, taking into account the professional competence, experience (including managerial experience) and gender of its members, as well as the number of years for which they have served as director. Where the board of directors avails itself of consultants for self-assessment, the corporate governance report provides information on the identity of such consultants and on other services, if any, supplied by such consultants to the issuer or to companies having a control relationship with the issuer;	(see Chapters 5.3 and Table 2. of the RCG)
h) taking into account the outcome of the evaluation mentioned under the previous item g), report to shareholders its view on the professional profiles deemed appropriate for the composition of the Board of Directors, prior to the appointment of the new board;	(see Chapter 5.3 of the RCG – specifically, see the guidance included in the report to the Shareholders' Meeting of 16 April 2014)
i) provide information in the Corporate Governance Report on: (1) its composition, indicating for each member their title (executive, non-executive, independent), the role that they perform within the Board of Directors (for example, chairman or chief executive officer, as defined in article 2), their main professional characteristics as well as the length of time since their first appointment; (2) the procedures for applying this article 1 and, in particular, the number and average duration of meetings of the board and of the executive committee, if there is one, held during the fiscal year, as well as the corresponding attendance of each director; (3) the methods used to carry out the self-assessment procedure referred to in item g) above;	(see Chapters 5.3 and 5.4. and Table 2 of the RCG)
j) in order to ensure the correct handling of corporate information, adopt, upon proposal of the chief executive officer or the chairman of the Board of Directors, procedures for the internal handling and disclosure to third parties of documents and information concerning the issuer, having special regard to price sensitive information.	(see Chapters 5.4 and 6 of the RCG)
1.C.2. The directors accept office when they consider that they are able to	(see Chapters 5.2 and Note to

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

<p>issuer, when a chief executive officer has not been identified, or when membership of the executive committee, taking the frequency of meetings and the object of its resolutions into account, means the de facto systematic involvement of its members in the current management of the issuer.</p> <p>The attribution of vicarious powers, or only for cases of urgency, to directors without management powers does not in itself mean that they are executive directors, unless such powers are in fact used with notable frequency.</p>	
<p>2.C.2. The directors are obliged to know the tasks and responsibilities inherent to their office.</p> <p>The chairman of the board of directors ensures that directors and statutory auditors can participate, after their nomination and during their mandate, in initiatives intended to provide them with adequate knowledge of the business sector in which the issuer operates, of the dynamics of the company and their evolution, and of the regulatory and self-regulatory framework of reference.</p>	(see Chapter 5.3 of the RCG)
<p>2.C.3. The board of directors designates an independent director as lead independent director in the following cases: (i) if the chairman of the board of directors is the principal person responsible for running the business (chief executive officer); (ii) if the office of chairman is filled by the person who controls the issuer.</p> <p>The board of directors of issuers who are part of the FTSE-Mib designates a lead independent director if this is requested by a majority of the independent directors, unless the board makes a different and reasoned assessment, to be published in the corporate governance report.</p>	(although neither of the eventualities set out in the application criteria apply, the BoD has designated an LID - see Chapter 5.7, RCG)
<p>2.C.4. The Lead Independent Director:</p> <p>a) represents a point of reference and coordination for the issues and contributions of the non-executive directors and, in particular, of those that are independent pursuant to article 3 below;</p> <p>b) collaborates with the chairman of the board of directors to guarantee that the directors receive complete and timely flows of information.</p>	(see Chapter 5.7 of the RCG)
<p>2.C.5. The chief executive officer of an issuer (A) may not assume the office of director of another issuer (B) is not a member of the same group, of which an issuer (A) director is chief executive officer.</p>	(currently the CEO of Telecom Italia does not hold directorships in other companies in which a director of Telecom Italia is CEO; see Table 2 of the RCG)
Article 3 – Independent Directors	
Principles	
<p>3.P.1. An adequate number of non-executive directors are independent, in the sense that they do not have relations such as to currently condition their independence of judgement, nor have they recently had such relations, even indirectly, with the issuer or subject linked to the issuer.</p>	(see Chapter 5.6 of the RCG)
<p>3.P.2. The independence of the directors is assessed by the board of directors after their appointment and subsequently at yearly intervals. The outcome of the board's assessments is communicated to the market.</p>	(see Chapter 5.6 of the RCG)
Application criteria	
<p>3.C.1. The board of directors assesses the independence of its non-executive members having regard more to the substance than to the form, and bearing in mind the fact that a director does not normally appear independent in the following eventualities, which are not to be considered mandatory:</p> <p>a) if they control the issuer directly, indirectly or also through subsidiaries, trustee companies or nominees, or are able to exercise a significant influence over said issuer, or are party to shareholders' agreements through which one or more subjects can exercise significant influence or control over the issuer;</p> <p>b) if they occupy, or have occupied in the three preceding financial years, a prominent position in the issuer, in a company controlled by the issuer with strategic importance or in a company subject to joint control with the issuer, or in a company or body which, also together with others through a shareholders' agreement, controls the issuer or is able to exert significant influence over it;</p> <p>c) if, directly or indirectly (for example, through subsidiaries or companies in which they occupy a prominent position, or as a partner in a professional firm or consultancy company) they have, or have had in the preceding year, a significant commercial, financial or professional relationship:</p> <ul style="list-style-type: none"> – with the issuer, a company controlled by the issuer, or any 	(see Chapter 5.6 of the RCG)

<p>person holding a prominent position in such a company;</p> <ul style="list-style-type: none"> – with a subject that, also with others through a shareholders' agreement, controls the issuer, or - in the case of a company or body - with the persons in a prominent position in such a company or body; <p>or is, or has been in the preceding three years, an employee of one of the aforementioned subjects;</p> <p>d) if they receive, or have received in the preceding three years, from the issuer or from a company controlled by or that controls the issuer, a significant additional remuneration (by comparison with the "fixed" fee of a non-executive director of the issuer and the fee paid for participation in the committees recommended in this Code) also in the form of participation in incentive plans linked to company performance, including share-based plans;</p> <p>e) if they have not been a director of the issuer for more than nine of the last twelve years;</p> <p>f) if they have held office as an executive director of another company in which an executive director of the issuer serves as a director;</p> <p>g) if they are a shareholder or director of a company or entity belonging to the network of firms charged with the external audit of the issuer;</p> <p>h) if they have close family ties with a person who is in one of the situations set out in the previous points.</p>	
<p>3.C.2. For the above purposes the following are to be considered "persons in a prominent position" in a company or body : the chairman of the body, the chairman of the board of directors, the executive directors or key managers with strategic responsibilities in the company or body considered.</p>	<p>(see Chapter 5.6 of the RCG)</p>
<p>3.C.3. The number and skills of the independent directors are consistent with the size of the board and the activity undertaken by the issuer; they are also such as to permit the constitution of internal committees of the board, according to the indications contained in the Code.</p> <p>In issuers that are members of the FTSE-Mib index, at least one third of the board of directors is composed of independent directors. If this quota should not correspond to a whole number, this should be rounded down.</p> <p>In any event there shall be no fewer than two independent directors.</p>	<p>(see Chapter 5.6 of the RCG)</p>
<p>3.C.4. After the appointment of a director who qualifies as an independent, and subsequently, when circumstances relevant to their independence arise and in any event at least once a year, the board of directors assesses the relations that might be or appear to be such as to compromise the independence of judgement of said director, based on the information provided by the person concerned or available to the issuer.</p> <p>The board of directors makes the outcome of its assessments known, after the appointment, by means of a press release to the market and, subsequently, in its report on corporate governance.</p> <p>In these documents the board of directors:</p> <ul style="list-style-type: none"> – will report if assessment parameters different to those indicated in the Code, also with reference to individual directors, have been adopted, and if so, for what reason – will illustrate the quantitative and/or qualitative criteria that might be used to evaluate the significance of the relationships assessed. 	<p>(see Chapter 5.6 of the RCG)</p>
<p>3.C.5. The board of statutory auditors, as part of the duties assigned to it by law, checks that the criteria and procedures of ascertainment adopted by the board to assess the independence of its members have been correctly applied. The outcome of these controls is made known to the market in the report on corporate governance or the statutory auditors' report to the shareholders' meeting.</p>	<p>(see Chapter 5.6 of the RCG)</p>
<p>3.C.6. The independent directors meet at least once a year in the absence of the other directors.</p>	<p>(see Chapter 5.7 of the RCG)</p>
<p>Article 4 - Institution and functioning of the internal committees of the board of directors</p>	
<p style="text-align: center;">Principles</p>	
<p>4.P.1. The board of directors institutes from among its members one or more committees with consulting and proposing functions as indicated in the following articles.</p>	<p>(see Chapter 7.5 of the RCG)</p>
<p style="text-align: center;">Application criteria</p>	
<p>4.C.1. The institution and functioning of the committees specified in the Code meets the following criteria:</p> <p>a) the committees is composed of no fewer than three members.</p>	<p>(see Chapters 8 and 10 of the RCG)</p>

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

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

<p>acquire shares or be remunerated based on the trend in the share price have an average vesting period of at least three years;</p> <p>b) the vesting referred to in point a) is subject to predetermined and measurable performance objectives;</p> <p>c) the directors maintain a quota of the shares allocated or acquired through the exercise of the rights referred in point a) until the end of their mandate.</p>	<p>option plans.</p>
<p>6.C.3. Criteria 6.C.1 and 6.C.2 apply, insofar as they are compatible, also to the determination - by the bodies delegated to do this - of the remuneration of key managers with strategic responsibilities.</p> <p>The incentive mechanisms of the head of the internal audit function and the executive responsible for preparing the corporate accounting documents reflects the tasks assigned to them.</p>	<p>(see Chapter 9 of the RCG)</p>
<p>6.C.4. The remuneration of the non-executive directors is not - unless for a non-significant part - linked to the economic results achieved by the issuer. The non-executive directors are not the beneficiaries of share-based remuneration plans, unless decided, with reasoning, by the shareholders' meeting.</p>	<p>(see Chapter 9 of the RCG)</p>
<p>6.C.5. The Remuneration Committee:</p> <ul style="list-style-type: none"> - periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, also on the basis of the information provided by the managing directors; it shall formulate proposals to the Board of Directors in that regard - submit proposals or issue opinions to the Board of Directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration; monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives. 	<p>(see Chapters 8 - 9 of the RCG)</p>
<p>6.C.6. No director takes part in the meetings of the remuneration committee where proposals for the board of directors are formulated relating to his/her own remuneration.</p>	<p>(see Chapters 8 - 9 of the RCG and art. 2.4 of the Regulations of the Nomination and Remuneration Committee)</p>
<p>6.C.7. If it should intend to avail itself of the services of a consultant in order to obtain information on market practices on pay policies, the remuneration committee checks in advance that it is not in situations that might compromise the independence of its judgement.</p>	<p>(see Chapters 8 - 9 of the RCG)</p>
<p>6.C.8.</p>	
<p>The communication to the market specified in principles 6.P.5. comprises:</p> <ul style="list-style-type: none"> a) adequate information on the compensation and/or other benefits, including their amount, and the timing of their payment - distinguishing the part paid immediately from any part subject to deferment mechanisms, and also distinguishing the components attributed by virtue of the office of director from those relating to any employment relationship, and any repayment clauses, with particular reference to: <ul style="list-style-type: none"> - end of office or termination of employment compensation, specifying the particular case that justifies the accrual (for example, due to expiry of the term of office, revocation of office or settlement agreement); - maintenance of the rights related to any incentive plan based on money or financial instruments. - benefits (monetary and non-monetary) after the director ceases to hold office; - non-competition obligations, describing their principal content; - any other compensation attributed for any reason and in any form; b) information on the conformity or otherwise of the compensation and/or other benefits with the indications contained in the remuneration policy, in case of even partial non-respect of the indications in said policy, information on the resolution procedures followed in application of the Consob regulations on transactions with related parties; c) indications on the application or non-application of any mechanisms that place limitations or impose corrective measures on the payment of compensation in the case in which the termination of the relationship is due to objectively inadequate achievement of results, as well as on any formulation of request for the repayment of compensation already paid; d) information on the fact that the replacement of the executive director or 	<p>(see Chapter 9 of the RCG)</p>

