



## REPORT ON REMUNERATION

pursuant to art. 123-ter CLFI

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



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# LETTER FROM THE CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE



**Davide Benello**

Chairman of the Nomination and  
Remuneration Committee

Dear Shareholders,

It gives me great pleasure to provide you with the 2014 Report on Remuneration, which, in compliance with current legislation<sup>1</sup>, is structured into two sections. The first, contains a description of the Telecom Italia S.p.A. remuneration policy for 2015 for Directors and Key Managers with Strategic Responsibilities, whilst the second gives the total for remuneration for FY 2014, supplemented with the shareholdings held by Directors, Statutory Auditors and Key Managers with Strategic Responsibilities in the Company and its subsidiaries.

This report has therefore been prepared with the intention of providing the market and the investors with an instantly readable picture of the key elements of remuneration and of how these can help ensure achievement of the Group strategy.

The Committee's work took place with the planning of activities, implementation of instruments in support of the 2014 Remuneration Policy and the definition of guidelines to the 2015 Remuneration Policy.

## Scheduling of the activities

The Committee has defined the planning of 2014 activities according to the annual agenda given below.

### January – March

- Verification of the implementation of the remuneration policy for the previous year;
- Finalization of the results and defining the objectives of the MBO incentive system;
- Finalization of the results of the long-term incentive system;
- Examination of the setting of the Company's global salary policy for the year in progress;
- Preparation of the Report on Remuneration

### April - June

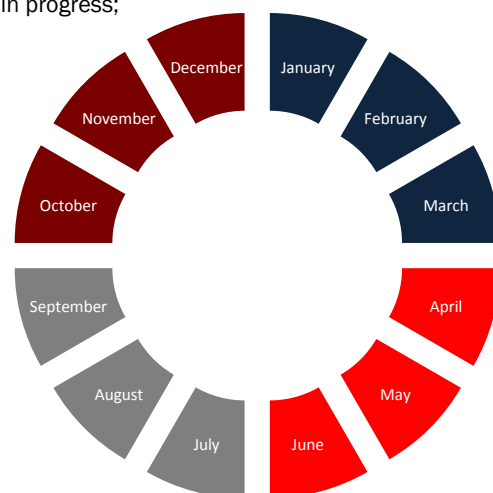
- Operative launch of the medium/long-term incentive systems connected with financial instruments;
- Monitoring of the operative implementation of the MBO system;
- Examination of the results of the shareholder vote on the programmed remuneration policy

### July - September

- Monitoring of the MBO system for the year in progress;
- Monitoring of the performance of the long-term incentive system;
- Verification of the Succession Plan system.

### October - December

- Definition of the remuneration policy for the following year;
- Preparatory work for the short- and long-term incentive systems for the following year;
- Verification of the remuneration policy trends.



<sup>1</sup> The report on remuneration is prepared in compliance with annex 3A, chart 7-bis of Consob Resolution 18049 of 23 December 2011.

## Activities for the implementation of 2014 Remuneration Policies

During 2014, the Committee held twelve meetings, with an attendance of 95% of its members. The meetings were systematically attended by the head of People Value and the managers responsible for the areas being discussed were invited to provide support. As regards matters of remuneration, in 2014 the Committee:

- proposed the criteria for allocating the total annual compensation established by the Shareholders' Meeting of 16 April 2014 for the whole Board of Directors (as renewed at that point) and the remuneration of Directors holding specific offices, to the Board of Directors;
- assessed the appropriateness, practical application and consistency of the general remuneration policy, particularly with reference to actual corporate performance, making suggestions and proposals for corrective measures;
- assessed the level of achievement of the performance objectives of the short- and long-term variable incentive system, and set performance objectives linked to the short-term variable incentive system for 2014; implemented the 2014 Stock Option Plan and the Broad-Based Share Ownership Plan. These activities were carried out in support of the resolutions adopted on the subject by the Board of Directors;
- monitored the development of the relevant regulatory framework and of market best practices in remuneration, collecting ideas for setting-up the remuneration policy for 2015 and identifying aspects for improving the Report on Remuneration;
- set up the Succession Plan system for the senior managers and Head of Departments reporting directly to Executive Directors;
- propose the adoption of a Committee Regulation to regulate the operating methods. This Regulation was then approved by the Board of Directors in the meeting held on 5 August 2014;
- appointed the company Mercer Italia as consultant to the Committee, after having verified that there were no situations that could affect the independence of its judgement.

## 2015 remuneration policy: purpose and key elements

The Committee defined the guidelines of the 2015 Remuneration Policy, aimed at:

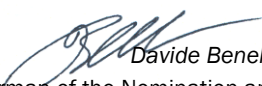
- supporting the attainment of the Company's strategic objectives;
- promoting the alignment of the interests of the management with the creation of value for shareholders and also with the sustainability of the results in the long term;
- safeguarding the Group's need for identity and integration and ensuring respect for the diversity of target markets;

so as to support the competitiveness and performance of the Company, and ensure the engagement of staff and preserve appropriate principles of internal fairness.

In 2015, some variations to the architecture of the Remuneration Policy from that of the 2014 policy are planned, aimed at increasing the satisfaction of the beneficiaries at a sustainable cost. These interventions fall within the **People Strategy** development process and are part of the implementation of the **Total Rewarding** principles.

For 2015, at the date of approval of this Report, the Committee has already met 2 times, aimed principally at examining the remuneration policies implemented in 2014 and to prepare proposals for the remuneration policy for 2015, with specific regards to the MBO system.

Confident that this Report testifies to the Committee's commitment to respect the logic of transparency required by the legislation and to which the company fully adheres, I thank you for the support which I hope you will give to the policies set for 2015.

  
Davide Benello  
Chairman of the Nomination and  
Remuneration Committee

## EXECUTIVE SUMMARY

Telecom Italia's remuneration policy is formulated in the knowledge that the competitiveness of a company in the labour market – and therefore its ability to attract, retain and motivate people who have the skills and professional experience needed for the purposes of management and development, in the interests of the various stakeholders – does not depend only on economic remuneration, but rests to a large extent on the capacity to create suitable tools for Total Rewarding.

Without prejudice to any prizes connected with extraordinary initiatives, therefore, the remuneration policy is therefore structured with the intention of ensuring the correct balance between the fixed component and the variable component of remuneration, linked to the strategic objectives of the Company and to alignment with the interests of creating long-term shareholder value.

In 2015, some major variations to the architecture of the Remuneration Policy from that of the 2014 policy are planned, aimed at increasing the satisfaction of the beneficiaries at a sustainable cost. These interventions regard:

- the implementation of the **People Strategy**, which highlights the central role played by people, and the search for an effective way for the Company to be close to human resources;
- the implementation of the principles of **Total Rewarding**, directed at using multiple tools in an elastic way. These tools are no longer just monetary, but also include welfare, training, professional career paths and development. Therefore, 2015 meritocratic policy will consolidate the five essential pillars of 2014. The first two pillars are economic and the remaining ones linked to a broader idea of a reward system: Increases in Remuneration, Bonuses, Cars, Contractual Status and Training.

In 2015, some revisions are planned:

- the remodulation of the performance parameters for the Chairman's 2015 MBO which will be assessed on the basis of the efficiency in managing Board of Directors' activities.
- the remodulation of the performance parameters for the MBO of the Chief Executive Officer, which saw the exceeding of the Net Income objective and the valuation of the TI Security to the benefit of the weight of other economic-financial indicators.
- provision for a deferral mechanism for the 2015 MBO bonus for the Chief Executive Officer, Top Management (a cluster which includes the Key Managers with Strategic Responsibilities) and a selected part of the remaining executives. The mechanism establishes that the MBO premium will be disbursed as follows:
  - 50% in cash;
  - 50% converted into non-transferable two-year rights to the free assignment of ordinary Telecom Italia shares;
  - recognition at the end of the two-year period of a bonus share in the amount of one free share for each right assigned; this can be increased to two free shares for every right assigned upon reaching a specific performance objective;
  - one further year's lock-up of the shares deriving from the conversion of the rights (therefore excluding the bonus shares and apart from the selected executives).
- revision of the MBO system architecture with the introduction, for all addressees (apart from the Executive Directors) of an objective counting for 20%, based on the overall result of the assessment obtained from the new Performance Management system, which considers both individual objectives and conduct in relation to the new leadership model, putting both on equal footing. In 2016, the full system is scheduled to be implemented, extending the weighting of the areas linked to the Performance Management system.

Below are the main principles, guidelines and values of the 2015 remuneration policy.

FIXED REMUNERATION			
Principles and purposes	Chairman	Chief Executive Officer	Key Managers with Strategic Responsibilities
<p>Component considering the breadth and strategic nature of the role held, hinged on the trend of the reference markets.</p> <p>It is adjusted for remunerating services even in the event of a failure to achieve the performance objectives which determine the disbursement of variable remuneration, in order, among other things, to discourage behaviour inconsistent with the company's appetite for risk.</p>	Gross fixed annual compensation for the three years 2014 - 2016 of €700,000.	Gross fixed annual compensation for the three years 2014 - 2016 of €1,400,000.	For 2015, the orientation designed to align the positioning of Key Managers with Strategic Responsibilities and the rest of the management at the market median is confirmed.

