

SHAREHOLDERS' MEETING ON 04 MAY 2017

Reports and proposed resolutions of the Board of Directors



Telecom Italia S.p.A.
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Share capital 11,677,002,855.10 euros fully paid up
Tax Code/VAT Registration Number and
Milan Business Register Number 00488410010

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Financial Statements as at 31 December 2016 – approval of the financial statements documentation – distribution of a privileged dividend to savings shares – related and consequent resolutions

Dear Shareholders,

the year 2016 marks the return of the Company's financial statements to profit, following a progressive recovery over the course of the year, in line with a general trend of improvement in the various economic and operational indicators. The draft financial statements presented for the approval of the Shareholders' Meeting show a net profit of 1,896,619,218.89 euros, for an analysis of which please refer to the report on operations.

As per the dividend policy already announced, the proposal is to limit the remuneration of the share capital to the payment solely of the privileged dividend to savings shares, as per Bylaws (5% of 0.55 euro per share), allocating 165,764,271.73 euros to distribution. The remaining profit, net of the allocation to the legal reserve (which has reverted to being less than a fifth of the total capital, due to the maturity on 15 November 2016 of the convertible mandatory bond and its conversion to ordinary TIM shares named "€1,300,000,000 6.125 per cent. Guaranteed Subordinated Mandatory Convertible Bonds due 2016", issued by Telecom Italia Finance S.A.), will be carried forward.

The dividend will be paid to the entitled parties based on the evidence in the share deposit accounts at the end of the record date of 20 June 2017, starting from the coming 21 June 2017, while the coupon date will be 19 June 2017.

In view of the above, the Board of Directors submits for your approval the following

Proposed Resolution

The Shareholders' Meeting of TIM S.p.A.,

- having examined the annual financial report of TIM S.p.A.;
- having taken account of the current amount of the legal reserve;
- having taken note of the reports by the Board of Statutory Auditors and the independent auditor PricewaterhouseCoopers S.p.A.,

resolved

- to approve the financial statements of TIM S.p.A. for the year 2016;
- to allocate to the legal reserve 5% of the profit for the year;
- to pay savings Shareholders the privileged dividend in the amount of 0.0275 euros per savings share, gross of the withholdings required by law, which will be applied to the number of savings shares that they own at the record date;
- to make the dividend payable starting on 21 June 2017, with a coupon date of 19 June 2017 (record date 20 June 2017);
- to carry forward the residual profits.

Report on remuneration – resolution on the first section

Dear Shareholders,

pursuant to article 123-ter of Legislative Decree no. 58 of 24 February 1998, a remuneration report has been prepared for the Shareholders' Meeting to be held on 4 May 2017, divided into two sections:

- the first sets out the Company's policy regarding the remuneration of directors and key managers with strategic responsibilities, with reference at least to the 2017 financial year;
- the second provides a report on the items that make up the remuneration of the subjects mentioned above, with a detailed presentation of the compensation paid to them in the 2016 financial year.

You are called on to express your opinion of the first section of the report, with a resolution that is not legally binding.

In view of the above, the Board of Directors submits for your approval the following

Proposed Resolution

The Shareholders' Meeting of TIM S.p.A.,

- given the applicable legal provisions regarding the report on remuneration;
- having acknowledged the non-binding nature of the resolution required,

resolved

to approve the first section of the remuneration report.

Appointment of the Board of Directors – related and consequent resolutions

Dear Shareholders,

The mandate of the Board of Directors appointed by the Shareholders' Meeting of 16 April 2014, subsequently supplemented by the Shareholders' Meeting of 15 December 2015, expires with the approval of the financial statements for the year ending 31 December 2016.

As is standard practice, the outgoing Board of Directors leaves it entirely to the shareholders to propose candidates (refraining from putting forward a slate of its own) as well as the related additional proposals, concerning the composition (established most recently by the Shareholders' Meeting of 25 May 2016 to be 16 members, due to the non-replacement of a Director who resigned), term of office and compensation.

With reference to the profiles submitted to shareholders, a number of considerations are made below which we recommend you take into account in preparation for the Shareholders' Meeting.

The renewal of the Board of Directors submitted for approval by the Shareholders' Meeting is the first to be governed by the rules introduced in the Company Bylaws in 2015, which made significant innovations in this respect, as shown below.