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

<p>effectiveness;</p> <p>c) approves, at yearly intervals at least, the plan of work drawn up by the head of the internal audit function, having obtained the opinion of the board of statutory auditors and the director in charge of the internal control and risk management system;</p> <p>d) describes in the report on corporate governance the principal characteristics of the internal control and risk management system, expressing its assessment of the adequacy of said system;</p> <p>e) assesses, after having obtained the opinion of the board of statutory auditors, the results set out by the external auditor in its letter of suggestions, if any, and in its report on the fundamental issues that emerged during the external audit.</p>	
<p>The board of directors, at the proposal of the director in charge of the internal control and risk management system, and having obtained the favourable opinion of the control and risk committee, and obtained the opinion of the board of statutory auditors:</p> <ul style="list-style-type: none"> – appoints and terminates the appointment of the head of the internal audit department; – assures that said person is equipped with adequate resources to fulfil its responsibilities; – defines the remuneration paid, in line with company policy. 	<p>(see Chapter 11.2 of the RCG)</p>
<p>7.C.2. The control and risk committee, in assisting the board of directors:</p> <p>a. together with the person responsible for the preparation of the company's accounting documents, after hearing the external auditors and the Board of statutory auditors, assess whether the accounting principles have been correctly applied, and, in the case of groups, their consistency for the purposes of preparing the consolidated financial statements;</p> <p>b. express opinions on specific aspects relating to the identification of the main risks for the company;</p> <p>c. review the periodic reports evaluating the internal control and risk management system, as well as those reports of the internal audit department that are particularly significant;</p> <p>d. monitor the independence, adequacy, efficiency and effectiveness of the internal audit department;</p> <p>e. request that the internal audit department review specific operational areas, giving simultaneous notice to the chairman of the Board of Statutory Auditors;</p> <p>f. report to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half-year financial report, on the activity carried out, as well as on the adequacy of the internal control and risk management system.</p>	<p>(see Chapter 10 of the RCG)</p>
<p>7.C.3. The chairman of the board of statutory auditors, or another statutory auditor designated by the chairman, attends the meetings of the control and risk committee, although the other statutory auditors may also attend.</p>	<p>(see Chapter 10 of the RCG)</p>
<p>7.C.4. Director in charge of the internal control and risk management system:</p> <p>a) ensures that the principal business risks are identified, taking account of the characteristics of the activities carried out by the issuer and the companies it controls, and periodically submits them to review by the board of directors;</p> <p>b) implement the guidelines defined by the board of directors, overseeing the design, creation and management of the internal control and risk management system and constantly checking the system's adequacy and efficacy;</p> <p>c) focuses on the adaptation of said system to the dynamics of the operating conditions and legislative and regulatory panorama;</p> <p>d) may request that the internal audit department review specific operational areas, and respect for the internal procedures and rules in the execution of business transactions giving simultaneous notice to the chairman of the board of directors, the chairman of the control and risk committee and the chairman of the board of statutory auditors;</p> <p>e) promptly refers to the control and risk committee (or to the board of directors) any issues or critical points that have emerged from the execution of their activity or which have in some way come to their attention, in order that the committee (or the board) may take the appropriate initiatives.</p>	<p>(see Chapter 11.1 of the RCG)</p>
<p>7.C.5. The head of the internal audit department</p>	<p>(see Chapter 11.2 of the RCG)</p>

<p>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;</p> <p>b) is not responsible for any operational area and reports directly to the board of directors;</p> <p>c) has direct access to all information useful for the performance of his or her duties;</p> <p>d) drafts periodic reports containing adequate 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;</p> <p>e) prepares timely reports on particularly significant events;</p> <p>f) submit the reports indicated under items d) and e) above to the chairmen of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as to the director in charge of the internal control and risk management system;</p> <p>g) tests the reliability of the information systems, including the accounting system, as part of the audit plan.</p>	
<p>7.C.6. The internal audit function, as a whole or by operational segment, may be assigned to a subject external to the issuer, provided it adequately meets the requirements of professionalism, independence and organisation. The adoption of such organisational choices, adequately reasoned, is communicated to the shareholders and to the market in the report on corporate governance.</p>	<p>N.A. (responsibility for the Internal Audit function is assigned to a Company employee)</p>
<p>Article 8 – Statutory Auditors</p>	
<p style="text-align: center;">Principles</p>	
<p>8.P.1. The statutory auditors act with autonomy and independence, also from the shareholders that elected them.</p>	<p>(see Chapters 13 - 14 and Table 3 of the RCG)</p>
<p>8.P.2. The issuer puts in place suitable measures to guarantee the effective execution of the tasks assigned to the board of statutory auditors.</p>	<p>(see Chapters 13 - 14 and Table 3 of the RCG)</p>
<p style="text-align: center;">Application criteria</p>	
<p>8.C.1. The statutory auditors are chosen from among people who may be qualified as independent also based on the criteria set out in this Code for directors. The board checks that said criteria are respected after their nomination, and subsequently at yearly intervals, setting out the outcome of this check in the report on corporate governance in ways that conform with those prescribed for the directors.</p>	<p>(see Chapters 13 - 14 and Table 3 of the RCG)</p>
<p>8.C.2. The statutory auditors should accept office when they believe they can dedicate the necessary time to the diligent execution of their tasks.</p>	<p>(see Chapters 13 - 14 and Table 3 of the RCG)</p>
<p>8.C.3. A statutory auditor who, on his or her own account or on behalf of third parties, has an interest in a particular transaction of the issuer promptly and thoroughly informs the other statutory auditors and the chairman of the board of directors of the nature, terms, origin and extent of their interest.</p>	<p>(see Chapters 13 - 14 and Table 3 of the RCG)</p>
<p>8.C.4. As part of their activities, the statutory auditors may ask the internal audit function to carry out audits of specific operational areas or company transactions.</p>	<p>(see Chapter 11 of the RCG)</p>
<p>8.C.5. The board of statutory auditors and the control and risk committee promptly exchange information relevant for the execution of their respective tasks.</p>	<p>(see Chapter 10 of the RCG)</p>
<p>Article 9 – Relations with stakeholders</p>	
<p style="text-align: center;">Principles</p>	
<p>9.P.1. The board of directors should promote initiatives to favour the broadest possible shareholder participation in meetings, and to facilitate the exercise of shareholders' rights.</p>	<p>(see Chapter 16 of the RCG)</p>
<p>9.P.2. The board of directors uses its best endeavours to instigate a continuous dialogue with the shareholders based on understanding of one another's roles.</p>	<p>(see Chapter 16 of the RCG)</p>
<p style="text-align: center;">Application criteria</p>	
<p>9.C.1. The board of directors ensures that an executive in charge of managing relations with the shareholders is identified, and periodically assesses the advisability of proceeding to constitute a business structure charged with this function.</p>	<p>(see Chapter 15 of the RCG)</p>
<p>9.C.2. All the directors attend meetings of the shareholders, as a rule. Shareholders' meetings are also an occasion to communicate information on</p>	<p>(see Chapter 16 of the RCG)</p>

the issuer to the shareholders, in compliance with the regulations on sensitive information. In particular, the board of directors reports to the shareholders on the activities undertaken and planned, and uses its best endeavours to ensure that the shareholders have adequate information about the elements necessary for taking decisions, within the competence of the shareholders' meeting, with full knowledge of the facts.	
9.C.3. The board of directors proposes to the shareholders' meeting, for its approval, regulations that indicate the procedures to be followed to enable the orderly and functional running of the shareholders' meetings, while also guaranteeing the right of each shareholder to speak on the topics for debate.	(see Chapter 16 of the RCG)
9.C.4. In the case of significant changes to the market capitalisation of the issuer's shares, or the composition of its share ownership, the board of directors assesses the suitability of proposing to the shareholders' meeting amendments to the bylaws regarding the percentages set out for exercising shares and the prerogatives included to protect minority holdings.	(see Chapter 16 of the RCG)
Art. 10 – One-tier and two-tier direction and control systems	N.A.
Principles	
10.P.1 If a two-tier or one-tier management and control system is adopted, the preceding articles apply insofar as they are compatible, adapting the single provisions to the particular system adopted, coherently with the objectives of good corporate governance, transparent reporting and protection of the investors and the market pursued by the Code, and in light of the application criteria set out in this article.	N.A.
10.P.2. If the adoption of a new management and control system should be proposed, the directors inform the shareholders and the market of the reasons for this proposal, and on the way in which it envisages that the Code will apply to the new management and control system.	N.A.
10.P.3. In the first report on corporate governance published after the change of management and control system, the issuer illustrates in detail the way in which the Code has been applied to this system. This information is also published in subsequent reports, indicating any changes made to the ways in which the Code is incorporated into the chosen management and control system.	N.A.
Application criteria	
10.C.1. If a two-tier management and control system is adopted, the application of the Code should comply with the following criteria:	N.A.
a. apart from the matters specified in point b) below, the articles of the Code that refer to the board of directors and the board of statutory auditors, or to their components, apply, in principle, respectively, to the management board and the supervisory board and their components;	N.A.
b. depending on the specific bylaws options adopted, the configuration of the management and control bodies - also in relation to the number of their components and the tasks attributed to them - as well as the specific de facto circumstances, the issuer may apply the provisions regarding the board of directors or the directors to the supervisory board or its components;	N.A.
c. the provisions regarding the appointment of directors set out in article 5 of this code apply, insofar as they are compatible, to the appointment of members of the supervisory board and/or members of the management board.	N.A.
10.C.2. If a one-tier management and control system is adopted, the application of the Code should comply with the following criteria:	N.A.
a. the articles of the Code that refer to the board of directors and the board of statutory auditors, or to their components, apply, in principle, respectively, to the board of directors and the management control committee and their components.	N.A.
b. the functions attributed to the control and risk committee by article 7 of this Code may be referred to the management control committee envisaged in article 2409-octiesdecies of the Italian Civil Code, where it respects the criteria of composition indicated in said art. 7.	N.A.