SHORT TERM VARIABLE REMUNERATION			
Principles and purposes	Chairman	Chief Executive Officer	Key Managers with Strategic Responsibilities
<p>Component aimed at promoting and making the link between financial reward and the degree of achievement of annual objectives transparent. The objectives are fixed according to generally quantitative indicators that represent and are consistent with the strategic and business priorities, measured according to pre-established and objective criteria.</p> <p>The introduction of a bonus deferral mechanism aims at reinforcing the alignment of management with shareholders and reward time spent in service.</p>	Gross variable annual compensation for the three years 2014 - 2016 established as a target (100%) of €200,000, variable up to a maximum of 150%.	Gross variable annual compensation for the three years 2014 - 2016 established as a target (100%) of €1,400,000, variable up to a maximum of 150%.	<p>Differentiated variable compensation according to role, established as a target (100%) of up to 50% of the fixed component. The target amount can rise to 140%.</p> <p>In addition to Key Managers with Strategic Responsibilities, all the key managerial resources participate in the plan.</p>
	Deferral mechanism of the 2015 MBO bonus not envisaged.	<p>Bonus deferral mechanism in relation to the 2015 MBO, with the disbursement of the MBO premium half in cash, half in two-year rights to the allocation of ordinary shares. Allocation of the shares at the end of the two years, with attribution of 2 shares for each right, one relating to the initial investment of 50% of the MBO and one bonus share. Allocation of one further bonus share, for a total of 3 shares for each right, upon reaching a predetermined performance objective. One year's lock-up of the shares deriving from the initial investment (excluding the Bonus Share).</p>	

LONG TERM VARIABLE REMUNERATION			
Principles and purposes	Chairman	Chief Executive Officer	Key Managers with Strategic Responsibilities
<p>Incentive aimed at achieving consistency between the interests of management and those of shareholders, by sharing in the business risk, with positive effects expected in terms of growth in the value of the company's shares.</p> <p>Following the approval granted by the Shareholders' Meeting, in 2014, the Board of Directors implemented the 2014-2016 Stock Options Plan.</p> <p>The plan establishes that the options can be exercised at the end of a three-year vesting period, once the performance conditions have been met connected with the Free Cash Flow and related TSR objectives.</p>	Not provided for.	Target value fixed at 100% of fixed Remuneration for each year of incentivisation. The premium can reach a maximum of 150% of the target assigned.	<p>Target value of a maximum of 50% of fixed remuneration for each year of incentivisation. The premium can reach a maximum of 150% of the target assigned.</p> <p>Besides the Key Managers with Strategic Responsibilities, a selected group of the other managers also participates in the plan.</p>

BENEFITS			
Principles and purposes	Chairman	Chief Executive Officer	Key Managers with Strategic Responsibilities
Resources and services put at the disposal of the beneficiaries, which are instrumental in ensuring optimum management of their time and improving corporate/family well-being, and which generate economic value distinct both from the fixed remuneration and from the other forms of variable remuneration.	<p>The benefits envisaged, are basically similar to those specified for the entire company's management:</p> <ul style="list-style-type: none"> <li>• Insurance policies (accident, life, permanent invalidity);</li> <li>• Coverage of healthcare expenses;</li> <li>• Complementary welfare;</li> <li>• Company car for mixed use;</li> <li>• Check-ups.</li> </ul>		

SEVERANCE PAY			
Principles and purposes	Chairman	Chief Executive Officer	Key Managers with Strategic Responsibilities
Tools suitable for regulating economic remuneration in the event of early termination of the employment contract (excluding dismissal with just cause).	Stability clause envisaged in the event of early termination of the employment relationship/ office as director, excluding in the case of dismissal with just cause.		Benefits applicable by virtue of legal provisions, the collective labour agreement and complementary company arrangements, are envisaged except where more favourable agreements are reached, in the event of early termination of the

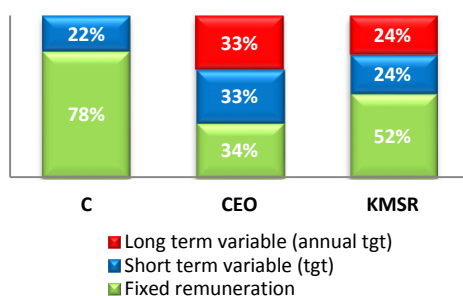


		employment contract (excluding cases of dismissal with just cause).
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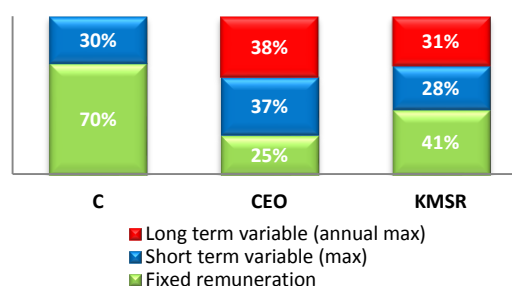
BROAD-BASED SHARE OWNERSHIP PLAN			
Principles and purposes	Chairman	CEO <sup>2</sup>	Key Managers with Strategic Responsibilities
A tool aimed at increasing the motivation of employees to achieve corporate objectives, and reinforcing the sense of belonging.	Not provided for.	<p>The plan is intended for all of the permanent employees of Telecom Italia S.p.A. and its Italian-registered subsidiaries.</p> <p>In 2014, the Broad-Based Share Ownership Plan (PAD) was implemented, as had been resolved by the Shareholders' Meeting of 17 April 2013. The discount offered to employees subscribing ordinary Telecom Italia shares was 10% on the market price, with a <i>fixed per capita</i> maximum investment of € 5,000. The Broad-Based Share Ownership Plan envisages the assignment of a free bonus share for every three shares subscribed in exchange for payment.</p>	

## Pay Mix<sup>3</sup>

Target amounts



Maximum amounts



<sup>2</sup> The Chief Executive Officer is a beneficiary insofar as he also has a managerial employment contract with the Company

<sup>3</sup> The short- and long-term variable amounts have been entered using the maximum amounts envisaged by the policy as target values, without considering the deferral mechanism of the 2015 MBO and the related bonus share.

# SECTION 1

## 2015 REMUNERATION POLICY

### Parties involved in the Remuneration Process

The remuneration policy for Directors and Key Managers with Strategic Responsibilities involves the bodies specified below.

Shareholders' Meeting	
<b>Role</b> <ul style="list-style-type: none"> <li>• Determines the compensation of the Board of Directors, with the exception of the Directors holding specific offices (Chairman and Chief Executive Officer).</li> <li>• Expresses a non-binding vote on the first section of the Report on Remuneration.</li> <li>• Resolves on the remuneration plans based on the allocation of financial instruments.</li> </ul>	
Board of Directors	
<b>Role</b> <ul style="list-style-type: none"> <li>• Resolves on the division of the remuneration determined by the Shareholders' Meeting for the Board of Directors (when a total amount is established for the board in its entirety).</li> <li>• Defines the remuneration policy of Executive Directors and Key Managers with Strategic Responsibilities.</li> <li>• Determines the remuneration of Directors holding specific offices.</li> <li>• Makes proposals to the Shareholders' Meeting on the remuneration plans based on the allocation of financial instruments to directors and employees and prepares the Report on Remuneration.</li> </ul> <p>In order to ensure that the decisions taken regarding remuneration are appropriately investigated, conform to the rules on transparency and strictly governing potential conflicts of interest, the Board of Directors is supported by the Nomination and Remuneration Committee.</p>	
Nomination and Remuneration Committee	
<b>Members</b> Davide Benello (Chairman) Flavio Cattaneo Jean Paul Fitoussi Denise Kingsmill  To perform its functions, the Committee makes use of the collaboration of the competent Departments within the Company and the support of external consultants who are not in situations such as to compromise the independence of judgement. Since July 2014, the Committee made use of the assistance and studies provided by the company Mercer.	<b>Role</b> <ul style="list-style-type: none"> <li>• Proposes the criteria for allocating the total compensation established by the Shareholders' Meeting for the whole Board of Directors as a whole and the remuneration of Directors holding specific offices, to the Board of Directors.</li> <li>• Examines, with the assistance of the People Value Department, the remuneration policy for managers, with specific regards to the Key Managers with Strategic Responsibilities.</li> <li>• Examines proposals made to the Board of Directors for compensation plans based on financial instruments.</li> <li>• Assesses the appropriateness, practical application and consistency of the general remuneration policy.</li> <li>• Ascertains the level of achievement of incentive objectives by Executive Directors and management in general, applying the measurement criteria determined when these objectives were assigned to them.</li> <li>• Reports on its own activities to the Board of Directors, as a rule, at the first available meeting.</li> </ul>
Board of Statutory Auditors	
<b>Role</b> The Board of Statutory Auditors submits the opinions required by current laws on the proposed remuneration of Executive Directors. The Committee's meetings are attended by the Chairman of the Board of Statutory Auditors or, if he is unavailable, by another Statutory Auditor designated by him.	

