

## Press Release

### **TELECOM ITALIA: TO FACILITATE TURNAROUND, INNOVATIVE TOOL INTRODUCED FOR THE REMUNERATION OF THE CEO AND KEY MANAGERS**

### **A PROPOSAL WILL BE MADE TO THE SHAREHOLDERS' MEETING TO REDUCE THE NUMBER OF DIRECTORS FROM 17 TO 16**

Milan, 12 April 2016

The Board of Directors in its meeting today chaired by Giuseppe Recchi, resolved to supplement the agenda for the Shareholders' Meeting on 25 May next, introducing two additional topics.

First, it decided to invest the Shareholders' Meeting with the resolutions arising from the departure of a Director (former Chief Executive Officer, Marco Patuano). In this regard the Board of Directors, deeming its current composition to be adequate, did not proceed with a co-optation and suggested the number of directors be recalculated from 17 to 16.

The shareholders' meeting will also be asked to approve (only for the part proposed to be disbursed as shares) the payment of an extraordinary remuneration measure (Special Award), over a four year period, functional to the achievement of the overall company turnaround objective (linked to overperformance with respect to the 2016-2018 Business Plan). If there is no overperformance, there will be nothing to pay in this respect.

The Special Award is intended for the Chief Executive Officer and other managers of the Group who will be identified by the CEO in due time. The measure envisages provision being made, separately during each of the years 2016, 2017, 2018 and 2019, of an annual bonus amounting to 5.5% of the improvement obtained with respect to the consolidated targets for EBITDA, Opex reduction and NFP each relative to said years (with weights of 50%, 25% and 25%, respectively) as defined in the 2016-2018 Business Plan, using for 2019 the same values as the plan for the 2018 financial year. 4% of this positive difference will be reserved for the Chief Executive Officer, while the remaining 1.5% will be allocated to the other participants.

After approval of the 2019 financial statements (year 2020), the beneficiaries will receive the award, 80% of which, if approved by the shareholders' meeting, will be disbursed in the form of the free allocation of shares, not subject to restrictions, except for claw-back (contract mechanism for recovering the awards, where their disbursement occurs following wilful misconduct or gross negligence on the part of those concerned, or in the case of an error in the formulation of the data, resulting in the restatement of the Financial Statements).

The Special Award represents an essential component of the compensation package of the Chief Executive Officer, and it also provides him with a major management lever to incentivise the management team to achieve the targets of a fresh start and turnaround which the Board of Directors intends to pursue.

The share component of the Special Award (on which there is a specific information document, being published on the company website [www.telecomitalia.com](http://www.telecomitalia.com)) is subject to the approval of the shareholders' meeting, with reservations to define the appropriate procedures to acquire the shares to service the award during the incentive period.

#### **Telecom Italia S.p.A.**

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The Chief Executive Officer has also been employed as a senior executive of the Company, with the duties of General Manager.

A full description of the compensation package formally agreed with the Chief Executive Officer, under the company's new remuneration policy, will be available for consultation in the remuneration report, which will be published within the legal time period.

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