3. Information on share ownership

(pursuant to Article 123-bis, subsection 1, CLFI)
as at 31 December 2014

► a) Share capital structure

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

The Company's ordinary and savings shares, all without par value, 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, About Us 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 2014 and to the information documents made available to the public pursuant to Article 123-bis of Legislative Decree no. 58/1998 and Article no. 84-bis of Consob Issuers' Regulations, available on the website www.telecomitalia.com, About Us 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.

Telecom Italia is however affected by the special powers in the energy, transport and communication sectors pursuant to legislative decree no. 21/2012 converted with amendments by law 56/2012, as clarified with presidential decree (DPR) no. 85 of 2014. For a short description of the prerogatives that government authorities are consequently entitled to exercise, see letter d) below "Shares that confer special rights of control".

The current share-based incentive plans do not have lock up mechanisms, apart from forfeiture of the right to the assignment of matching shares if the investment is not retained by the recipients of the initiative.

► c) Significant shareholdings

Significant holdings in the ordinary capital of Telecom Italia at 31 December 2014 are shown in Table 1 – Information on share ownership.

For completeness, it should be noted that on 4 February 2015 Findim Group S.A. announced the reduction of its holding from 4.969% to 1.989% of the ordinary shares of Telecom Italia.

BlackRock Inc. informed Consob that at 12 March 2014 it controlled indirectly, as asset management company, a quantity of ordinary shares equal to 4.794% of the total ordinary shares of Telecom Italia.

► d) Securities that confer special rights of control

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

Since the Prime Minister's decrees identifying "*the networks and systems, assets and relations of strategic relevance for the communications [...] sector*" came into force (including art. 2 of legislative decree no 21/2012 containing "Regulations on the special power over the ownership structure of companies in the defence and national security sectors, as well as for activities of strategic importance in the energy, transport and communications sectors"), the articles of the by-laws on the special powers of the Ministry of the Economy and Finance pursuant to law no. 474/1994, previously reproduced in article 22 of the by-laws, ceased to have efficacy. As a consequence, this provision was removed from the Company Bylaws on 26 June 2014.

Very briefly, the laws on strategic assets in the communications sector provides for:

- 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 this type of assets. Purchase is in any case permitted solely on condition of reciprocity. Until the end of the period of time within which conditions may be imposed, or the power to oppose an initiative exercised, the voting rights (and any rights other than the property rights) connected to shares whose sale entails the transfer of control, are suspended. The same rights are suspended in case of any non-compliance with or breach of the conditions imposed on the purchaser, for the whole of the period in which the non-compliance or breach persists. Any resolutions adopted with the determining vote of said shares or holdings, as well as the resolutions or acts adopted that breach or do not comply with the conditions imposed, shall be null and void;

- 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. Resolutions or acts adopted breaching said prescriptions shall be null and void. The Government may also order the company and any other party to restore the antecedent situation at their own expense.

▶ **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.

For a description of the restrictions on voting rights deriving from the exercise of the special powers reserved to the Government, see paragraph d) above, while for a description of the limitations imposed on Telefónica by Anatel regarding the exercise of voting rights (and more generally so-called administrative rights), see the description in paragraph g) below.

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), whose capital with voting rights at 31 December 2014 was broken down as follows: Generali Group - 30.58%; Mediobanca S.p.A. - 11.62%; Intesa Sanpaolo S.p.A. - 11.62%; Telefónica S.A. - 46.18%).

The shareholders of Telco are part of a shareholders' agreement that has been significant for Telecom Italia pursuant to article 122 of Legislative Decree no. 58/1998 since 28 April 2007. On 29 February 2012 the shareholders of Telco cancelled, by mutual consent, the agreement signed in 2007, as subsequently amended, signing a new agreement at the same terms and conditions as the previous one, with a duration until 28 February 2015.

Moreover, on 16 June 2014, Generali, Intesa Sanpaolo and Mediobanca exercised their right to request the breakup of Telco, pursuant to the shareholders' agreement and consequently on 26 June the Board of Directors of Telco approved the project for non-proportional partial breakup of the company, which will determine the assignment to four newly constituted companies (each wholly controlled by one of the shareholders Telefónica, Mediobanca, Generali and Intesa Sanpaolo) of their respective quota of the shareholding held by Telco in Telecom Italia, and therefore currently (as an effect of the dilution of the Telco shareholding, following the issue of new Telecom Italia ordinary shares to execute, effective from 31 July 2014, the Broad-based Share Ownership Plan 2014), notably: 14.72% to the newco controlled by Telefónica, 4.30% to the newco controlled by the Generali group, and 1.64% to each of the newcos controlled by Intesa Sanpaolo and Mediobanca respectively. The break up resolution was made by an extraordinary meeting of the Telco shareholders on 9 July 2014.

The breakup project requires authorisation from CADE, Anatel, CNDC and IVASS (previously ISVAP) before the operation can be finalised. Pending these authorisations, on 27 February 2015 the Telco shareholders extended the duration of the shareholders' agreement to 30 June 2015 or, if earlier, to the effective date of the breakup of the company.

To date, IVASS and Anatel have expressed their opinions (the former having expressed its unconditional approval). As for Anatel, for those aspects of direct concern to the Company, it granted its *anuência prévia* with an order published on 22 January 2014, subject to, among other things, the "*suspensão de todos os direitos políticos*" of Telefónica in Telecom Italia and the companies it controls, requiring that said limitation be "*incorporadas ao Estatuto Social da Telecom Italia S.p.A.*"; compliance with this prescription must be proven by filing an authentic copy of the amended Bylaws with Anatel.

Among other things, the shareholders' agreement identifies the criteria for the composition of the slate of candidates for the nomination of the Board of Directors of Telecom Italia to submit to the Shareholders' Meeting, and specifies that the Telecom Italia Group and the Telefónica Group would be managed autonomously and independently.

In this respect, it should be noted that, also following the decision adopted by CADE on 4 December 2013 (by which the Brazilian antitrust authority made its approval of the concentration of the control of Brazilian operator Vivo in Telefónica, which occurred in 2010 by means of the acquisition of the share previously held by fellow shareholder Portugal Telecom dependant on "*the extinction of the Telefónica direct or indirect financial position in TIM Brasil* or

the entry of a new shareholder in Vivo, with experience of the sector and without other holdings in another Brazilian telecommunications operator", in December 2013 Telefónica unilaterally announced, in a press release, that, while not renouncing any of the rights granted to it in the agreement, it would not, "for the time being", exercise its right to appoint or designate Directors to the Board of Directors of the Company. Therefore slate submitted by Telco ahead of the renewal of the Board of Directors by the Shareholders' Meeting on 16 April 2014 did not contain candidates designated by Telefónica.

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

In a series of agreements to which Telecom Italia and/or the companies it controls are party, the duty to announce the change of control is specified, and sometimes the phenomenon of change of control means an amendment or extinction of the relationship. Some, however, are subject to confidentiality constraints, such that the Company avails itself of the right to not proceed with disclosure on this point; while in others the significance of the agreement is excluded.

The situations not subject to contractual confidentiality constraints in which the change of control is significant are reported below.

Financial relationships

Regarding the financing relationships set out below:

- Revolving Credit Facility signed with a syndicate of banks on 24 May 2012 for 4 billion euros, expiring on 24 May 2017.
- Revolving Credit Facility signed with a syndicate of banks on 25 March 2013 for 3 billion euros, expiring on 26 March 2018.
- Facility Agreement signed with Cassa Depositi e Prestiti on 20 October 2014 for 150 million euros, expiring on 21 October 2019.
- Facility Agreement signed with Mediobanca - Banca di Credito Finanziario S.p.A. on 10 November 2014 for 200 million euros, expiring on 11 November 2019,

In the event of a change of control, Telecom Italia must inform the bank or agent, where envisaged, within 5 working days and the bank or agent, on behalf of the lender banks, will negotiate in good faith how to continue the relationship. None of the parties will be obliged to continue said negotiations beyond the 30 day limit, on expiry of which the bank, or - in the case of a syndicate of banks - the bank with which agreement has not been reached, may request repayment of the quota disbursed and the cancellation of the quota relating to its commitment. 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, or (iii) by a pool of subjects belonging to these two categories; Breach of the obligation to communicate the change of control that has occurred, where not remedied, would imply that an Event of Default had occurred. With respect to these loan contracts, Telecom Italia has also assumed the obligation of not implementing mergers, demergers or transfer of business involving entities outside the Group. If such an Event of Default should occur, it can imply early redemption of the drawn sums and/or cancellation of commitments not yet used, if requested by the bank, or by the agent on behalf of the lender banks.

The same commitment to not implement corporate transactions outside the Group also apply to the following loans:

- Facility Agreement signed with UBI Banca Regionale Europea S.p.A. on 27 July 2011 for 100 million euros, expiring on 3 August 2016;
- Facility Agreement signed with BANK OF CHINA on 28/01/2010 for 25,000,000 million euros, expiring on 31 July 2017;
- Facility Agreement signed with AB SVENSKI EXPORTKREDIT on 26/03/2010 for 61,185,481 million euros, expiring on 16 April 2018;
- Revolving Credit Facility signed with THE BANK OF TOKYO - MITSUBISHI on 07/10/2010 for 145,598,195 million euros, expiring on 18 March 2019.
- Revolving Credit Facility signed with THE BANK OF TOKYO - MITSUBISHI on 14/10/2011 for 107,827,531 million euros, expiring on 11 February 2020.
- Revolving Credit Facility signed with NORDEA on 28/11/2011 for 59,339,525 million euros, expiring on 23 April 2020.
- Revolving Credit Facility signed with BANCO SANTANDER on 26/04/2012 for 29,654,910 million euros, expiring on 11 May 2020.
- Facility Agreement signed with CHINA DEVELOPMENT Bank Corp on 23/05/2012 for 140,000,000 million euros, expiring on 23 May 2022.
- Revolving Credit Facility signed with NORDEA on 30/10/2012 for 60,360,263 million euros, expiring on 19 February 2021.

- *Revolving Credit Facility signed with THE BANK OF TOKYO - MITSUBISHI on 24/01/2013 for 136,810,201 million euros, expiring on 13 April 2021.*
- *Revolving Credit Facility signed with NORDEA on 25/10/2013 for 99,863,345 million euros, expiring on 02 March 2022.*
- *Revolving Credit Facility signed with THE BANK OF TOKYO - MITSUBISHI on 28/02/2014 for 151,579,675 million euros, expiring on 19 January 2022.*

The following information is provided regarding the bonds in existence:

- The trust deed for the fixed rate guaranteed subordinated equity-linked mandatory convertible bonds, convertible into Telecom Italia S.p.A. ordinary shares, issued by Telecom Italia Finance S.A. (the "Issuer") and guaranteed by Telecom Italia S.p.A. (the "Guarantor"), established that if there is a change of control, the Issuer must provide immediate notification of this to the Trustee and the bondholders, and the bondholders will have the right to convert their bonds into ordinary shares of the Guarantor within the following 60 days. No acquisition 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;
- 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.