# 2015 REMUNERATION POLICY TOOLS AND GUIDELINES

The Group remuneration policy is established in such a way as to guarantee the necessary levels of competitiveness of our company on the employment market.

Competitiveness translates into supporting the strategic objectives, promoting the alignment of management interests in the value created for shareholders, pursuing sustainability of results in the long-term and striking a correct balance between the unitary needs of the Group and the differentiation of the various reference markets.

This has created a remuneration architecture that as a priority is aimed at ensuring the correct balance between the fixed component and the variable component, both short- and long-term, as well as the Benefits system and other tools such as the Broad-based Share Ownership Plan.

More specifically, the reference to the 2015 remuneration policy will be based on a careful consideration of the overall weighting deriving from the fixed remuneration and short-term variable remuneration. Consequently, the alignment with the market total annual remuneration will be pursued by making a flexible and more incisive use of the variable component.

To better define the remuneration policies, the necessary comparisons are drawn with the external market. In this respect, two different peer groups have been identified:

- **International businesses**, which operate in the same sector as Telecom Italia (telecommunications, ICT and media);
- **Major Italian companies** of the FTSE MIB, comparable in terms of business and/or best practices.

According to the market benchmarks, the 2015 remuneration policies will be implemented through the tools described below.

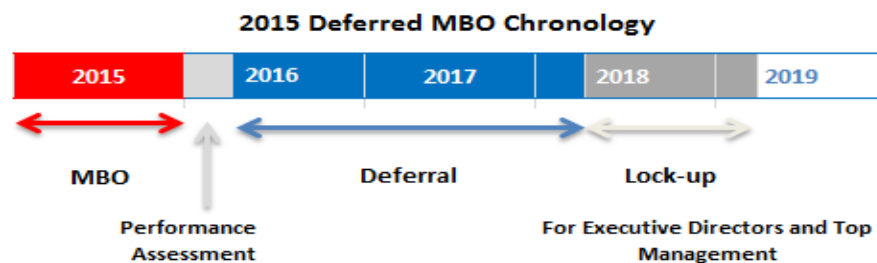
Member Fixed	<p>The breadth and strategic nature of the role are measured through a system of evaluation of positions that uses internationally recognized and certified methods.</p> <p>The use of the valuation system of positions enables them to be anchored to the trend of the reference remuneration markets and encourages the continuous monitoring of the level of competitiveness in remuneration, by means of the benchmarks.</p> <p>For 2015, the tendency to seek an alignment of the individual positioning to the market median is confirmed, pursuing the cooling of the fixed remuneration trend.</p> <p>The necessary flexibility of remuneration will in any case be guaranteed, both upwards and downwards with respect to the median, with specific regards to the highest-performing, most talented resources that can be placed towards the upper end of the remuneration scale.</p>
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The Telecom Italia MBO system, that targets the managerial population and a selected part of the Professionals, envisages the presence of a "gate" objective constituted by the company indicator (EBITDA - Net financial charges) applied to all participants in the plan, with the exception of the Chairman. This objective must be achieved in order for the Chief Executive Officer to access the incentive, whilst for the remaining incentivised parties, the "gate" only affects company objectives and not the functional ones. The weight relating to the company objectives with respect to the functional ones, differs according to the role and professional family.

In continuity with 2014 we have repropose, for functions which are assigned the Total Group Revenues objective, the application of a demultiplier associated with the achievement of the corresponding objective on the Domestic front. This mechanism aims to connect the Group objective pay-out scale to the level to which the corresponding objective relating only to the Domestic area, has been achieved.

In 2015, all addressees of MBO will have an objective that is worth 20%, based on the overall result of the assessment from the new Performance Management system. In 2016, the full system is scheduled to be implemented, extending the weighting of the areas linked to the Performance Management system.

Moreover, in 2015, for CEO, Top Management and a selected number of members of the Management, a deferral mechanism will be introduced for the 2015 MBO bonus, which involves the disbursement of the premium accrued half in cash and half converted into non-transferable two-year free rights to ordinary Telecom Italia shares. The rights will be quantified based on the normal value of the share at the time the MBO is finalised. At the end of deferral, the rights will be transformed into shares and 2 shares will be recognised for each right. One share corresponding to the initial "contribution" in terms of non-cash-out at the proper time, and one further bonus share for each right assigned, subject to the employee remaining on the workforce or, for the Chief Executive Officer, not ceasing office before the natural expiry of the appointment. Upon achieving the performance condition (accumulated achievement over the two-year period 2016-17 of an amount of EBITDA – organic net financial charges - equal at least to the sum of the corresponding indicators in the 2016 and 2017 budget) two free bonus shares will be allocated for every right assigned. At the end of two years, for CEO and Top Management, there will be a lock-up period of one year, limited to shares deriving from the initial investment, whilst the bonus shares will be free to be sold.



Long Term Variable Component	<p>The 2014-2016 Stock Options Plan implemented in 2014, consists of the allocation of options to purchase shares in the future at a predetermined price (strike price) of € 0.94 per ordinary share (Share). This price was established by the Board of Directors, in line with the market price of the Share at the time of allocation of the Options, calculated as the average of the official quoted price of the Share on the MTA electronic share market organized and managed by Borsa Italiana S.p.A. in the month preceding the resolution.</p> <p>The options cannot be exercised before the expiry of a three year vesting period, and become exercisable only if a performance condition is satisfied, measured by means of two parameters:</p> <ul style="list-style-type: none"> <li>- the relevant TSR (weight 50%), as a ranking within a peer group reviewed by comparing previous LTI cycles (<i>AT&amp;T, Verizon, Telefónica, Deutsche Telekom, France Télécom, Telekom Austria, Telecom Portugal, KPN, Swisscom, BT, Vodafone and Telecom Italia</i>);</li> <li>- and the adjusted Free Cash Flow (weight 50%).</li> </ul> <p>The degree of achievement of the performance objectives determines the quantity of share options exercisable in variable measure up to 150% of the target. Once vested, the rights can be exercised for a period of 3 years.</p> <div data-bbox="395 734 1396 981"> <p style="text-align: center;"><b>2014-2016 Stock Option Plan Chronology</b></p> </div>
Benefits	<p>The benefits envisaged, are basically similar to those specified for the entire company's management (insurance policies, healthcare cost coverage, supplementary pension, cars for business and personal use, check-ups).</p> <p>The non-monetary benefits remain substantially unchanged.</p>
Severance Pay	<p>For the Chairman and Chief Executive Officer, a stability clause is envisaged in the event of early termination of the employment relationship/office as director, excluding in the case of withdrawal by the company with just cause.</p> <p>Key managers with Strategic Responsibilities are eligible for the benefits applicable by virtue of legal provisions, the collective labour agreement and complementary company arrangements, except where more favourable agreements are reached, in the event of early termination of the employment contract (excluding cases of dismissal with just cause).</p> <p>No alterations to existing severance pay are envisaged.</p>
Claw Back Clauses	<p>No formal contractual clawback mechanisms will be adopted to recover incentives not due as a result of the consideration of data thereafter found to be incorrect, but a deferral mechanism has been introduced of the MBO bonus, which represents a further form of protection of the company's interests, strengthening the opportunities to collect the debt already established by the regulations.</p>

Broad-based Share Ownership Plan	<p>The Broad-based Share Ownership Plan (PAD) aimed at all the permanent employees of Telecom Italia S.p.A. and its Italian-registered subsidiaries, implemented by Telecom Italia in 2014, has the following characteristics:</p> <ul style="list-style-type: none"> <li>• during the subscription period (from 26 June to 10 July), the employees had the right to subscribe ordinary Telecom Italia shares at the price (€ 0.84 per share), discounted by 10% on the share's market price (calculated as the average price of the 30 days preceding the offer)</li> <li>• The minimum investment has been defined as a batch of 300 shares.</li> <li>• The maximum investment has been fixed at 5,000 euros per capita.</li> </ul> <p>The initiative involved around 18,000 employees, accounting for 34% of those entitled to do so, asking to subscribe around 96 million shares. As 54 million shares had been made available for the operation, these were then allocated, assigning an average of 3,000 shares for an average investment of approximately 2,500 euros.</p> <p>Shares were assigned to employees on 31 July and twelve months after that date, the free assignment of one share for every three subscribed for payment is envisaged to all employees in continuing employment, who have kept possession of the shares.</p>
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# REMUNERATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS, THE CHIEF EXECUTIVE OFFICER AND KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES

The Board of Directors meeting of 26 June 2014 allocated the total compensation for Directors established by the Shareholders' Meeting on 16 April 2014. Moreover, in 2014, on the proposal of the Nomination and Remuneration Committee, the Board of Directors resolved the remuneration package for the Chairman and Chief Executive Officer, in line with the delegations and powers assigned to them and with the reference market values.