The provision regarding the composition of the body remains unchanged at between 7 and 19 Directors. Over the past three years, the Board has increased from 13 to 17 members and then dropped back to 16 members, which – based on the evidence of the Board Review – has proved adequate for the efficient management of the board, ensuring the necessary diversity and a convenient mix within the Board. Based on the internal organisational structure the Board of Directors has established, which provides for the presence of three standing committees (Strategic Committee, Control and Risks Committee, Nomination and Remuneration Committee), the Board of Directors is favourable to a potential reduction in the number of Directors down to 13, while confirming the proper operation of the body with the existing composition of 16 members. Indeed, this numerical structure appears to serve operational needs, as it can allow the necessary structure in the full board, in terms of different professional skills and previous experience, and therefore added value which the collegiality of the board can contribute, and at the same time it is compatible with the need for despatch and efficiency in its proceedings.

The size of the remuneration (which we suggest should be fixed as a total amount, net of remuneration for special responsibilities, leaving it to the Board to establish the methods of distribution among its members, based on the distribution of work according to the internal organisation the Board of Directors wishes to establish) must be commensurate with the size of the body. It should be recalled that the amount authorised will in any event represent a maximum, which in the course of the last three years was never used in full, but whose availability ensured flexibility in terms of the possibility of reviewing and changing decisions and structures over time, facilitating adaptation to changed circumstances, which certainly represents an opportunity of far from negligible value to safeguard the efficiency and efficacy of the Board. It should also be recalled that, according to the Bylaws, the Directors of TIM are entitled to reimbursement of expenses incurred in the exercise of their functions; the Company adopts the policy of aligning these with the provision made for top management. For completeness, it should be noted that members of the Board benefit from civil liability (professional risks) insurance, drawn up as a "claim first made" policy, which is renewed annually and covers all managers and members of the management bodies of the companies of the Group (Parent Company and subsidiaries).

The complexity of the Company suggests that, in principle, the length of the mandate should be confirmed as a three year term, which is the maximum allowed by the law, in other words until the approval of the financial statements as at 31 December 2019.

Coming finally to the candidatures to be put forward for the office of Director, it is worth providing a brief summary of the rules laid down by the law and the Company Bylaws (which may be found at www.telecomitalia.com) governing the presentation of slates, as well as the appointment mechanisms at the meeting itself.

Slates may be presented by (besides the outgoing Board) shareholders holding at least 0.5% of the capital with voting rights:

each shareholder may present or contribute to the presentation of only one slate. Slates (accompanied by acceptances of candidature by the individual candidates, personal declarations attesting possession of the prescribed requirements and any other declaration required by the applicable regulations, as well as a curriculum vitae) must be filed not later than 25 days prior to the (first) call of the shareholders' meeting (therefore by Sunday 9 April 2017), while the time-limit for receipt by the Company of communications from intermediaries, proving the possession of shares the day the slate is filed, is 21 days before the Shareholders' Meeting (therefore Thursday 13 April 2017).

Composition requirements for slates are (i) the presence of independent candidates as per the relevant requirements as set forth by law and/or the Corporate Governance Code, so that at least half of the members drawn from each slate possess the relevant requirements and, in the event that the number of candidates is three or above, (ii) the presence of candidates of both genders, so that the candidates of the less represented gender make up at least a third of the total (with rounding up to the next higher number in the case of a fractional number). Furthermore, according to the provisions of TIM's Corporate Governance Principles, (which may be found at www.telecomitalia.com), 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 under the management or coordination of TIM or controlled by or affiliated to TIM) which are listed companies included in the FTSE/MIB index and/or operate principally in the financial sector dealing with the public, and/or companies that perform banking or insurance activities; where executive offices are concerned in companies with the characteristics listed above, the limit is reduced to three. 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. There are, however, no age limits for candidates nor limits to the number of mandates, nor are there any professional requirements.