Finally, in the relations with the European Investment Bank (EIB).

- in the first set of contracts for an amount of 1.45 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 contracts entered into with EIB in 2011, 2013 and 2014, for a total amount of 1.15 billion 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 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 (i) 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 (ii) 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.

Authorisation certificates

In relation to the regulations on special powers for activities of strategic relevance in the communications sector, see paragraph d) above.

The duty to communicate the change of control, provided for by Italian law on licences, is also contained in the general authorisation certificates granted to Telecom Italia for operating and providing the network and for offering electronic communications services as well as in the general concession/authorisation certificates granted to TI Media Group subsidiary Persidera for the network operator business.

A similar obligation is regulated by local legislation and by the provisions set out in the concession/licence certificates for telecommunication services held by the foreign subsidiaries of the Group, and, in some Countries, based on the applicable laws, the obligation for specific approval by the competent Authorities is required.

Agreements regarding the Brazilian mobile network towers

Following the tender process, on 21 November 2014 Brazilian subsidiary *TIM Celular S.A.* (TIM) signed with *American Tower do Brasil – Cessão de Infraestruturas Ltda* (ATC) specific agreements for the sale of two portfolios of towers corresponding to part of the towers used to serve its mobile network. The first portfolio includes about 5240 infrastructures; the second, subject to third party pre-emption rights, includes around 1240. As the above pre-emption rights were not exercised, the final contract for the sale of the second group of towers was signed on 23

January 2015. Both agreements exclude the transfer of the active equipment. At closing (subject to various conditions, including antitrust authorisation, obtained in February), TIM will stipulate specific contracts for the rental of spaces in said infrastructure for the installation of its masts. The total estimated value of the sale transaction is approximately 3 billion *Reais*.

The space rental contracts provide for penalties to be imposed on TIM, within a maximum of 90 million *Reais*, in the case of: (i) acquisition of control of TIM by predetermined subjects; (ii) announcement of an agreement in principle aimed at transferring control of TIM (or launch of a tender offer aimed at acquisition of the control of said company) in the 18 months following the signing of the rental contracts (and always provided that final and binding agreements are completed within the following two months), as well as, (iii) without prejudice to some exclusions, termination by the purchasers of the control of TIM, within 10 years of the sale of the towers, of the rental contracts in being on the date of the sale itself.

The Bylaws do not contain derogations of the regulations on the passivity rule in the case of public offerings to purchase or exchange securities issued by the Company.

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

As indicated in article 5 of the Bylaws (as updated by the Board of Directors on 19 March 2015, also after having ascertained that the threshold levels for the incentive objectives set out in the “*Long Term Incentive Plan 2012*” had not been achieved, with the consequent lapse of the rights correlated with them and the obsolescence of the powers to increase the share capital to serve them), the Directors are entitled to increase the share capital for five years from 16 April 2014 to service the “2014-2016 stock options plan” for payment, also in several tranches, of a maximum sum of 107,800,000 euros, by the issue of a maximum of 196,000,000 new ordinary shares without par value, regular enjoyment, without preferential subscription rights, to be reserved for part of the management of Telecom Italia S.p.A. and of the companies it controls, as identified in due course by the Board of Directors of the Company. The issue price of the shares (including any premium) shall be set by the Board of Directors in accordance with the “2014-2016 Stock Option Plan”, and it shall also set suitable time limits for subscription of the newly issued shares, specifying that, if the increase resolved is not fully subscribed within that time limit, the capital will be increased by an amount equal to the subscriptions received up to such time.

For a description of the status as at 31 December 2014 of the aforementioned stock option plan, please refer to the note in the separate financial statements “Remuneration plans in the form of shareholdings in the Company capital”.

On 19 March 2015 the Board of Directors exercised its power to increase the share capital by allocation of profits to service the rights to free allocation of ordinary shares as part of the Long Term Incentive Plan 2010-2015 and the share ownership plan for employees of Italian Group companies launched in 2014, in accordance with the respective regulations. The maximum number of shares subject to allocation at 31 December 2014 were 180,716 for the LTI Plan 2010-2015 and 17,970,642 for the Share Ownership Plan.

In this way, the corresponding powers to increase the share capital, as approved by the extraordinary shareholders' meetings of 29 April 2010 and 17 April 2013, have been exercised and should therefore be considered no longer applicable.

Telecom Italia owned 37,672,014 treasury shares; Telecom Italia Finance owned 124,544,373 Telecom Italia ordinary shares. No authorisations to purchase treasury shares are currently in force.

For completeness, it should be noted that the exchange of Telecom Italia Media shares with Telecom Italia shares, due to the incorporation of the former into the latter, submitted for approval to the Shareholders' Meeting of 20 May 2015, will involve the allocation of 1,538,001 Telecom Italia ordinary shares to Telecom Italia Finance, in exchange for the 2,330,306 Telecom Italia Media ordinary shares that it currently holds.

► ***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.

4. 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 (accessible to the public on the website of the Corporate Governance Committee on <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf>) and adapts its own system of corporate governance to Italian and international best practices in the matter.

The following companies are included among the subsidiaries of Telecom Italia:

- 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, of which Nortel Inversora and Telecom Argentina itself are Argentine-registered companies, listed locally as well as registered with the US Securities and Exchange Commission and listed on the New York Stock Exchange (although the offer to purchase the entire controlling shareholding in Telecom Argentina, held directly or indirectly, was accepted on 14 November 2013, with novation of the agreement on 24 October 2014, the transfer of control is subject to the suspensive condition that the necessary regulatory authorisations are obtained).

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. After publication of the Anatel provision containing the authorisation conditional on the Telco breakup, occurred on 22 January 2015, the Anatel provisions of 31 October 2007, 7 July 2009 and 8 November 2011 ceased to have effect and the Group procedure intended to ensure compliance with them (the "Anatel Procedure") must be understood to be obsolete.

A procedure intended to ensure compliance with undertakings given to the Argentine CNDC, to guarantee the separation and independence of the Telefónica and Telecom Italia groups in the business carried out in Argentina was also adopted on 4 November 2010.

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

5. Board of Directors

► 5.1 Appointment and replacement

Article 9 of the Company Bylaws is the object of a proposed amendment, pursuant to the strengthening of the public company characteristics of the Company, submitted for the approval of the Shareholders' Meeting on 20 May 2015. The situation in force on the date of publication of this report is described below.

Pursuant to article 9 of the Company Bylaws, the Board of Directors (composed of a minimum of 7 and a maximum of 19 Directors) is appointed based on slates submitted by persons entitled to vote that possess in total at least 0.5% of the ordinary capital, notwithstanding the different measure required by Consob pursuant to article 144-septies of the Consob Issuer Regulations (this is the interpretation adopted by the Company of its own bylaws provision, deemed by Consob to conform better with the ratio of the regulation on slate voting) 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 appointed from the other slates with a proportional criterion (the so-called quotients method), 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.

Succession Plans

The Board of Directors has adopted a procedure for planning the succession of the Executive Directors in order to manage cases of cessation earlier than the ordinary expiry of the term of office since December 2011. The Board of Directors has assigned the content, updating and monitoring of the succession plan to the Nomination and Remuneration Committee, working closely with the People Value company structure, responsible for human resource management. The plan provides that, if the need to replace an Executive Director earlier than planned should arise, the Committee must formulate a recommendation without delay, 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 Committee, but is not bound by them.

After the renewal of the Board of Directors (Shareholders' Meeting of 16 April 2014), the newly-constituted Nomination and Remuneration Committee, also bearing in mind the first experience of application of the succession plan (the resignation of the then Chairman and Chief Executive, Franco Bernabè, on 3 October 2013), started a comprehensive revision of the issue of succession planning. Until the new system is up and running, an internal Executive Assessment process to identify a pool of successors for Executive Directors and Top Management positions has been started, with the support of Spencer Stuart, and is currently underway.

► 5.2 Composition

The Shareholders' meeting of 16 April 2014 set the number of members of the Board of Directors at 13 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 2016). The Directors have also been authorised 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., insofar as this may be necessary.

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

Telco Slate

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

1. Giuseppe RECCHI
2. Marco Emilio Angelo PATUANO
3. Denise KINGSMILL
4. Flavio CATTANEO
5. Giordina GALLO
6. Tarak BEN AMMAR
7. Laura CIOLI
8. Giorgio VALERIO
9. Jean Paul FITOUSSI
10. Luca MARZOTTO
11. Elena VASCO
12. Paolo FUMAGALLI
13. Maurizio DATTILO

Findim Slate

(Presenting Shareholder: Findim Group S.A.)

1. Vito Alfonso GAMBERALE
2. Girolamo DI GENOVA
3. Franco LOMBARDI
4. Maria Elena CAPPELLO
5. Daniela MAININI

SGR and Institutional Investors' slate

(Presenting Shareholder: Acomea SGR S.p.A., Anima SGR S.p.A., APG Algemene Pensioen Groep N.V., Arca SGR S.p.A., Eurizon Capital SGR S.p.A., Eurizon Capital S.A., FIL Investments International, Fideuram Gestions S.A., Fideuram Investimenti SGR S.p.A., Interfund Sicav, Mediolanum Gestione Fondi SGR p.A., Pioneer Asset Management S.A., Pioneer Investment Management SGR p.A.).

1. Lucia CALVOSA
2. Davide BENELLO
3. Francesca CORNELLI

The following results were obtained:

- Telco Slate: 3,420,864,844 votes (45.50% of voting capital)
- SGR and Institutional Investor's Slate: 3,780,506,392 votes (50.28% of voting capital)
- Findim Slate: 262,841,891 votes (3.49% of voting capital)

Therefore 10 Directors should have been elected from the slate submitted by SGR and Institutional Investors. In the absence of other candidates, the following were elected "majority" Directors:

- Lucia CALVOSA
- Davide BENELLO
- Francesca CORNELLI

While the 3 places reserved pursuant to the Bylaws for the "minority" list were assigned to the Telco slate, and therefore the following people were appointed:

- Giuseppe RECCHI
- Marco Emilio Angelo PATUANO
- Denise KINGSMILL

For the remaining 7 positions of Director, there was a separate vote, with the legal majorities (absolute majority of votes in favour), based on a list submitted by Telco, which, in particular, proposed the appointment of those of its candidates not elected with the slate vote, and consequently the following people were appointed:

- Flavio CATTANEO
- Giorgina GALLO
- Tarak BEN AMMAR
- Laura CIOLI
- Giorgio VALERIO
- Jean Paul FITOUSSI
- Luca MARZOTTO

The curricula vitae of the members of the administrative body are available on the website www.telecomitalia.com, About Us Section - Corporate Bodies/Board of Directors channel.

Table 2 provides information on the current composition of the Board of Directors.

Maximum accumulation of offices held in other companies

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 (to be published in the annual report on corporate governance), even if departing from the stated criteria. If a Director holds office in more than one company belonging to the same Group, only one appointment held within that Group shall be taken into account when calculating the number of appointments.