All the above-specified compensation has been resolved for the three-year period running from 2014 to 2016.

## Remuneration of the Chairman

The structuring of the remuneration package for the Chairman, determined in 2014 in relation to the office as Director, involves:

- **Fixed component**

For the functions of Chairman is determined to be the gross sum of 700,000.00 euros per year. The Chairman does not receive fixed compensation for the position of Director (pursuant to Art. 2389, subsection I of the Italian Civil Code).

- **Short term variable component (MBO)**

On an annual basis, this is correlated with the achievement of the objectives set by the Board of Directors in coherence with the role and the powers of the Chairman in the target measure (100%) of 200,000.00 euros gross. A parametrised scale is adopted, that awards a bonus of 50% of the target if the minimum level is achieved, up to a bonus of 150% of the target if the maximum level is achieved.

For 2015 the short-term incentive will focus on a single objective, with consequent exceeding of the aforesaid parameters of quality of visibility in the media and group image

Objective	Weight
Assessment of efficiency in managing BoD activities referred to: <ul style="list-style-type: none"> <li>• Board Leadership and Management</li> <li>• Working in cooperation with the Board members</li> <li>• Ensuring accountability</li> <li>• Setting and managing agendas and Board's decisions</li> <li>• Managing the relationship with external Stakeholders</li> <li>• Commitment to values and ethics</li> </ul>	100%

Below is the pay-out scale, assuming that the objective is assessed by the Board of Directors respectively as below minimum level, at minimum level, at target level and at maximum level. Objective assessment also provides for intermediate levels.

Performance Levels	Parametrised scale	Value of the incentive in amount
Objective below minimum level	0%	0
Objective at minimum level	50%	€ 100,000
<b>Objective at target level</b>	<b>100%</b>	<b>€ 200,000</b>
Objective at maximum level	150%	€ 300,000

- **Benefits**

In relation to said office as director, the Chairman has been allocated the following benefits: supplementary pension cover, through payment by Telecom Italia S.p.A. into a supplementary pension fund of an amount equal to 10% the fixed fee; work-related and non-work-related accident cover, life insurance, permanent invalidity due to illness payable by Telecom Italia S.p.A.; health insurance cover through the signature of a policy payable by Telecom Italia S.p.A.; personal use of a company car in accordance with current company policies; annual check-up. Like all the Company's management, the Chairman is covered by a "professional



risks policy", known as a Directors & Officers policy.

- **Severance pay**

**Stability clauses**

In the event of early termination of the office as Director in the absence of just cause, at the initiative of the Company and/or if asked to resign by the Board of Directors, the Chairman shall have the right to receive the fixed fees established for the office (pursuant to Art. 2389, subsection 3 of the Italian Civil Code) otherwise due until the end of the mandate. Moreover, unless otherwise resolved by the Board of Directors, the Chairman shall also have the right to receive a variable amount, calculated on the remaining value in annual amounts (or fractions of annual amounts) based on the average of the amounts actually received, as variable short term fee, until the actual date of termination of the office as director or, if no variable fee has accrued at the time of termination, on the related target measure.

A similar treatment will apply in case of resignation due to revocation, reduction or modification substantially worsening the powers granted.

**Confidentiality agreement**

Without prejudice to the disclosure required from listed companies in accordance with the law and governance codes, the parties have undertaken to maintain the maximum confidentiality regarding all the circumstances that characterise the execution and termination of the office as director of the Chairman.

## Remuneration of the Managing Director

The structuring of the remuneration package for the Chief Executive Officer includes:

### FOR THE EMPLOYMENT RELATIONSHIP

- **Fixed component**

Determined as a gross annual figure of €1,400,000, as from 1 May 2014. The remuneration envisaged for the previous mandate was 1,000,000.00 million euros, gross per year.

- **Benefits**

In relation to said managerial role, the Chief Executive Officer will continue to enjoy the benefits envisaged for the management of the Company (health insurance cover through the Telecom Italia Group Executive supplementary healthcare assistance; supplementary pension cover through membership of the Telecom Italia Group Executive complementary pension fund; insurance cover for work-related and non-work-related accidents, life and permanent invalidity due to illness; a company car for mixed use; annual check-up). Like all the Company's management, the Chief Executive Officer is covered by a "professional risks policy", known as a Directors & Officers policy. Moreover, accommodation at work location, partially payable by the Company, for the three years of service as Chief Executive Officer, is also recognised.

### FOR THE OFFICE AS DIRECTOR

- **Fixed fee (pursuant to art. 2389 subsection I of the Italian Civil Code):**

The Chief Executive Officer does not receive fixed compensation for the office of Director (pursuant to Art. 2389, subsection 1 of the Italian Civil Code).

- **Short term variable component (MBO)**

On an annual basis (pursuant to Art. 2389, subsection 3, Italian Civil Code), correlated with the achievement of the objectives set by the Board of Directors and specified below, the target (100%) of which is 1,400,000 euros gross; a parametrised scale will be applied that awards a bonus of 50% of the target amount if the minimum level is achieved, up to a bonus equal to 150% of the target amount if the maximum level is achieved. Subject to approval by the Shareholders' meeting convened for 20 May 2015, the 2015 MBO premium will be disbursed half in cash and half in rights to receive shares, two years after finalisation, with a bonus share for each right assigned, subject to the Director remaining in office until the natural expiry of the mandate. Upon achieving the performance condition described above the bonus will be two free shares for every right assigned. A lock-up period of one year is also envisaged, limited to shares deriving from the conversion of rights, whilst the bonus shares will be free from restrictions and free to be sold.

The presence of a gate objective for payment of the bonus is confirmed for 2015. Continuing on from 2014, the gate consists of EBITDA - Net Financial Charges. As compared with 2014, two objectives have been

exceeded: Relative Valuation of the TI Security and Net Income for the TI Group. The related weights, for a total of 25%, have been redistributed over the EBITDA indicators - Organic Net Financial Charges (+10%), Net Financial Position of the TI Group (+10%) and Total Organic Revenues of the TI Group (+5%). The 2015 incentive plan is linked to the achievement of the following predefined objectives:

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

Below is the pay-out scale, assuming that all objectives respectively reach the level below minimum, the minimum level, the target level and the maximum level. Each objective is measured individually, so different combinations are possible of the levels of achievement of the objectives; to appreciate these, the linear interpolation mechanism is adopted.

Performance Levels	Parametrised scale	Value of the incentive in amount
All objectives below the minimum level	0%	0
All objectives at the minimum level	50%	€ 700,000
<b>All objectives at the target level</b>	<b>100%</b>	<b>€ 1,400,000</b>
All objectives at the maximum level	150%	€ 2,100,000

- **Long term variable component**

The 2014 - 2016 Stock Option Plan is the long-term incentive instrument connected to the achievement of the Performance Objectives for the three year period 2014-2016; the target value is 100% of the fixed remuneration for each year of the incentive. The assignment tool place as a "one-shot" (single three-year cycle) for a pay opportunity of up to 150% of the target.

The plan assigns the Chief Executive Officer 13,404,255 options (if target objectives are achieved) which can be increased up to a maximum of 20,106,382 options (if maximum objectives are achieved).

- **Severance pay**

#### **Stability clauses**

As regards the contract of employment, it is agreed that, in the event of termination of employment on the Company's initiative, excluding in the case of dismissal with just cause, the Company will pay the Chief Executive Officer compensation, in addition to severance pay and to the allowance in lieu of notice, equal to the amount of the penalty specified in articles 19 and 22 of the CCNL for Executives of Enterprises that produce Goods and Services; if the Chief Executive Officer should resign at the request of the Board of Directors, the same amount will be paid.

Moreover, in the event of early termination of the office as Director on the initiative of the Company, in the absence of just cause, and/or if asked to resign by the Board of Directors, the Chief Executive Officer shall have the right to receive an amount in relation to the short-term annual variable remuneration. This amount will be calculated on the remaining value in annual amounts (or fractions of annual amounts), the value of which will be equal to the average of the amount effectively received, by the same title, during the course of the current mandate until the actual date of termination of the directorship/employment or, if no variable fee has accrued at the time of termination, on the related target measure.

The same procedure will apply in the event of resignation for just cause (e.g. substantial change to his position as CEO and/or demotion in employment contracts).

#### **Non-competition agreement**

The company reserves the right to request, within three months of the termination of employment, that a non-competition clause be stipulated. This means that for a period of one year after employment has ceased, he shall not undertake, himself and directly, in Italy, Brazil or Argentina, any type of activity that may be in competition with that carried out by Telecom Italia S.p.A. with reference to fixed and mobile telephones and ICT services. The agreement will envisage a fee to be paid for this equal to one year at half the rate effectively perceived, both by way of Gross Annual Remuneration and short-term variable annual

compensation, pursuant to Art. 2389, subsection 3 of the Italian Civil Code, during the last two years of the employment relationship/office as director. In the event of breach of this agreement, the amount to be paid will not be disbursed, or if already disbursed, it must be returned.