2/3 of the seats (with rounding down to the next whole number) are assigned to the slate which obtains the most votes (the "majority slate"), according to the order in which the candidates are listed, and the remainder to the "minority slates", according to the "quotients method": (i) a single ranking of all the candidates on the various slates, based on the assigned quotients, obtained by dividing the number of slate votes by the corresponding position number of the candidate in the particular slate, and (ii) the appointment, in order, of the candidates with the highest quotients. Moreover:

- at least half of those elected from each slate (with rounding up to the nearest whole number) must possess the requirements for independence, with a repêchage mechanism within the same slate and, as an alternative, an absolute majority vote in the Shareholders' Meeting;
- at least a third of the Board as a whole (with rounding up to the nearest whole number) must be made up of directors of the less represented gender, with a substitution and repêchage mechanism within the majority slate, and recourse to independent candidates if the candidate to be replaced is classified as independent. In the absence of candidates of the said gender (possessing, if necessary, the requirements for independence) on the majority slate, the last elected candidates of the more represented gender must be replaced, by a separate absolute majority vote of the Shareholders' Meeting;
- at least one Director must be appointed from the minority slate which obtained the largest number of votes and is not connected with the shareholders who presented or voted for the slate which came first by number of votes. Consob recommends that everyone presenting a minority slate should submit a declaration of absence of connection with the controlling or relative majority shareholder (currently: Vivendi S.A.).

In the light of the rules summarised above, the outgoing Board of Directors considers that this resolves the matter not only of gender balance (as per law), but also of the independence of the Board as a whole, and in general the pluralism of the constituencies invited to put forward their candidatures and, by their votes, to appoint the Company's Directors; and thus that the interests of all the shareholders are considered.

As for the quality of the candidates and the professional, cultural and experience mix considered to be best for proper and effective operation, in light of the Board Review carried out, the Board believes it would be useful to strengthen business experience (e.g. in the digital sector and in products, markets and the retail sector) and managerial experience (ideally in a senior position), while it believes the current composition, in terms of legal expertise, organisational, control and risk

management matters, to be adequate. In view of the complexity of the sector and TIM's peculiar corporate situation, it recommends making the most of the knowledge gained in the field by the board members presently in charge.

In terms of background, it believes that preference should be given to managerial history, ideally combined with prior experience on boards of listed companies. An international perspective is useful, but above all it is important there is an equilibrium between the various members that will ensure an internal dialogue, without being detrimental to the Board's efficiency of operation: specialist individual skills must not work to the detriment of the functionality of the decision-making process of the Board as a whole, and can anyway be contributed by internal structures or, if need be, by external consultants, while it is essential to have an open attitude to discussion and a willingness (and time) to work within a body whose *modus operandi* is based on the principle of collegiality. Finally, it should be remembered that in light of the company's activity, it is advisable for the members of the administrative body to individually possess the requisites to sign contracts with government bodies and to undertake activities under an authorisation regime.

As in the past, the Board's recommendation, for an orderly, functional and informed selection process for new Directors, is completeness and transparency in the presentation of the personal characteristics of the candidates and in the representation of their relations, in the broad sense, with the Company (and its subsidiaries), the relative majority shareholder, those who present the slate, and the external auditor. It is desirable that the curricula should give a substantial picture of the candidates' characteristics, above all with reference to the suggested requirements, and in any event highlighting the important aspects for enabling the potential contribution that the candidates might make to the activities of the Board of Directors to be assessed. Regarding the candidates qualifying as independent, it is advisable that the considerations underlying their qualification should be set out, to allow the shareholders and the market to form an autonomous opinion of this specific aspect. It is also advisable to consider and report in detail any activities undertaken by the candidates through companies over which they exercise control or in which they hold a significant stake or in which they qualify as strategic key managers, or through professional associations of which they are members, with TIM (and its subsidiaries), and the majority shareholder, the remaining major shareholders, those who submit the slate, the corresponding management, both executive and with strategic responsibilities, and the network of the external auditor

In view of all this, the outgoing Board of Directors of TIM S.p.A., in preparation for the Shareholders' Meeting for appointing the new governing body, recommends that shareholders should:

- timely exercise their rights to submit slates of candidates for the office of Directors of the Company granted to them by the law and the Company Bylaws;
- consider the suggestions and assessments made above regarding the composition of the slates of candidates;
- present, together with the slates, reasoned proposals regarding the number, period of office and compensation of the proposed Directors, again considering the recommendations made above.