The Directors who served during the 2014 financial year respected the accumulation limits indicated above.

► **5.3 Role of the Board of Directors**

During 2014, there were fifteen meetings of the Board of Directors; documentation was sent to the Directors, as promptly as compatible with the circumstances of the case (as a rule, the Friday of the week preceding the day on which the meeting is to be held), to enable informed participation in the meetings; in some circumstances, the need for confidentiality or urgency (also in relation to the progress of negotiations with third parties) prevented this notice period. When required by the subjects discussed, representatives of the Company management or external consultants were invited to take part, who ensured the necessary technical and professional support.

The average duration of the meetings was approximately 4 hours and forty minutes. The percentage of attendance was 95.25% (94.41% for independent Directors).

There are nine formal meetings scheduled for 2015, [three] of which have already been held.

Tasks reserved to the Board

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

- agreements with competitors 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 evaluation of business is based on a continuous flow of information to non-executive Directors and Statutory Auditors, coordinated by the Chairman of the Board of Directors; this service is provided by the Secretary. 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 data on the progress of operations.

During the financial year the Board of Directors assessed the adequacy of the organisational, administrative and general accounting structure of the business, based on the information supplied by the management, which also included the changes in the company organisation chart down to the second level of hierarchical reporting to the Executive Directors. Regarding the internal control and risk management system, the Board availed itself of the investigation undertaken by the Control and Risk Committee.

The relations between the Parent Company and its subsidiaries (including regulations for the supervision and direction/intervention role of the Board of Telecom Italia, as well as the ways in which said Board and/or its subcommittees coordinate with the corporate bodies of the controlled companies) will be the object of specific rules, to be developed in the sphere of the improvement initiatives indicated in the Introduction.

Induction Programme

During 2014, Directors attended specific meetings with the management (including of the subsidiaries) to provide them with adequate knowledge of the business sector in which the Company operates, the corporate controls and dynamics and their evolution. Working lunches, workshops on new technologies, and training-information meetings preparatory to strategic meetings were organised. Updates of the reference regulatory framework were communicated in specific information notes.

Self-assessment

The self-assessment of the size, composition and operation of the Board and its Committees was carried out with the support of external consultants Boardroom Review, a specialised UK company identified by the Nomination and Remuneration Committee with which the Group has never previously engaged.

The aim of the work was to carry out a structured documentation of the effectiveness of the Board, in operational terms, and to identify opportunities to improve the ways in which it fulfils its responsibilities. The project was carried out by the advisor through:

- individual interviews with the Directors and the Chairman of the Board of Statutory Auditors, followed by feedback, again individual;
- examination of the company governance documentation, minutes and supporting material of the Board of Directors and Committees;
- attendance by the consultant, listening in, at a meeting of the board;
- report and discussion with the board of the results that emerged from the assessment process, compared with international best practices, on the basis of the expertise of the consultant.

The work done took into account that the Board of Directors in office was new, only four Directors out of thirteen having been reconfirmed. During the year however the Board has worked intensely, reaching – thanks to specific induction programmes – an adequate level of knowledge and understanding of the Company and the sector in which it operates.

The Chairman has set out an annual schedule of formal meetings, presentations, strategic planning meetings and communication initiatives. This scheduling has enabled the Board to plan major topics throughout the year, facilitated *team building* and relationships, has put the Board of Directors in contact with various levels of management during the meetings and training sessions, that will continue taking on an increasingly more specific nature, and in any case with the logic of continuous updating, imposed by the very characteristics of the business in which Telecom Italia operates. The material to support the Board's activity was detailed (although it is felt that the timeliness with which it was made available to the management could be improved), financial and managerial information was well structured and accurate, and the Chairman undertook to ensure a continuous flow of information between meetings.

Internal Board dynamics are positive: the consultant emphasized that both the Board as a whole and its single members are characterized by an open approach that welcomes comparison, and the willingness (and the ability) to ensure a constructive dialogue in the direction and governance of the company, evaluating and proposing alternatives, in this way enhancing in the best possible way the mixture of know-how, expertise and professionalism available to the Board.

In 2014 the Board's activity was mainly focussed on strategy and its implementation by the Chief Executive Officer, obviously without neglecting performance and risk management aspects, to which more space is intended to be dedicated in the future. For this purpose the internal committees' work is considered useful; in particular, the oversight ensured by the Control and Risk Committee is appreciated and the contribution the Nomination and Remuneration Committee is called on to offer as regards the organizational and cultural evolution of the company undertaken by the current management is considered essential.

In order to strengthen the Board in its role, the consultant also made some recommendations which the Board intends to take into consideration, with a view to progressive improvement. Work will in particular be carried out to create a balance between formal meetings and informal moments, of different sites and with various participants ("off site"). At the same time, the aim for 2015 is to make the passing of information more effective, timely and focussed on Board (and Company) priorities, encouraging management to focus on the overall view and structural aspects of the company management.

► 5.4 Delegated bodies

On 16 April 2014 the Shareholders' Meeting appointed Giuseppe Recchi as Chairman, in a departure from company practice, in response to a request for an item to be added to the agenda by shareholder Findim S.A., pursuant to ex-article 126-bis, legislative decree no. 58/1998.

Subsequently, the Board of Directors, in its meeting on 18 April 2014, setting aside the constitution of an Executive Committee, appointed Marco Patuano as Chief Executive Officer, establishing his powers and those of the Chairman.

The Chairman, who as a candidate had declared that he possessed the requirements of independence as set out in the Corporate Governance Code (see paragraph 5.5 below), was, in summary, attributed, in addition to the power to legally represent the Company, as laid down in the Bylaws,

- a role providing guidance and supervision of the development and implementation of the strategic, industrial and financial plans of the Company and the Group, and guidelines for development, as well as supervising the definition of organisational arrangement and economic and financial progress;
- representation of the Company and the Group in external relations with the Authorities, Institutions and Investors;
- organisational responsibility for the Legal Affairs, Press Office & Opinion Makers Relations, Public & Regulatory Affairs and Corporate Social Responsibility functions, and supervision of the Audit function.

On 26 June 2014, the Board acknowledged the in-depth analysis carried out regarding the qualification of the Chairman as executive director pursuant to the Corporate Governance Code for listed companies, in light of the powers assigned to him in the meeting of 18 April 2014. In particular, having noted that the application criterion in the aforementioned Corporate Governance Code establishes that, for chairmen, the executive nature of their role would derive "from the attribution of a specific role in the development of the company's strategies", the Board agreed with the Chairman in considering his office an executive one, and the Chairman consequently renounced the task of acting as link between the Board of Directors and the managers responsible for Internal Audit and compliance, in application of the corporate governance principles of the Company, attributing this role to Ms. Calvosa, already Chairperson of the Control and Risk Committee.

In addition to legal representation of the Company and all powers, to be exercised with a single signature, responsibility for the overall running of the Company and the Group (including responsibility for defining and proposing to the Board of Directors, and then implementing and developing, the strategic, industrial and financial plans) was attributed to the Chief Executive Officer, as were all organisational responsibilities to guarantee the management and development of the business in Italy and South America. The Chief Executive Officer is also responsible for the components of the Public & Regulatory Affairs function that manage relations with AGCOM and AGCM and the corresponding foreign authorities, in coordination with the Chairman.

The Board of Directors considered that this would ensure an effective balancing of the roles and powers of the Chief Executive Officer and the Chairman of the full board, strengthening - through this - the central role played by the board, in the spirit if not in the letter of the recommendations made by the outgoing Board of Directors, in its previous composition, in its guidance to the shareholders before the renewal Shareholders' Meeting.

Given the frequency with which the Board of Directors meets, it is the practice of the Executive Directors to report on the activities carried out during board meetings, often after having transmitted specific illustrative documentation beforehand.

► **5.5 Other executive Directors**

On 31 December 2014, only the Chairman and Chief Executive Officer were considered executive directors.

► **5.6 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.

In its first meeting after the Shareholders' Meeting that appointed it (18 April 2014), before the attribution of powers, the Board of Directors provided to ascertain that its members possessed the requirements, including those regarding independence. In particular, in addition to the Chairman, and pursuant to the Corporate Governance Code, it considered the following directors to be independent: Benello, Calvosa, Cattaneo, Cioli, Cornelli, Gallo, Kingsmill, Marzotto and Valerio; it recognised that these Directors, and Mr. Fitoussi, fulfilled the criteria for independence pursuant to the Consolidated Law on Financial Intermediation. On 26 June 2014, regarding the powers attributed to the person of the Chairman (see paragraph 5.4), after the qualification of his role as an executive one, it was also ascertained that he no longer qualified as independent, according to the Corporate Governance Code.

In its meeting on 19 March 2015, the Board of Directors checked that its members continued to meet the requirements for independence, based on the declarations made by said members, and acknowledged (i) that Directors Benello, Calvosa, Cattaneo, Cioli, Cornelli, Gallo, Kingsmill, Marzotto and Valerio possessed the requirements of qualified independence, pursuant to the Corporate Governance Code, and (ii) the same Directors, plus Mr Fitoussi (who, specifically, had on 6 May 2013 accumulated nine years' service as a director, since his first appointment to the Board of Directors of Telecom Italia) possessed the requirements of independence pursuant to the Consolidated Law on Financial Intermediation.

During the meeting held on 23 March 2015 the Board of Statutory Auditors verified the activities to ascertain the requirements and correct application of the criteria of independence.

► 5.7 Lead Independent Director

In its meeting on 5 August 2014, the Board of Directors established that the office of Lead Independent Director would have a duration of one financial year, thus ensuring that different directors would serve, over the course of the mandate of the board, and at the designation of the independent directors identified Ms Francesca Cornelli as Lead Independent Director for the 2014 financial year (namely until approval of the corresponding financial statements by the Shareholders' Meeting).

She is the point of reference and coordination for the issues and contributions of the independent Directors and the non-executive Directors in general. She 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 2014 there were 5 of these meetings, usually held the day before the Board meetings. Attention was focussed on the analysis of strategic issues, according to the topics that were discussed by the board.

Furthermore, during August 2014, the Lead Independent Director chaired 4 meetings of the Committee for Brazil in connection with the partnership proposal made to the Vivendi Group for integration of the Brazilian activities of both, and the entrance of the French group into the capital of Telecom Italia. The independent directors met again on a further 4 occasions after Vivendi's decision to prefer the offer of partnership made by the Telefonica Group, again on issues regarding possible developments of the Brazilian holdings.

6. Handling of corporate information

Telecom Italia adopted and has consolidated over time an articulated set of rules and procedures for the correct management of the information and data processed in the company, also in compliance with the laws applicable to the various types of data; these rules act on the organisational and technical plan and on the operating procedures. The processing of information, in particular, is supported by information systems and processes linked to their development, maintenance and use, which are governed by specific company rules and requirements, are the object of dedicated organisational oversight carried out by the IT & Security Compliance function.