#### Confidentiality agreement

The parties have undertaken to maintain the maximum confidentiality regarding all the circumstances that characterise the execution and termination of the employment and office as director of the Chief Executive Officer.

## Remuneration of Key Managers with Strategic Responsibilities

Key Managers with Strategic Responsibilities, namely those persons having authority and responsibility for planning, directing and controlling the activities of the Telecom Italia Group, directly or indirectly, including Directors, are identified as follows:

#### Directors:

Giuseppe Recchi <sup>(1)</sup>	Chairman of Telecom Italia S.p.A.
Marco Patuano	Chief Executive Officer of Telecom Italia S.p.A.

#### Key Managers with Strategic Responsibilities:

Rodrigo Modesto de Abreu	Diretor Presidente of TIM Participações
Simone Battiferri	Head of Business Department
Franco Brescia	Head of Public & Regulatory Affairs
Antonino Cusimano	Head of Legal Affairs
Mario Di Loreto	Head of People Value
Giuseppe Roberto Opilio	Head of Operations <sup>(6)</sup>
Piergiorgio Peluso	Head of Administration, Finance and Control
Luca Rossetto <sup>(2)</sup>	Head of Consumer Department
Stefano De Angelis <sup>(3)</sup>	Head of National Wholesale Services
Alessandro Talotta <sup>(4)</sup>	Head of National Wholesale Services
Stefano Ciurli <sup>(5)</sup>	Head of National Wholesale Services
Paolo Vantellini	Head Business Support Officer Department

- (1) from 16 April 2014;  
 (2) until 12 August 2014;  
 (3) from 13 August 2014;  
 (4) until 21 December 2014;  
 (5) from 22 December 2014;  
 (6) from 22 December 2014, the Operations Function is established.

The structuring of the remuneration package for 2015 for Key Managers with Strategic Responsibilities is described below:

- **Fixed component**

The strategy for 2015 is basically to maintain remuneration in line with the market, while providing for selective criteria for intervention on fixed remuneration. In particular the 2015 remuneration policy provides for intervention to adjust the fixed remuneration for those holders of positions who have expanded the boundary of their responsibility and/or whose remuneration positioning is below market levels.

- **Short Term Variable Remuneration component (MBO)**

The 2015 incentive plan is linked to the achievement of a combination of predefined objectives:

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

The allocation of company, functional objectives varies according to the organisational structure to which they belong.

The achievement of the EBITDA - Organic Net financial Charges "gate" objective described for the Managing Director constitutes an absolute access condition for the accrual of the incentive on the rest of the assigned corporate objectives.

The MBO system for Key Managers with strategic responsibilities provides an annual target value up to a maximum of 50% of fixed remuneration.

The premium, subject to approval of the corresponding proposals by the Shareholders' Meeting of 20 May 2015, will be disbursed half in cash and half in rights to shares two years after finalisation. More specifically, in addition to the shares deriving from the conversion into equities of the rights, one bonus share will be recognised for each right assigned subject to their remaining on the workforce. Upon achieving the performance condition, the bonus will be two free shares for every right assigned. A lock-up period of one year is also envisaged, limited to shares deriving from the conversion of rights, whilst the bonus shares will be free from restrictions and free to be sold.

Below is the pay-out scale, assuming that all objectives respectively reach the level below minimum, the minimum level, the target level and the maximum level. Each objective is measured individually, so different combinations are possible of the levels of achievement of the objectives; to appreciate these, the linear interpolation mechanism is adopted.

Performance Levels	Parametrised scale
All objectives below the minimum level	0%
All objectives at the minimum level	70%
<b>All objectives at the target level</b>	<b>100%</b>
All objectives at the maximum level	140%

- **Long Term Variable Component**

The 2014 - 2016 Stock Option Plan is the long-term incentive instrument connected to the achievement of the Performance Objectives for the three year period 2014-2016; the target value of the options is 50% of the fixed remuneration for each year of the incentive. The premium can reach a maximum of 150% of the target assigned.

- **Benefits**

Benefits are granted benefits similar to those provided for all other company managers: company car for mixed use, insurance policies (professional accidents, life and invalidity caused by illness), complementary health insurance cover, complementary pension fund and annual check-up.

Like all the Company's management, the Key Managers with Strategic Responsibilities are covered by a professional risks policy", known as a Directors & Officers policy.

- **Severance pay**

Benefits applicable by virtue of legal provisions, the collective labour agreement and complementary company arrangements, are envisaged except where more favourable agreements are reached, in the event of early termination of the employment contract (always excluding cases of dismissal with just cause).

## SECTION II – IMPLEMENTATION OF REMUNERATION AND COMPENSATION POLICIES RELATING TO FINANCIAL YEAR 2014

### Implementation of 2014 remuneration policies

This section describes the remuneration interventions performed in 2014 in favour of the Non-Executive Directors, the Chairman, the Chief Executive Officer and the Key Managers with Strategic Responsibilities. The interventions performed on the following remuneration items are taken into account:

- Fixed compensation
- Compensation for involvement in committees for non-executive Directors
- Short term variable compensation
- Long term variable compensation

### Board of Directors

The Board of Directors divided the total compensation, pursuant to Art. 2389, subsection 1 of the Italian Civil Code, determined by the Shareholders' Meeting of 16 April 2014, of 1,900,000 euros, gross per year, assigning 110,000 euros gross per year to each Director (excluding the Chairman and the Chief Executive Officer).

The following additional compensation was also paid to the Directors, Members of the Committees:

Body	Annual compensation	Members
Control and Risk Committee	€ 45.000 + € 20.000 for the Chairman	Lucia Calvosa (C), Laura Cioli, Francesca Cornelli, Giorgia Gallo and Giorgio Valerio
Nomination and Remuneration Committee	€ 40.000 + € 20.000 for the Chairman	Davide Benello (C), Flavio Cattaneo, Jean Paul Fitoussi, Denise Kingsmill

The Board of Directors has resolved to also assign to the Chairman of the Control and Risk Committee the role of director "linking" the full board and the heads of the Internal Audit and Compliance Functions that report directly to the Board of Directors. For this role, additional emoluments of 45,000 euros per year are paid.

## Chairman

The fixed compensation for the Chairman, Mr. Giuseppe Recchi, consists of the emoluments pursuant to Art. 2389, subsection III of the Italian Civil Code, in the amount of 700,000 euros per year. The Chairman has not received fixed compensation for the position of Director (pursuant to Art. 2389, subsection I of the Italian Civil Code), insofar as he is not entitled to do so. The table below illustrates in detail the degree of achievement of the objectives assigned for the 2014 MBO short-term variable component.

Objective	2014		
	weight	% achievement	Weighted score
Assessment of efficiency in managing B.o.D. activities	60%	100%	60%
Quality of the group image according to Ipsos tracking	20%	150%	30%
Quality of visibility in the media - Eikon tracking	20%	150%	30%
<b>WEIGHTED TOTAL</b>			<b>120%</b>

According to the percentage achievements given above, the Chairman has been paid a bonus for the short-term variable component in the amount of 240,000 euros gross.

No long-term variable compensation has been awarded.

The detailed analysis of the compensation received during the period for which he held the office (16.04.2014/13.12.2014) is shown in Table 1 of the second part of this section.

## CEO

The fixed compensation of the Chief Executive Officer, Marco Patuano, comprises the gross annual remuneration in respect of his contract of employment, in the sum of 1,400,000 euros as at 31 December 2014. In 2014, this compensation was increased by 400,000 euros per year, as from 1 May 2014, in connection with his role as Chief Executive Officer. The Chief Executive Officer has not received fixed compensation for the position of Director (pursuant to Art. 2389, subsection I of the Italian Civil Code), insofar as he is not entitled to do so.

The table below illustrates in detail the degree of achievement of the objectives assigned for the 2014 MBO short-term variable component and the total result of the previous three-year period.

Objectives	2014			2013	2012	2011
	weight	% achievement	Weighted score			
EBITDA - Organic Net Financial Charges (Gate)	20%	70%	13.92%			
Domestic Innovative Investments + Brazil with prerequisite	15%	149%	22.37%			
TI Group Net Financial Position	15%	85%	12.71%			
TI Group Net Income	15%	119%	17.88%			
Total TI Group Organic Revenue	15%	0%	0%			
Customer Satisfaction Indicator	10%	110%	10.98%			
TI Relative Share Valuation	10%	117%	11.67%			
<b>WEIGHTED TOTAL</b>			<b>89.53%</b>	<b>0%<sup>4</sup></b>	<b>28%</b>	<b>55%</b>

According to the percentage of 2014 achievement given above, the Chief Executive Officer has been paid a bonus for the short-term variable component in the amount of 1,253,420 euros gross.

