



SHAREHOLDERS' MEETING OF 24 APRIL 2018

*LONG TERM INCENTIVE PLAN 2018  
INFORMATION DOCUMENT*



TIM S.p.A.  
A company directed and coordinated by Vivendi S.A.  
Registered Office in Milan at Via Gaetano Negri 1  
General Administration and Secondary Office in Rome at Corso d'Italia 41  
PEC (Certified electronic mail) box: [telecomitalia@pec.telecomitalia.it](mailto:telecomitalia@pec.telecomitalia.it)  
Share capital 11,677,002,855.10 euros fully paid-up  
Tax Code/VAT Registration Number and  
Milan Business Register Number 00488410010

# LONG TERM INCENTIVE PLAN 2018 INFORMATION DOCUMENT

*In accordance with Art. 84 bis of the Issuers' Regulations adopted by Resolution no. 11971 of 14 May 1999  
(The document was approved by the Board of Directors on 6 March 2018 and is available on the Company's website  
[www.telecomitalia.com](http://www.telecomitalia.com))*

# INTRODUCTION

On 6 March 2018, the Board of Directors of Telecom Italia S.p.A. ("TIM", the "Company" or the "Issuer"), based on the investigations made by the Nomination and Remuneration Committee, approved the proposal for the 2018 Long Term Incentive Plan (the "Plan") to be submitted to the Shareholders' Meeting called for 24 April 2018. This is a substantially new measure for TIM, which currently does not have a variable long-term remuneration tool (also since the measure called the Special Award, approved by the Shareholders' Meeting on 25 May 2016 is now substantially outdated).

This information document has been drawn up pursuant to the Issuers' Regulations (Consob resolution 11971/1999 and subsequent amendments) to illustrate the terms and conditions of the Plan, in its two tranches, the first for the Chief Executive Officer of the Company (the "First Tranche"), and the second for part of the Group's management (the "Second Tranche").

Information not available at the time the proposal is to be approved by the Shareholders' Meeting will in due course be disseminated in the ways prescribed by the applicable regulations.

## DEFINITIONS

- Chief Executive Officer - Amos Genish, the Chief Executive Officer of the Company in post at the time the proposal is to be approved by the Shareholders' Meeting (assuming he is confirmed).
- Shares - The ordinary shares of the Company, without par value, listed on the MTA electronic share market organised and managed by Borsa Italiana S.p.A.
- Base Salary - The gross annual fixed remuneration paid to the Beneficiary in his capacity as employee, as well as the fixed compensation received for the office as Director by the Chief Executive Officer.
- Beneficiaries - The Chief Executive Officer and the senior executives working for the Company or the Subsidiaries, who will be offered Performance Shares.
- Subsidiary Companies - Each of the companies that are at any given time directly or indirectly controlled by the Company, pursuant to Article 2359 of the Italian Civil Code.
- Group - TIM and the Subsidiary Companies.
- Lock-up - The period of two calendar years in which the Shares obtained as accrued Performance Shares remain unavailable, non-transferable and blocked in the share deposit accounts created for this purpose by the Issuer, to which the Shares will be credited upon Maturity. The premature death of the Beneficiary excludes out and/or releases the Shares transferred by the Company from the Lock-up.
- Maturity (of the Performance Shares) - The moment the board approves the consolidated financial statements of the Group at 31 December 2020, with the concurrent ascertainment of the degree to which the Performance Parameters have been reached.
- The Performance Parameters are: (i) the performance of the Shares on the stock market in the Vesting Period (except for cases of early termination with the right maintained, i.e. of subsequent allocation), compared to a basket of securities issued by a panel of peers (weight: 70%); and (ii) the free cash flow adjusted accumulating over the Vesting Period (with the exceptions mentioned) as per the 2018-2020 strategic plan (weight: 30%).
- Performance Shares - The Shares that are pledged to be allocated free of charge to the Beneficiaries upon Maturity in a number commensurate with the Base Salary of the individual Beneficiary, and varying from a minimum to a maximum depending on the degree to which the Performance Parameters have been achieved, and in any event not exceeding the total of 85,000,000 Shares.

- Vesting Period - the period of time between the moment the Plan is assigned and the Maturity of the Performance Shares, corresponding to the 2018, 2019 and 2020 financial years.
- Regulations - The regulations of the Plan, as defined (and if necessary updated) by the Board of Directors.
- Adhesion Document - The specific document to be delivered by the Company to the Beneficiaries, with annexed Regulations constituting an integral part thereof, signature and return of which by the Beneficiaries to the Company shall constitute full and unconditional acceptance of adhesion to the Plan to all effects.
- Normal Value - the arithmetic mean of the official Share price recorded from the dealing day prior to the date of assignment until thirty calendar days prior (inclusive) on the electronic share market organised and managed by Borsa Italiana S.p.A., calculated using as a denominator only those days to which the prices used for the basis of the calculation apply, calculated to two decimal places.

## 1. BENEFICIARIES

The First Tranche of the Plan is reserved to the Chief Executive Officer of TIM, the Second Tranche is addressed to members of the management of the Group, as identified by the Board of Directors at its own discretion (at the proposal of the Executive Chairman and the Chief Executive Officer), after the approval of the Plan by the Shareholders' Meeting, from among those executives holding organisational positions that are strategic to the aims of the company's business deemed to be deserving of incentivisation and retention based on operational considerations.

### 1.1. Names of the Beneficiaries who are members of the Board of Directors of the Issuer or the Issuer's controlling companies or the Subsidiary Companies

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The Beneficiary of the First Tranche is the Chief Executive Officer of the Company, Amos Genish.