In particular, as part of the system of company rules, a "Procedure for the internal management and disclosure to the public of sensitive information" related to the methods for the external disclosure of documents and information regarding the Company, with specific reference to sensitive information. The current version of this procedure was approved by the Board of Directors in its meeting on 5 August 2014, and may be accessed on the website www.telecomitalia.com, About Us Section - Governance System/Procedures channel. 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, finally, regulates the register of persons having access to sensitive information (article 152-bis et seq. of the Consob Issuer Regulations).

The approval of the new Procedure for the management and disclosure to the public of sensitive information on 5 August 2014 was the conclusion of the project, started at the end of 2013, after a Consob inspection and subsequent audit, the aim of which was to develop a new process for managing sensitive information. The application experience accrued over the years had for some time suggested that it should be updated. The method adopted to implement this review prescribed an analysis of the current procedure (which dates back to 2006) in terms of its compliance with the regulations and the reference guidance on interpretation, benchmarking against similar procedures adopted by other issuers and, finally, the identification (and implementation) of improvement initiatives. To this end, a specific work group was started, coordinated by the General Counsel and with the support of consultant Ernst & Young, with the aim of proceeding to review the document and update the IT support application (Registro), in which those who come into possession of sensitive information, occasionally or on a regular basis, are registered by laws. The drivers of the review (submitted to the Control and Risk Committee for review, before its presentation to the full board) were:

- simplification of the concepts and definitions used;
- the concrete applicability of the operating instructions;
- the updating of the references of the organisational structures and company processes in existence.

At the same time as the procedure updating activities, an upgrade of the "Registro" application started, migrating it onto a new platform that enables the best security standards to be used, and starting the development of additional features to support the practical requirements of registering users and retaining data. A specific operating procedure was also drafted regulating the process for preparing and disseminating "price sensitive" press releases.

At the same time, the IT compliance rules for the systems that process sensitive information were strengthened. The requirements for this defined in company policies, also with specific regard to the confidentiality aspects, are subject to periodic assurance to ensure that the active safeguards are effective and to direct any improvement actions that might be required.

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.

7. Board committees

A Nomination and Remuneration Committee (which combines the tasks and responsibilities attributed by the Borsa Italiana Code to the nomination committee and the remuneration committee), and a Control and Risk Committee, the functions of which are described in the Corporate Governance Principles of the Company (a document that can be consulted on the website www.telecomitalia.com, About Us Section - Governance System channel) have been constituted inside the Board.

regarding the conclusion of transactions with related parties of major importance, the procedure adopted by Telecom Italia pursuant to the Consob Related Parties regulation (see paragraph 11) always requires the approval of the Board of Directors, subject to the prior opinion of a Committee comprised of all the independent directors in office.

8. Nomination and Remuneration Committee

Composition and functioning

The regulations of the Nomination and Remuneration Committee are contained not only in the Corporate Governance Principles but also in the special Regulations approved by the Board of Directors at its meeting of 5 August 2014 (document available on the website www.telecomitalia.com, About Us section, Governance System/Regulations channel).

The 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. The members of the Committee must have adequate expertise in relation to the tasks which they are called upon to perform. At least one member of this Committee shall possess adequate expertise in financial matters or remuneration policies. At its meeting on 9 May 2014 the Committee nominated as its Chairman the director Davide Benello. For the current composition of the Committee (composed only of independent Directors, three of whom are also independent in terms of the Borsa Italiana Code), see 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.

Functions and activities performed

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.

In the course of 2014 the Committee monitored the *deployment* of the remuneration policy for the year and submitted to the Board of Directors the remuneration package of the Company's Executive Directors; it defined the incentive measures for the 2015 cycle; it defined the ways in which the 2014 *board evaluation* will be carried out, selecting as its advisor Boardroom Review. In order to promote share ownership among all employees and strengthen the sense of belonging to the Group, in 2014 the Committee also promoted the creation of the Broad-based Employee Share Ownership Plan, already authorised by the Shareholders' Meeting of 17 April 2013 and actually launched in the summer of 2014 and positively received by its beneficiaries.

For further information on the work of the Committee on the 2015 corporate remuneration policy, see the Remuneration report for 2014, which may be consulted on the company website at www.telecomitalia.com, About Us 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. In particular, the Committee identified as its consultant the company *Mercer Italia*.

During 2014, there were twelve meetings, all duly minuted. At the meetings (average length: approximately 2 hours and 45 minutes), from time to time, the managers responsible for the issues under discussion were invited to offer support. The percentage of attendance was 94.75%.

Two meetings have already been held in 2015; no long term schedule of meetings of the Committee has been defined.

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

The information on the Remuneration of the Directors, general managers and key managers with strategic responsibilities, 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 2014, which may be consulted on the company website at www.telecomitalia.com, About Us section, *Remuneration* channel.

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

10. Control and Risk Committee

Composition and functioning

The regulations of the Control and Risk Committee are contained not only in the Corporate Governance Principles but also in the specific Regulations approved by the Board of Directors at its meeting of 5 August 2014 (document available on the website www.telecomitalia.com, About Us section, Governance System/Regulations channel).

The 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. The members of the Committee must have adequate expertise in relation to the tasks which they are called upon to perform. At least one member of this Committee shall possess adequate expertise in accounting and finance or risk management. At its meeting on 8 May 2014 the Committee nominated as its Chairman the director Lucia Calvosa. For the current composition of the Committee (composed only of independent Directors, according to the requirements of the Borsa Italiana Code), see Table 2.

Functions and activities performed

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 regarding transactions with related parties (i) on transactions entrusted to the board pursuant to the law, Bylaws or Corporate Governance Code; (ii) on ordinary transactions at standard or market conditions, 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.

The Chairman of the Supervisory Board attends those Committee meetings that are not held jointly with the Board of Statutory Auditors (or, if he cannot attend, another Auditor delegated by him will take his place). With reference to control issues (hearings of executives responsible for the corresponding departments, audit of the related organisa-

tional structure, scheduling of activities), the Director who represents the link between the Board of Directors and the control structures that report directly to the Board (see paragraph 10.6: "Coordination of subjects involved in the internal control and risk management system") is invited to participate; this Director was identified on 26 June 2014 as Director Calvosa, who already acted as Chairman of the Committee.

In the course of 2014 the Committee, among other things, undertook the investigations for the new procedure for the internal management and disclosure to the public of sensitive information (and the related internal control scheme for the prevention of crimes of market abuse) and handled the updating of the procedure for carrying out transactions with related parties, the amendment of the Bylaws in several stages and the drafting of the regulations for internal Committees. It monitored the progress of the activities of *audit, compliance* and *IT & Security Compliance*; it followed the activities of maintenance and updating of the Organisational Model 231 (see *below*) and received precise information on the implementation of the *Enterprise Risk Management* review project. The Board of Directors was informed of all of the above at each following Board meeting.

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

During 2014, the Committee held twenty meetings (all regularly minuted), supported by the expert contribution of the company management or consultants external to the Board, to which it has free access, without budget limits. The average duration of meetings was approximately 3 hours and thirty-five minutes and the percentage attendance was 97.40%. The Board of Statutory Auditors was represented at all meetings through the attendance of at least its Chairman (or other Auditor delegated by the Chairman).

In 2015 the Control and Risk Committee has already met five times; an annual schedule of the meetings of the Committee has been defined, the practice is for the Committee to meet prior to all meetings of the Board of Directors, besides other meetings that might be necessary.

11. Internal control and risk management system

General

The internal control and risk management system is organised and operates according to the principles and criteria set out in the Corporate Governance 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, About Us - Governance system section/Codes). 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 the assessment of the system compared to 2014, the Board of Directors endorsed the judgement expressed by Internal Audit, according to which, with reference to the specific operational contexts analysed during the year, given the weaknesses of varying intensity found, and having assessed the process of implementation of the improvement initiatives undertaken by the owner functions to quickly overcome these weaknesses, the system can be considered capable of reducing the risk profiles to a level acceptable for the correct operation of the business processes.

At the same time, the Board of Directors highlighted the central role that the Enterprise Risk Management process has taken on in Telecom Italia, and gave as a guideline that the relative operating model be applied by the management across the entire company, enhancing its "active" risk management function.

In the above-mentioned perspective of *continuous improvement*, the models adopted by the company's control departments have been the subject of a process of independent analysis undertaken by Deloitte, whose results are in course of analysis to assess possible initiatives for improvement of the existing organisational solutions.

Enterprise Risk Management

In the course of 2014 the Group set up the process by which the Board of Directors defines the nature and level of risk (Risk Appetite) consistent with the strategic objectives of the Group within the framework of the industrial plan. The Enterprise Risk Management (ERM) model adopted makes it possible to identify and manage risks in a homogeneous way within the Group companies, emphasising potential synergies between the players involved in the assessment of the internal control and risk management system. The ERM process is designed to identify potential events that may impact on business activity, to manage the risk within acceptable limits and to provide reasonable assurance of the achievement of the corporate objectives.

The system is governed by the ERM Steering Committee which is chaired and coordinated by the Head of the Administration, Finance and Control department. The Steering Committee meets at three-monthly intervals (or in response to specific needs), and has the object of ensuring governance of the process of managing the Group's risks, aimed at ensuring the operational continuity of the company's business by monitoring the efficacy of the counter-measures adopted.

The process adopted is cyclical and consist of the following stages:

- defining Risk Appetite, identifying the Risk Exposure Threshold and Risk Tolerance with respect to the predefined objectives;
- identifying and fine-tuning the Risk Universe of Telecom Italia. The Risk Universe is the document which contains the description of the principal characteristics of all the risks identified; it is reviewed annually with the aim of confirming / supplementing / amending the list of corporate risks;
- Risk Assessment: the risks of the Risk Universe are submitted, by means of an interview, to the risk owners, who assess their gravity and document the controls for the purpose of positioning them on the Risk and Control Panel (R&CP), which guides the intervention priorities;
- Identifying Relevant Risks and defining the Corporate Risk Profile. Relevant Risks are risks assessed as high on the R&CP, and the totality of them constitutes the Corporate Risk Profile (CRP);
- activation of mitigation actions on the Relevant Risks and monitoring them over time;
- processing the reporting flows to the Executive Directors and the company boards responsible for risk management.

Financial risks

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.

Financial Reporting

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

The internal control system on financial reporting is aimed at supplying reasonable assurance of the 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. Also in order to guarantee compliance with the Italian law (article 154-bis of CLFI, pursuant to 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 *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (hereafter CoSO report).

The system of risk management and internal control on the financial reporting of Telecom Italia is a 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. The inherent risks of the components¹¹ and the principles of the *CoSO Report* are the subject of assessment according to the allocation in the reference *framework*. Telecom Italia presents the internal control system in its financial reporting in coherence with the CoSO Report, documenting the assessment activities, controls and processes in an organised 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. 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

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- 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.
 - 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) 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).
 - 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.

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 assessment phase of the controls against the risks identified is carried out through specific test activities, managed by a methodology guide and a strategy that are 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.

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 Independent 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, implementing and assessing the controls against the risks identified, and consequently for the assessment and management of the control shortcomings, as well as for the execution of the remedial plans needed to overcome them. 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 the technological field, they supervise the designing of the controls and 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.