<sup>4</sup> In 2013, the "gate" objective to gain access to the premium was not reached

In 2014, no long-term variable compensation relating to the 2011 - 2013 LTI Plan was paid, because of the failure to achieve the relative TSR and Cumulated Free Cash Flow objectives. The plan had been awarded for the previous three years of office in the target amount of 300% fixed remuneration at the time.

The detailed analysis of the compensation received pro-quota (previous fixed compensation plus new fixed compensation resolved) during the period for which he held the office (01.01.2014/13.12.2014) is shown in Table 1 of the second part of this section.

## Key Managers with Strategic Responsibilities

The fixed compensation of the Key Managers with Strategic Responsibilities comprises the gross annual remuneration in respect of their employment.

The table below shows the average pay out for the 2014 MBO short-term variable component compared with the average values for the previous three-year period:

	2014	2013	2012	2011
<b>TOTAL</b>	<b>92%</b>	<b>54%</b>	<b>32%</b>	<b>100%</b>

For Key Managers with Strategic Responsibilities, in 2014, no long-term variable compensation relating to the 2011-2013 LTI was paid, because of the failure to achieve the relative TSR and Cumulated Free Cash Flow objectives.

In 2015, no long-term variable compensation relating to the 2012 - 2013 LTI Plan will be paid, because of the failure to achieve the two objectives of relative TSR and Cumulated Free Cash Flow defined for the three-year incentive period.

Total compensation is shown in Table 1 of the second part of this section.

## SECTION II – COMPENSATION PAID IN 2014

**TABLE 1: COMPENSATION PAID TO MEMBERS OF THE MANAGEMENT AND CONTROL BODY AND TO KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES**

The table below shows the compensation due to all the individuals who, during the financial year 2014, or a part thereof, held the position of member of the Board of Directors, of member of the management and control body, or Key Manager with Strategic Responsibilities (for this last category the information is shown in aggregate form).

(in thousands of euros)

	A	B	C	D	1	2	3	4	5	6	7	8	
							Variable compensation non-equity						
Note s	Name and surname	Position	Period for which the position was held (dd.mm)	Expiry of term of office (mm.yy)	Fixed compensation	Compensation for involvement in committees	Bonuses and other incentives	Profit sharing	Non-monetary benefits	Other compensation	Total	Fair Value of compensation equity	Compensation for loss of office or termination of employment
Board of Directors													
1	Giuseppe Recchi	Chairman	16.04 31.12	12.16	491		240		3		734	1,407	
2	Marco Patuano	CEO	01.01 31.12	12.16	1,283		1,661		44		2,988		
3	Tarak Ben Ammar	Director	01.01 31.12	12.16	110						110		
4	Davide Benello	Director	16.04 31.12	12.16	77	41					118		
5	Lucia Calvosa	Director	01.01 31.12	12.16	133	58					191		
6	Flavio Cattaneo	Director	16.04 31.12	12.16	77	28					105		
7	Laura Cioli	Director	16.04 31.12	12.16	77	32					109		
8	Francesca Cornelli	Director	16.04 31.12	12.16	77	32					109		
9	Jean Paul Fitoussi	Director	01.01 31.12	12.16	110	47					157		
10	Giorgina Gallo	Director	16.04 31.12	12.16	77	32					109		
11	Denise Kingsmill	Director	16.04 31.12	12.16	77	28					105		
12	Luca Marzotto	Director	16.04 31.12	12.16	77						77		
13	Giorgio Valerio	Director	16.04 31.12	12.16	77	32					109		
14	Massimo Egidi	Director	01.01 16.04	12.13	32	6					38		
15	Gabriele Galateri	Director	01.01 16.04	12.13	45	6					51		
16	Gaetano Miccichè	Director	01.01 16.04	12.13	32						32		
17	Aldo Minucci	Director	01.01 16.04	12.13	32	24					56		
18	Renato Pagliaro	Director	01.01 16.04	12.13	32	10					42		
19	Mauro Sentinelli	Director	01.01 16.04	12.13	32	23					55		
20	Luigi Zingales	Director	01.01 16.04	12.13	32	13					45		
Board of Statutory Auditors													
21	Enrico Maria Bignami	Chairman	01.01 31.12	12.14	169						169	20	
22	Roberto Capone	Standing Auditor	01.01 31.12	12.14	122						122		
23	Gianluca Ponzellini	Standing Auditor	01.01 31.12	12.14	117						117		
24	Salvatore Spiniello	Standing Auditor	01.01 31.12	12.14	118						138		
25	Ferdinando Superti Furga	Standing Auditor	01.01 31.12	12.14	120						120		
Key Managers with Strategic Responsibilities *													
Remuneration in the company drawing up the financial statements					3,913		1,902		188		6,003	2,001	1,500
Remuneration from subsidiaries **					505		977				1,482	347	
Total					4,418		2,879		188		7,485	2,348	1,500
TOTAL					8,044	412	4,780		235	20	13,491	3,755	1,500



## Notes

(\*) The compensation refers to all the individuals who held the position of Key Managers with Strategic Responsibilities during the 2014 financial year, or any part thereof (12 managers);

(\*\*) Amounts relating to local employment contracts converted into euros at the average exchange rate in 2014, at 31/08/2014 (Pesos/€ 11.0574), at the average exchange rate in 2014, at 31/12/2014 (Reais/€ 3.12280) and at the average exchange rate in 2015, at 28/02/2015 (Reais/€3.13075).

### 1 Giuseppe Recchi – Chairman of the Board of Directors

col. 1 This amount includes the fixed compensation, pursuant to article 2389, subsection 3, of the Italian Civil Code, resolved by the Board of Directors;

col. 3 The amount, relative to the office as Director, refers to the bonus relating to the financial year for targets achieved in the year itself.

### 2 Marco Patuano – Chief Executive Officer

col. 1 The amount includes the remuneration for work as employee (€/000 1.277) and travel expenses (€/000 6);

col. 3 The amount, relating to the office as Director, includes the bonus pertaining to the financial year for objectives achieved in the year itself (€/000 1,253), the one-off bonus resolved by the Board of Directors in the gross amount of €/000 400, by way of recognition of the results achieved in FY 2013 and the role of Chief Executive Officer held as from October 2013, as well as miscellaneous/taxed reimbursements relating to the contract of employment (€/000 8).

### 3 Tarak Ben Ammar – Director

col. 1 This amount refers to the compensation received as member of the Board of Directors

### 4 Davide Benello – Director

col. 1 This amount refers to the compensation received as member of the Board of Directors

col. 2 This amount refers to the compensation received as member of the Nomination and Remuneration Committee (€/000 28) and as Chairman of the Nomination and Remuneration Committee (€/000 13)

### 5 Lucia Calvosa – Director

col. 1 This amount refers to the compensation received as member of the Board of Directors (€/000 110) and as link between the Board of Directors and the corporate control departments which report directly to the Board (€/000 23)

col. 2 This amount refers to the compensation received as member of the Control and Risk Committee (€/000 45) and Chairman of the Nomination and Remuneration Committee (€/000 13)

### 6 Flavio Cattaneo – Director

col. 1 This amount refers to the compensation received as member of the Board of Directors

col. 2 This amount refers to the compensation received as member of the Nomination and Remuneration Committee

### 7 Laura Cioli – Director

col. 1 This amount refers to the compensation received as member of the Board of Directors

col. 2 This amount refers to the compensation received as member of the Control and Risk Committee

### 8 Francesca Cornelli – Director

col. 1 This amount refers to the compensation received as member of the Board of Directors

col. 2 This amount refers to the compensation received as member of the Control and Risk Committee

### 9 Jean Paul Fitoussi – Director

col. 1 This amount refers to the compensation received as member of the Board of Directors.

col. 2 This amount refers to the compensation received as member of the Control and Risk Committee (€/000 13) and member of the Nomination and Remuneration Committee (€/000 34)

### 10 Giorgia Gallo – Director

col. 1 This amount refers to the compensation received as member of the Board of Directors

col. 2 This amount refers to the compensation received as member of the Control and Risk Committee

### 11 Denise Kingsmill – Director

col. 1 This amount refers to the compensation received as member of the Board of Directors

col. 2 This amount refers to the compensation received as member of the Nomination and Remuneration Committee

### 12 Luca Marzotto – Director

col. 1 This amount refers to the compensation received as member of the Board of Directors

### 13 Giorgio Valerio – Director

col. 1 This amount refers to the compensation received as member of the Board of Directors

col. 2 This amount refers to the compensation received as member of the Control and Risk Committee

- 14 **Massimo Egidi – Director**  
 col. 1 This amount refers to the compensation received as member of the Board of Directors  
 col. 2 This amount refers to the compensation received as member of the Nomination and Remuneration Committee
- 15 **Gabriele Galateri – Director**  
 col. 1 This amount refers to the compensation received as member of the Board of Directors (€/000 32) and as link between the Board of Directors and the corporate control departments which report directly to the Board (€/000 13)  
 col. 2 This amount refers to the compensation received as member of the Nomination and Remuneration Committee (€/000 6)
- 16 **Gaetano Micciché – Director**  
 col. 1 This amount refers to the compensation received as member of the Board of Directors
- 17 **Aldo Minucci – Director**  
 col. 1 This amount refers to the compensation received as member of the Board of Directors  
 col. 2 This amount refers to the compensation received as member of the Executive Committee (€/000 10) and Vice Chairman of Telecom Italia S.p.A. (€/000 14)
- 18 **Renato Pagliaro – Director**  
 col. 1 This amount refers to the compensation received as member of the Board of Directors  
 col. 2 This amount refers to the compensation received as member of the Executive Committee (€/000 10)
- 19 **Mauro Sentinelli – Director**  
 col. 1 This amount refers to the compensation received as member of the Board of Directors  
 col. 2 This amount refers to the compensation received as member of the Executive Committee (€/000 10) and as member of the Control and Risk Committee (€/000 13)
- 20 **Luigi Zingales – Director**  
 col. 1 This amount refers to the compensation received as member of the Board of Directors  
 col. 2 This amount refers to the compensation received as member of the Control and Risk Committee (€/000 13)
- 21 **Enrico Maria Bignami – Chairman of the Board of Statutory Auditors**  
 col. 1 This amount refers to the compensation received as Chairman of the Board of Statutory Auditors (€/000 135), supplemented with the attendance allowance (€/000 34), as per the resolution passed by the shareholders' meeting on 16 April 2014
- 22 **Roberto Capone – Standing Auditor**  
 col. 1 This amount refers to the compensation received as Standing Auditor (€/000 95), supplemented with the attendance allowance (€/000 27), as per the resolution passed by the shareholders' meeting on 16 April 2014
- 23 **Gianluca Ponzellini – Standing Auditor**  
 col. 1 This amount refers to the compensation received as Standing Auditor (€/000 95), supplemented with the attendance allowance (€/000 22), as per the resolution passed by the shareholders' meeting on 16 April 2014
- 24 **Salvatore Spiniello – Standing Auditor**  
 col. 1 This amount refers to the compensation received as Standing Auditor (€/000 95), supplemented with the attendance allowance (€/000 23), as per the resolution passed by the Shareholders' meeting on 16 April 2014  
 col. 5 This amount refers to the remuneration received as Standing Auditor of the subsidiary Telecom Italia Media.
- 25 **Ferdinando Superti Furga – Standing Auditor**  
 col. 1 This amount refers to the compensation received as Standing Auditor (€/000 95), supplemented with the attendance allowance (€/000 25), as per the resolution passed by the Shareholders' meeting on 16 April 2014

**TABLE 2: STOCK OPTIONS ASSIGNED TO MEMBERS OF THE MANAGEMENT AND CONTROL BODIES AND TO OTHER KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES.**

		In the company drawing up the financial statements		In subsidiaries and associates		TOTAL	
Name and surname	A	Marco Patuano	Key Managers with Strategic Responsibilities	Key Managers with Strategic Responsibilities			
Position	B	CEO					
Plan and respective resolution	1	Stock Option Plan 2014 16 April 2014	Stock Option Plan 2014 16 April 2014 <sup>(7)</sup>	Stock Option Plan 2013	Stock Option Plan 2014		
Options held at the beginning of the financial year	2	Number of options		616,091		616,091	
	3	Strike price		R\$ 8.1349 <sup>(1)</sup>			
	4	Possible exercise period (from/to)		2014-2019			
Options allocated during the financial year	5	Number of options	20,106,382	28,592,347	338,601	49,037,330	
	6	Strike price	€ 0.94	€ 0.94	R\$ 13.4184 <sup>(1),(6)</sup>		
	7	Possible exercise period (from/to)	2017-2020	2017-2020	2015-2020		
	8	Fair value on allocation date	€ 4,222,340	€ 6,004,393	€ 480,339 <sup>(2),(3)</sup>	€ 10,707,072	
	9	Allocation date	26/06/2014	26/06/2014	29/09/2014		
	10	Market price of underlying options on allocation of options	€ 0.93	€ 0.93	R\$ 13.4184 <sup>(6)</sup>		
Options exercised during the financial year	11	Number of options		203,310		203,310	
	12	Strike price		R\$ 7.3214 <sup>(4)</sup>			
	13	Market price of underlying options on exercise date		R\$ 12.0000 <sup>(5)</sup>			
Options expired during the financial year	14	Number of options					
Options held at the end of the financial year	15	(15)=(2)+(5)-(11)-(14)	20,106,382	28,592,347	412,781	338,601	49,450,111
Options for the year	16	Fair value	€ 1,407,447	€ 2,001,464	€ 279 <sup>(2)</sup>	€ 68 <sup>(2)</sup>	€ 3,409,258

(1) The strike price can be corrected with regard to the result of relative performance;

(2) Amounts relating to local Stock Option Plans have been converted into euros/000 at the average exchange rate in 2014, at 31/12/2014 (Reais/€3.12280);

(3) Fair Value at allocation date for each option equal to 4.43 Reais;

(4) The strike price, considering a discount rate of 10%, as a result of relative performance;

(5) The market price was determined on the basis of the period from 12/08 to 10/09, 30 days prior to the date of share transfer to the participant;

(6) The market price (same value as the strike price) is calculated on the basis of the share price weighted by volume of trade in the 30 days prior to the assignment date (01/09 to 26/09).

(7) On 2 March 2015 a further 2,227,722 options were allocated at the strike price of € 1.01 exercisable from 2017 to 2020.

**TABLE 3A: INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS, OTHER THAN STOCK OPTIONS, FOR MEMBERS OF THE MANAGEMENT AND CONTROL BODY AND KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES.**

Name and surname	A		Key Managers with Strategic Responsibilities	In the company drawing up the financial statements	In subsidiaries and associates	TOTAL
Position	B					
Plan and respective resolution	1		Long Term Incentive 2012-2014 (1) 02 July 2012			
Financial instruments assigned in previous financial years not vested during the financial year	2	Number and type of financial instruments	(1)	(1)		(1)
	3	Vesting Period	1/1/2012 1/4/2017	1/1/2012 1/4/2017		1/1/2012 1/4/2017
	4	Number and type of financial instruments				
	5	Fair value on allocation date				
	6	Vesting Period				
	7	Allocation date				
	8	Market price on allocation				
Financial instruments assigned during the financial year						
Financial instruments vested during the financial year and not allocated	9	Number and type of financial instruments				
Financial instruments vested during the financial year and allocated	10	Number and type of financial instruments				
	11	Value on allocation date				
Financial instruments for the year	12	Fair value				

(1) The rights to participate in the 2012 Long Term Incentive Plan expired following failure to achieve the objectives.

**TABLE 3B: MONETARY INCENTIVE PLANS FOR MEMBERS OF THE MANAGEMENT AND CONTROL BODIES**

(in thousands of euros)

A	B	1	2			3			4
Name and surname	Position	Plan	Bonus for the year			Bonus for previous years			Other Bonuses
			(a)	(b)	(c)	(a)	(b)	(c)	
			Payable/ Paid	Deferred	Deferral period	No longer payable	Payable/ Paid	Still Deferred	
Giuseppe Recchi	Chairman	MBO 2014 BoD Resolution 26/06/2014	240						
Marco Patuano	Managing Director	MBO 2014 BoD Resolution 16/1/2014	1,253						
Marco Patuano	Managing Director	Resolution of 06/03/2014							400
Marco Patuano	Managing Director								8
Compensation in the company drawing up the financial statements			1,493						408
Compensation in subsidiaries and associates									
<b>TOTAL</b>			<b>1,493</b>						<b>408</b>

**TABLE 3B: MONETARY INCENTIVE PLANS FOR KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES**

(in thousands of euros)

A	B	1	2			3			4
Name and surname	Position	Plan	Bonus for the year			Bonus for previous years			Other Bonuses
			(a)	(b)	(c)	(a)	(b)	(c)	
			Payable/ Paid	Deferred	Deferral period	No longer payable	Payable/ Paid	Still Deferred	
<b>Key Managers with Strategic Responsibilities</b>									
Remuneration in the company drawing up the financial statements		MBO 2014 Letters of 28/02/2014	1,732						
		LTI 2012 Letters of 02/07/2012				339 (1)			
									170
Compensation in subsidiaries and associates		MBO 2014	468 (2)						
		LTI 2013/2014	509 (3)						
<b>TOTAL</b>			<b>2,709</b>			<b>339</b>			<b>170</b>

- (1) The rights to participate in the 2012 LTI Plan expired following termination of the employment contract (55 €/000) and failure to achieve the objectives (284 €/000);
- (2) The amount refers to local compensation of 726,115 pesos converted into euros at the average exchange rate for 2014, at 31/08/2014 (Pesos/€11.0574) and 1,258,802.50 reais converted into euros at the average exchange rate for 2015, at 28/02/2015 (Reais/€3.13075).
- (3) The amount of 5,627,080 pesos has been converted into euros at the average exchange rate for 2014 at 31/08/2014 (Pesos/€11.0574)

## CHART NO. 7-TER CHART CONTAINING INFORMATION ON THE SHAREHOLDINGS OF MEMBERS OF THE MANAGEMENT AND CONTROL BODIES AND KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES.