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

The institution and maintenance of the internal control system are assigned to the Executive Directors, each with respect to the area delegated to him/her, and to the Executive 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.

The Executive Directors oversee 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 on specific operational areas and on compliance with the internal rules and procedures in the execution of the company operations, giving simultaneous notice to the Chairman of the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors.

► **11.2 Head of audit department**

Pursuant to the Corporate Governance Principles that the Company has adopted, in exercising the responsibility of the Board of Directors for the internal control and risk management system, the Board, in addition to the Control and

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.

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, in the person of Federico Maurizio d'Andrea, 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 executive Directors (because they are in charge of the internal control and risk management system), to the Control and Risk Committee and, through it to the Board of Directors, as well as to 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 conveyed 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 of 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.

In particular, the Audit Department manages its own audit activities using a risk-oriented methodological and professional approach, focussing on the following areas:

- Technical – dedicated to the Group processes with technological content;
- Corporate - dedicated to the business processes and transverse processes.

During 2014 the Audit Department also updated and disseminated - inside the Group - some methodological documents with the aim of illustrating the methodological and operational guidelines it adopts, also in coherence with the regulations in the Borsa Italiana Code and the current professional standards.

The remuneration of the Head of the Audit Department (like that of the other control functions that report directly to the Board of Directors) is decided by the full board, on the favourable opinion of the Nominations and Remuneration Committee, and after consulting the Board of Statutory Auditors.

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

The Organisational Model also constitutes an integral component of the reference compliance program for the application of anti-corruption legislation such as - for example - the *Foreign Corrupt Practices Act* and the UK Bribery Act. In this context, a foreign version of the Organisational Model has been defined for adoption by the non-Italian subsidiaries, also taking account of the possible application of similar regulations at local level. In this respect, the Organisational Model applying to Tim Participações, implementing the provisions of the recently-introduced Brazilian anti-corruption law (Lei 12.846/13), was adopted during the course of 2014.

The functions of the Supervisory Body are assigned to the Board of Statutory Auditors, which as such oversees the operation and observance of the Organisational Model and reports to the Board on the oversight and examination activities which it has performed and the corresponding outcomes. In this regard the Board of Statutory Auditors is supported by a dedicated corporate structure (231 *Compliance*), within the *Compliance* Department.

There is a section dedicated to the Organisational Model 231 adopted on the Telecom Italia website (www.telecomitalia.com, About Us section - Governance System/231 Organisational Model channel).

► **11.4 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 each case, the Board of Statutory Auditors may establish the guidelines and quali-quantitative criteria regarding the appointment of

auditors valid for the entire Group. Starting from 1 January 2012 Telecom Italia has implemented an operating procedure that requires prior analysis by the Board of Statutory Auditors also for preapproved appointments, in the presence of certain qualitative conditions or where 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 subsidiaries (see above, paragraph 3 “Compliance”), 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.

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

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. Upon appointment, his/her tasks and powers are defined. These are covered in the specific Regulations, available at the website www.telecomitalia.com, *About Us* Section, *Governance System/Regulations* channel.

The renewal of the Board of Directors entailed, at the meeting of 18 April 2014, proceeding with the renewal of the executive responsible for preparing the corporate accounting documents. The Board confirmed in this role the Head of the Administration Finance and Control Department, Piergiorgio Peluso.

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 report directly to the Board of Directors, and who are responsible for Group oversight activities regarding both institutional/transverse compliance (Compliance Department) and technological and security process compliance (IT & Security Compliance Function); (ii) the head of Operational Compliance Function, who is part of the Business Support Office and is responsible for the specific (regulatory and commercial) compliance of the Domestic division.

► **11.6 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 of the Board of Directors and the Managing Director), 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) by others, including:

- a. the head of the Compliance Department (otherwise known as the Group Compliance Officer) and the head of the IT & Security Compliance Function, who report directly to the Board of Directors, and who are responsible for Group oversight activities regarding both institutional/transverse compliance (Compliance Department) and technological and security process compliance (IT & Security Compliance Function);
- b. the Head of Operational *Compliance* Function, which reports directly to the Business Support Office and is in charge precisely of the *compliance* of the commercial, technical and support functions.
- 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: Director Calvosa, who also acts as Chairman of the Control and Risk Committee)

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 managerial figures specified in letters *a* and *b* meets the specific internal control needs of the Group, and as such is expressly referenced in the Corporate Governance 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. This Director does not deal with either the operational aspects of the controls nor with the flow of information between the control functions and the Board of Directors, 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 Executive Directors are instead responsible for the bureaucratic aspects of the employment relationship of the managers responsible for the control structures who report directly to the Board. Said managers do not have a single reference point, and it is normal that the administrative aspects mentioned are assigned to legal representatives (who by the will of the board are its representatives to the outside world), avoiding the need to issue an *ad hoc* delegation of powers.

As for the Chairman of the Control and Risk Committee, he has no independent role, but exercises one serving the organisation and operation of the meetings 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).

12. Interests of directors and transactions with related parties

At Telecom Italia, at self-regulatory level, there is no rule governing the removal and/or compulsory abstention of a Director with a non-shareholding interest, but a disclosure regime applies in keeping with the legal system.

The topic of the directors' interests with respect to the company activity and the decisions brought to the attention of the Director is therefore subject to specific attention, calling specific attention to it during each meeting.

The company procedure for carrying out transactions with related parties, drawn up in accordance with the Consob Regulation on Related Parties and adopted in November 2010 was subsequently updated in June 2012 and most recently in December 2014, introducing some clarifying amendments based on the experience accrued and making some updates and simplifications. In particular note the following:

- non-application of the mentioned Consob Regulation on Related Parties to intragroup transactions, meaning transactions with (or between) subsidiaries and transactions with associated companies;
- alignment of the major relevance threshold with the one set by the Consob Regulation on Related Parties (5%);
- qualification of the opinion of the Board Committee on the conclusion of the transaction as binding and irrefutable;

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:

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.

- a qualitative distinction, by subject, between ordinary transactions (indicating the main elements on the basis of which to make the distinction) and non-ordinary transactions;
- a quali-quantitative distinction, by significance, between relevant transactions, to which the Consob Regulation on Related Parties is applied, and non-relevant transactions, to which the Consob Regulation on Related Parties 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. As regards the nature of transactions with related parties, the Telecom Italia procedure provides that:

- it does not apply to intra-group transactions and 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;
- 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, according to the threshold set by the same Authority of 5% in terms of the 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 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. The possible negative opinion of the Board Committee is considered binding and irrefutable, with the consequence that the transaction cannot be performed.

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 About Us section - Governance System/Procedure channel.

13. 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 (on this point see paragraph 5.1 and thus also, for clarity and simplification reasons, the proposal to amend the Bylaws subject to the approval of the Shareholders' Meeting on 20 May 2015).

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 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.

14. 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 and international institutional investors' slate: 3,121,340,169 votes (43.91%)

Of the Telco slate, three Standing Auditors and two Alternate Auditors were therefore chosen in the order in which they were listed: 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.

On 17 April 2013, the Shareholders' Meeting supplemented the composition of the Board of Statutory Auditors with the appointment of Roberto Capone as standing Auditor of the Company - who, as provided for in the Bylaws, on 18 September 2012 had already taken the place of Standing Auditor Sabrina Bruno, who ceased to hold office on that date - and Fabrizio Riccardo Di Giusto as Alternate Auditor, both with mandate expiring in alignment with those of the other members of the Board of Statutory Auditors and hence until approval of the financial statements for the year ending on 31 December 2014.

The curricula vitae of the members of the control body are available on the website www.telecomitalia.com About Us Section - Corporate Bodies/Board of Statutory Auditors channel.

The Shareholders' Meeting of 16 April 2014 resolved to award the Statutory Auditors, as a supplement to the compensation for their office already established by the Shareholders' Meeting of 15 May 2012, an individual attendance fee (the same sum for the Chairman of the Board of Statutory Auditors and for the standing Auditors), granted at the end of the year, of 500 euros gross for each meeting which each of them has attended in addition to the 24 meetings per calendar year, starting from 1 January 2014 and with payment, in the event of a period of office less than a calendar year, of the same amount for each meeting that they have attended in number greater than the product of the multiplication by 2 of the total number of complete calendar months in which they were in office.

In its meeting of 10 March 2015, the Board of Statutory Auditors confirmed that the independence requirements specified in article 148, subsection 3 of the CLFI had been met, as had the requirements of the Borsa Italiana Corporate Governance Code. In relation to this check, the Board of Statutory Auditors took account of the circumstance that two of its members (Salvatore Spiniello and Ferdinando Superti Furga) had acted as standing auditors for more than nine financial years, without the emergence of elements that might be construed as a decrease in their independence.

The Board of Statutory Auditors performs the activities assigned to it by Italian regulations, as well as the duties of the audit Committee pursuant to the United States' regulations, applicable to the Company by virtue of its status as a foreign issuer listed on the New York Stock Exchange. The Board of Statutory Auditors is also assigned the functions of supervisory body pursuant to legislative decree no. 231/2001.

It has access to the necessary information and corporate functions for performing its tasks. The Board of Statutory Auditors was not assigned financial resources of a predetermined amount, but was able autonomously to bring in external consultants of its choice.

During 2014, there were 56 meetings of the Board of Statutory Auditors (13 of which were held jointly with the Control and Risk Committee). The average duration of the meetings was 2 hours and thirty minutes. The average percentage of attendance was 94.80%.

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

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 CLFI.

15. 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*
Via Gaetano Negri, 1
20123 Milan
Telephone: +39 02 85954131
E-mail: investor_relations@telecomitalia.it
- Individual investors:
Telecom Italia S.p.A. - ref. *Investor Relations*
Via Gaetano Negri, 1
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.

16. Shareholders' Meetings

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

Ordinary shareholders may 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 12). The Bylaws also pro-

vide (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, *About Us* section, *Governance System/Regulations* channel.

5 directors attended the Shareholders' Meeting of 16 April 2014 (out of a total of 11 Directors in office). When calling the Shareholders' Meeting, the Board of Directors did not consider it opportune to appoint the designated representative of the Company to issue proxies to participate in the Shareholders' Meeting, and instead allowed the shareholders to vote electronically, specifying the related arrangements in the call notice.

During the course of the year no significant variations occurred in the composition of the Shareholders' list. For the amendment of the agreement between the shareholders of the relative majority shareholder, Telco S.p.A., see paragraph 3, letter g) above "Shareholder agreements").

17. Further corporate governance practices

On 6 February 2014 the Board of Directors approved a Procedure for the management of any extraordinary transaction regarding the Telecom Italia holding in the TIM Brasil group companies.