The tables below show the shareholdings held by all the individuals who during the financial year 2014, or a part thereof, held the position of member of the Board of Directors, of member of the Board of Statutory Auditors, or key manager with strategic responsibilities (for this last category the information is shown in aggregate form).

Name and surname	Position	Investee Company	Category of shares	Number of shares owned at the end of the 2013 financial year (or on the date of appointment)	Number of shares bought during the 2014 financial year	Number of shares sold during the 2014 financial year	Number of shares owned at the end of the 2014 financial year (or on the date of termination of office if earlier)
<b>Board of Directors</b>							
Giuseppe Recchi	Chairman						
Marco Patuano	CEO	Telecom Italia S.p.A.	Ordinary	70,000			70,000
		Telecom Italia S.p.A.	Savings	30,000			30,000
Tarak Ben Ammar	Director						
Davide Benello	Director						
Lucia Calvosa	Director						
Flavio Cattaneo	Director	Telecom Italia S.p.A.	Ordinary		550,000	550,000	
Laura Cioli	Director						
Francesca Cornelli	Director						
Jean Paul Fitoussi	Director						
Giorgina Gallo	Director						
Denise Kingsmill	Director						
Luca Marzotto	Director	Telecom Italia S.p.A.	Savings	200,798			200,798
Giorgio Valerio	Director						
Massimo Egidi	Director						
Gabriele Galateri	Director	Telecom Italia S.p.A.	Ordinary	352,000			352,000
		Telecom Italia S.p.A.	Savings	176,000			176,000
Gaetano Miccichè	Director						
Aldo Minucci	Chairman	Telecom Italia S.p.A.	Ordinary	2,595			2,595
Renato Pagliaro	Director	Telecom Italia S.p.A.	Savings	60,000			60,000
Mauro Sentinelli	Director						
Luigi Zingales	Director	Telecom Italia S.p.A.	Ordinary	58,000			58,000
<b>Board of Statutory Auditors</b>							
Enrico Maria Bignami	Chairman						
Roberto Capone	Standing Auditor						
Gianluca Ponzelli	Standing Auditor						
Salvatore Spiniello	Standing Auditor						
Ferdinando Superti Furpa	Standing Auditor						
<b>Key Managers with Strategic Responsibilities</b>							
12		Telecom Italia S.p.A.	Ordinary	21,241 (*)	3,312		24,553
		Tim Participacoes	ON (**)		203,310	192,000	11,310

(\*) Including 3,460 shares owned indirectly.

(\*\*) "Ordinary" shares listed on the NYSE and BOVESPA markets

# APPENDIX – TABLE OF COMPENSATION PLANS

## COMPENSATION PLANS BASED ON FINANCIAL INSTRUMENTS Tables no.1 of Chart 7 of Appendix 3A of the Regulations no.11971/1999

Date: 19/03/2015

PANEL 1								
Financial instruments other than Stock Options								
Section 2								
Newly-assigned tools on the basis of the decision of the BoD to put a proposal to the Shareholders' Meeting								
Name or category	Position	Date of resolution by the Shareholders' Meeting	Type of financial instruments	Number of financial instruments allocated	Allocation date	Purchase price, if applicable, of the instruments	Market price on date of allocation	Vesting Period
<b>TELECOM ITALIA DEFERRED MBO 2015</b>								
<b>Members of the Board of Directors of Telecom Italia S.p.A. and its subsidiaries*</b>								
N.A.	N.A. (*)	N.A. (**)	Non-transferable rights to the free allocation of ordinary shares Telecom Italia	N.A. (***)	N.A.	=	N.A.	2015/2017
<b>Executives of the Telecom Italia Group</b>								
N.A.	N.A. (*)	N.A. (**)	Non-transferable rights to the free allocation of ordinary shares Telecom Italia	N.A. (***)	N.A.	=	N.A.	2015/2017
(*) The Plan is aimed at Top Management (including the Chief Executive Officer of the Company) and at a selected part of the group management holding organizational positions which are crucial for the purposes of the Company's business. (**) The Plan will be submitted for the approval of the Ordinary Shareholders' Meeting, called for 20 May 2015. (***) The Plan will concern the maximum number of rights of 15,454,545, corresponding to two ordinary shares for each right, which can be increased to three ordinary shares for each right, subject to the achievement of the predefined objective.								

## COMPENSATION PLANS BASED ON FINANCIAL INSTRUMENTS Tables no.1 of Chart 7 of Appendix 3A of the Regulations no.11971/1999

Date: 19/03/2015

PANEL 2									
Stock Option									
Section 1									
Options relating to currently valid plans, approved on the basis of previous resolutions of the Shareholders' Meeting									
Name or category	Position	Date of resolution by the Shareholders' Meeting	Description of instrument	Options held	Options exercised	Date of Assignment	Strike price	Market price of underlying shares on date of allocation	Possible exercise period (from-to)
<b>TELECOM ITALIA 2014-2016 STOCK OPTION PLAN</b>									
Marco Patuano	CEO	16 April 2014	Assignment of options conditional on achieving three-year performance objectives	20,106,382	=	26 June 14	€0.94	€ 0.93	2017-2020
Key Managers with Strategic Responsibilities		16 April 2014	Assignment of options conditional on achieving three-year performance objectives	28,592,347	=	26 June 14	€0.94	€ 0.93	2017-2020
				2,227,722	=	02 March 15	€1.01	€1.08	2017-2020
Other Executives of the Telecom Italia Group		16 April 2014	Assignment of options conditional on achieving three-year performance objectives	111,299,425	=	26 June 14	€0.94	€ 0.93	2017-2020
				2,016,086	=	02 March 15	€1.01	€1.08	2017-2020

## COMPENSATION PLANS BASED ON FINANCIAL INSTRUMENTS

### Tables no.1 of Chart 7 of Appendix 3A of the Regulations no.11971/1999

Date: 31/12/2014

PANEL1								
Financial instruments other than stock options								
Section 1								
Instruments relating to currently valid plans, approved on the basis of previous resolutions of the Shareholders' Meeting								
Name or category	Position	Date of resolution by the Shareholders' Meeting	Type of financial instruments	Number of financial instruments allocated	Allocation date	Purchase price, if applicable, of the instruments	Market price on date of allocation	Vesting Period
<b>TELECOM ITALIA</b> <b>EMPLOYEE SHARE OWNERSHIP PLAN 2014</b>								
Key Managers with Strategic Responsibilities		17 April 2013	Subscription of Telecom Italia ordinary shares with deferred free allocation conditional on retaining the shares subscribed.	3,312 (*)	31 July 2014	€ 0.84	€ 0.87	=
Employees of the Telecom Italia Group		17 April 2013	Subscription of Telecom Italia ordinary shares with deferred free allocation conditional on retaining the shares subscribed.	53,908,614 (*)	31 July 2014	€ 0.84	€ 0.87	=

**NOTES**

(\*) Upon completion of the public subscription offer, 53,911,926 ordinary shares were issued at a price of 0.84 euros each, to which up to 17,970,642 ordinary shares may be added, for free assignment.

### Tables no.1 of Chart 7 of Appendix 3A of the Regulations no.11971/1999

Date: 31/12/2014

PANEL1								
Financial instruments other than stock options								
Section 1								
Instruments relating to currently valid plans, approved on the basis of previous resolutions of the Shareholders' Meeting								
Name or category	Position	Date of resolution by the Shareholders' Meeting	Type of financial instruments	Number of financial instruments allocated	Allocation date	Purchase price, if applicable, of the instruments	Market price on date of allocation	Vesting Period
<b>TELECOM ITALIA</b> <b>EMPLOYEE SHARE OWNERSHIP PLAN 2014</b>								
Executives of the Telecom Italia Group		29 April 2010	Subscription of Telecom Italia ordinary shares conditional on performance objectives, with deferred free allocation conditional on retaining the shares subscribed.	204,151	18 April 2013	€ 0.60 (*)	€ 0.5878	18 April 2015 (**)

**NOTES**

(\*) The subscription price was determined by the Board of Directors on 7 March 2013, on the basis of the arithmetic mean of the official prices of the shares registered on the electronic share market organised and operated by Borsa Italiana S.p.A. in the 30 days preceding the day of the meeting.

(\*\*) Subsequently to the subscription of the shares, there follows a two year period at the end of which the free allocation of new shares will take place (in 2015) in the ratio of 1 new share for each share subscribed. For the description see the Information Document published on 13 April 2010. At the date of this document, 180,716 free shares are allocatable.



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Share capital 10,723,391,861.60 euros fully paid up  
Tax Code/VAT Registration Number and  
Milan Business Register Number 00488410010