The document regulates the investigation and decision-making process for any transaction that can result in the transfer to subjects outside the Telecom Italia Group of all or part of its holdings in the Tim Brasil Group, or of assets of the related businesses or branches of business exceeding 2 billion euros (including business combination transfers by conferment, merger or share swap). The process places at the centre the full Board, and within this the independent Directors. These transactions in fact require the approval of the Board of Directors of Telecom Italia, subject to the opinion of a committee consisting of all the independent directors in office who have not declared an interest in the transaction. The independent Directors are called upon to express an opinion on the Company's interest in performing the transaction and on the substantial expediency and correctness of the respective conditions. In the case of a negative opinion of the committee, in order for the transaction to be completed under the conditions proposed, it must be approved by the Board of Directors with a double majority: the majority of all the directors attending the meeting and the "specific" majority of independent directors in office who have no interest in the transaction, either personal or on behalf of third parties. If the transaction is not given the specific green light by the independent directors, the Board of Directors may, by majority vote, as voluntary restraint, submit it to an assessment by the ordinary shareholders' meeting, where it is understood to be approved only if accepted by the majority of shareholders attending the meeting who have not declared an interest in the transaction, either personal or on behalf of third parties.

The procedure is available on the Company website www.telecomitalia.com About Us section - Governance System/Procedures channel.

18. Changes since the end of the reference year

Nothing to indicate.

TABLE 1 – INFORMATION ON SHARE OWNERSHIP**Share capital structure up to 31 December 2014**

	No. shares	% of share capital	Listed (indicate markets) / non listed	Rights and obligations
Ordinary shares	13,470,955,451	69.09%	Listed on Borsa Italiana S.p.A.	Voting rights at the Company Ordinary and Extraordinary Meetings
Savings shares	6,026,120,661	30.91%	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

Other financial instruments**(attributing the right to subscribe newly issued shares)**

	Listed (indicate markets)/non listed	Number of instruments in circulation	Category of shares available for conversion/subsorption	Number of shares available for conversion/subsorption
Convertible Bonds ⁽¹⁾	Vienna Stock Exchange third market	13,000	Telecom Italia ordinary shares	(2)

(1) Bonds called "Guaranteed Subordinated Mandatory Convertible Bonds due 2016 convertible into ordinary shares of Telecom Italia S.p.A." issued by subsidiary Telecom Italia Finance S.A.

(2) Solely to service the bonds issued by subsidiary Telecom Italia Finance S.A., an increase in share capital for payment for a total maximum amount, including share premium, of 1.3 billion euros (in addition to the value of the interest on the bonds, which may also be settled in shares, for a maximum sum of 238,875,000 euros reduced to a maximum of 159,250,000 euros following the payment of interest in November 2014 entirely in cash) was approved. The maximum number of conversion shares that may be issued shall be determined by the issue price of the shares. Each instrument in circulation is worth 100,000 euros.

Significant shareholdings

Declarant	Direct shareholder	% on ordinary capital	% on voting capital
Telco S.p.A.	Telco S.p.A.	22.297%	22.297%
Findim Group S.A.	Findim Group S.A.	4.969%	4.969%
People's Bank of China	People's Bank of China	2.072%	2.072%

TABLE 2 – STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES AND OTHER OFFICES HELD

Position	Members	Year of Birth	Date of first appointment	Serving since	Serving until	Board of Directors							Control and Risk Committee		Nomination and Remuneration Committee		
						Slate (M/m) (*)	Exec.	Non exec.	Indep. Code	Indep. The CLFI (Consolidated Law on Financial Intermediation)	(**)	Number of other appointments (***)	(****)	(**)	(****)	(**)	
Chairman	Giuseppe Recchi	1964	16/04/2014	16/04/2014	31/12/2016	TS	X					9/9	2				
Managing Director	Marco Patuano ⁽¹⁾⁽²⁾	1964	12/04/2011	16/04/2014	31/12/2016	TS	X					15/15	=				
Director	Tarak Ben Ammar	1949	14/04/2008	16/04/2014	31/12/2016	T		X				13/15	1				
Director	Davide Benello	1954	16/04/2014	16/04/2014	31/12/2016	SGRS		X	X	X	9/9	=			C	7/7	
Responsible Director:	Lucia Calvosa	1961	04/08/2011	16/04/2014	31/12/2016	SGRS		X	X	X	15/15	=	C	20/20			
Responsible Director:	Flavio Cattaneo	1963	16/04/2014	16/04/2014	31/12/2016	T		X	X	X	9/9	1			M	6/7	
Responsible Director:	Laura Cioli	1963	16/04/2014	16/04/2014	31/12/2016	T		X	X	X	9/9	2	M	12/14			
Responsible Director:	Francesca Cornelli ⁽³⁾	1962	16/04/2014	16/04/2014	31/12/2016	SGRS		X	X	X	9/9	=	M	14/14			
Responsible Director:	Jean Paul Fitoussi	1942	06/05/2004	16/04/2014	31/12/2016	T		X		X	13/15	1	M	4/6	M	12/12	
Responsible Director:	Giorgina Gallo	1960	16/04/2014	16/04/2014	31/12/2016	T		X	X	X	8/9	1	M	14/14			
Responsible Director:	Denise Kingsmill	1947	16/04/2014	16/04/2014	31/12/2016	TS		X	X	X	7/9	=			M	5/7	
Responsible Director:	Luca Marzotto	1971	16/04/2014	16/04/2014	31/12/2016	T		X	X	X	9/9	=					
Director	Giorgio Giannino Valerio	1966	16/04/2014	16/04/2014	31/12/2016	T		X	X	X	9/9	=	M	14/14			
Directors who resigned during financial year 2014																	
Chairman	Minucci Aldo	1946	16/04/2007	12/04/2011	16/04/2014	M	X					6/6	1 ⁽⁵⁾				
Responsible Director:	Massimo Egidi ⁽⁴⁾	1942	01/12/2011	01/12/2011	16/04/2014	m		X	X	X	5/6	=			M	4/5	
Responsible Director:	Gabriele Galateri	1947	03/12/2007	12/04/2011	16/04/2014	M		X			6/6	2			M	5/5	
Responsible Director:	Gaetano Miccichè	1950	24/07/2007	12/04/2011	16/04/2014	M		X			6/6	2 ⁽⁵⁾					
Responsible Director:	Renato Pagliaro	1957	06/05/2004	12/04/2011	16/04/2014	M		X			6/6	2					
Responsible Director:	Mauro Sentinelli	1947	29/04/2010	12/04/2011	16/04/2014	M		X	X	X	6/6	=	M	5/6			
Responsible Director:	Luigi Zingales	1963	16/04/2007	12/04/2011	16/04/2014	m		X	X	X	5/6	=	M	6/6			
Number of meetings held during the reference year:												BOD: 15	CRC: 20	NRC: 12			
Quorum required to submit slates by the minorities for the election of one or more members (for the purposes of art. 147-ter of the CLFI): 0.5%																	

NOTES:

- * In this column (i) with respect to Directors appointed/confirmed by the Shareholders' Meeting of 16 April 2014 SGRS is indicated in the case of appointment with slate vote and candidacy by the SGR and Institutional Investor's Slate, TS in the case of appointment with slate vote and candidacy by the Telco Slate, T in the case of original candidacy by the Telco Slate, but appointment by the Shareholders' Meeting with the ordinary voting method (see Paragraph 5.2); (ii) with respect to Directors who ceased office during 2014 M/m is indicated depending on whether the member was at the time elected from the slate voted by the majority (M) or a minority (m), or had replaced another Director who ceased office, in turn then chosen from the majority slate or a minority slate.
- ** This column shows the attendance of the directors respectively at the Board of Directors and Committee meetings (the number of meetings the Director attended is indicated with respect to the total number of meetings he/she could have attended, 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. The list of such companies with reference to each director is provided below.
- **** This column shows the status of the Director within the Committee "P" chairman, "M" member.

- (1) Director in charge of the Internal control and risk management system
- (2) Person responsible for managing the Issuer
- (3) Lead Independent Director (LID)
- (4) Independent directors appointed/co-opted on the instruction of the Nomination and Remuneration Committee and the suggestion of Assogestioni (the slate voting as per the Bylaws does not apply).
- (5) If a Director holds office in more than one company belonging to the same Group, it is standard practice to take into account, when calculating the number of offices, only one office held within that Group.

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 chapter three "Composition of the Board of Directors" paragraph 3.2 of the Corporate Governance Code of Telecom Italia.

Giuseppe Recchi	Member of the Board of Directors of EXOR S.p.A. and of Unipol Sai Assicurazioni S.p.A.
Marco Emilio Angelo Patuano	---
Tarak Ben Ammar	Member of the Board of Directors of Mediobanca S.p.A.
Davide Benello	---
Lucia Calvosa	---
Flavio Cattaneo	Member of the Board of Directors of Assicurazioni Generali S.p.A.
Laura Cioli	Chief Executive Officer of CartaSi S.p.a. and Member of the Board of Directors of World Duty Free S.p.A.
Francesca Cornelli	---
Jean Paul Fitoussi	Member of the Supervisory Board of Intesa Sanpaolo S.p.A.
Giorgina Gallo	Member of the Board of Directors of Autogrill S.p.A.
Denise Kingsmill	---
Luca Marzotto	---
Giorgio Giannino Valerio	---

TABLE 3 – STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Position	Members	Year of Birth	Date of first appointment *	Serving since	Serving until	Slate **	Independence as per Civil Code	Attendance at Board meetings ***	Number of other offices ****
Chairman	Enrico Maria Bignami	1957	16/04/2007	15/05/2012	31/12/2014	m	X	55/56	23
Standing auditor	Roberto Capone	1955	16/09/2012	15/05/2012	31/12/2014	m	X	55/56	17
Standing auditor	Gianluca Ponzellini	1947	08/04/2009	15/05/2012	31/12/2014	M	X	50/56	14
Standing auditor	Salvatore Spiniello	1951	24/05/2003	15/05/2012	31/12/2014	M	X	51/56	21
Standing auditor	Ferdinando Superti Furga	1932	24/05/2003	15/05/2012	31/12/2014	M	X	55/56	12
Alternate auditor	Franco Patti	1957	15/05/2012	15/05/2012	31/12/2014	m	X	=	=
Alternate auditor	Vittorio Giacomo Mariani	1938	08/04/2009	15/05/2012	31/12/2014	M	X	=	=
Alternate auditor	Ugo Rock	1950	08/04/2009	15/05/2012	31/12/2014	M	X	=	=
Alternate auditor	Fabrizio Riccardo Di Giusto	1966	17/04/2013	17/04/2013	31/12/2014	m	X	=	=
Number of meetings held during the relevant year: 56									
Quorum required to submit slates by the minorities for the election of one or more members (for the purposes of art. 148 of the CLFI): 0.5%									

NOTES

* Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time (overall) to the Board of Statutory Auditors of Telecom Italia.

** This column indicates the slate from which each statutory auditor was chosen ("M": majority slate; "m": minority slate).

*** This column shows the attendance of the statutory auditors at the Board of Statutory Auditors meetings (the number of meetings the statutory auditor attended is indicated with respect to the total number of meetings he/she could have attended, 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 CLFI and the relative implementing provisions contained in the Consob Issuer Regulations. The complete list of offices held is published by Consob on its website, pursuant to article 144 quinquiesdecies of the Consob Issuer Regulations.

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