The Beneficiaries of the Second Tranche will be identified by the Board of Directors only after the Plan has been approved by the Shareholders' Meeting.

### 1.2. Categories of employees or collaborators of the Issuer or the Issuer's controlling companies or the Subsidiary Companies

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With reference to the Second Tranche (the First Tranche being reserved to the Chief Executive Officer), the Beneficiaries will be identified, in due course, from among the executives with permanent contracts of employment with the Company or its Subsidiaries based in Italy.

### 1.3. Indication of the names of Beneficiaries in the groups indicated in point 1.3, letters a), b) and c) of Annex 3A, Chart 7, of the Issuers' Regulations

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See the provisions of preceding paragraphs 1.1 and 1.2.

### 1.4. Description and indication of the number of Beneficiaries, separated into the categories indicated in point 1.4, letters a), b) c) and d) of Annex 3A, Chart 7, of the Issuers' Regulations

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See the provisions of preceding paragraphs 1.1 and 1.2.

## 2. REASONS FOR THE ADOPTION OF THE PLAN

### 2.1. Objectives to be achieved by application of the Plan

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The objective of the initiative is to provide an incentive for the Beneficiaries to achieve the strategic objectives of the Group, as resulting from the Strategic Plan disclosed to the market, aligning the interests of those members of the management who hold organisational positions deemed crucial for the purposes of the company's business and of the interests of TIM's shareholders, in terms of growing the value of its Shares in the medium to long term.

Thus, the aim is to introduce a significant equity-based component of remuneration, in line with the challenging nature of the objectives and growing, according to the relevance of the role played by each individual Beneficiary.

The importance assigned to the connection between the Plan and the strategic objectives contained in the Strategic Plan of the next 3 years, is highlighted by the fact that the Plan envisages only one assignment of shares in 2018 to cover the entire reference period 2018-2020 (single grant rather than annual rolling assignment). The vesting period has been defined as three years, precisely in order to align it with the 2018-2020 Strategic Plan. The importance assigned to the share value growth objective in the medium/long-term is reflected in the choice to give this performance parameter a weighting of 70%.

At the same time, the three-year vesting period and the additional lock-up period - described in the next paragraph - distribute the Plan benefits over an appropriate time frame that is consistent with the aim of aligning the remuneration of the management team with the shareholders' interests.

The main characteristics of the measure proposed are consistent with typical market practices of share plans (performance period of 3 years, balance of market/non-market performance indicators, presence of a lock-up period).

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

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The bonus levels are defined in terms of the number of Performance Shares assigned, according to the following principles of TIM's remuneration policy into which the Plan falls:

- management pay structure balanced between a fixed component (reflecting the powers and/or responsibilities assigned) and a short and long-term variable component (commensurate with the performance of the individual and the company);
- consistency of their total remuneration with respect to market benchmarks, as applicable to similar positions or roles involving comparable responsibility and complexity;
- variable remuneration of management roles with greater influence on business results characterised by a significant (and growing) incidence of the long-term incentive component.

Under the scope of the Company's comprehensive remuneration policy, the Plan focus is clearly on corporate performance, but the quality of the resource is also important, given that according to merit, the premium target measurement may vary with respect to the base salary for the first bracket of Beneficiaries of the Second Tranche: see next paragraph.

At present, the Company compares notes with the external market, from time to time referring to panels of companies in the international telecommunications segment and Italian businesses considered significant and comparable in terms of dimension and/or market capitalization. In the case in point, the public data was considered of the following European companies: Orange, Deutsche Telekom, BT, Vodafone, Telenora, KPN, Proximus, TDC, Telefonica, Ericsson, Elisa and Nokia, with full alignment with the average pay-curve for the Second Tranche, and positioning in the upper part of the market (also for managerial reasons, in light of the previous internal Special Award assigned at the time to Mr Genish's predecessor), for the First Tranche. A fixed/Variable short-term/variable long-term pay-mix ensues in the amount of 39%/22%/39% (target, on average), for all key managers and 18%/18%/64% (target) for the Chief Executive Officer.

By way of further market reference, the following Italian companies were considered: Poste Italiane, Terna, Snam, Leonardo, Eni, Enel, Atlantia, Luxottica, Assicurazioni Generali and Prysmian.

The choice of performance indicators considers the specific situation of the company share, as well as the internal strategic priorities, identifying parameters that express the objectives in terms of growth, consolidation and leadership pursued by the 2018-2020 Business Plan. At the same time, a tool was sought for adoption (i.e. that of the Performance Shares), which was considered more appropriate than others (and in particular stock options), so as to effectively also offer incentive to a broader managerial group, in any case on the assumption that the Plan, although structured into two tranches, is one and the same and envisages the same conditions for all Beneficiaries, thereby assuring a unitary, compact team that is called to lead the Company in its pursuit and achievement of the objectives of the Company itself and its shareholders.

More specifically, the Plan - as better described in paragraph 4.5 - is based on two performance indicators:

- Relative share performance with respect to the median market performance of a peer basket
- *Equity Free Cash Flow*

Relative share performance intends to reflect investors' expectations as concerns the increase of value expected in the Group, acceleration of cash generation is a key element of the three-year Strategic Plan.

The Plan mainly aims to remunerate collective management performance, encouraging teamwork and collaboration between the various business departments.

### 2.3. Factors involved in determining the amount of remuneration based on financial instruments, or criteria for its determination

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The number of Performance Shares discretionally awarded to each Beneficiary on target at the moment the Plan is assigned (and resulting from the individual Assignment Scorecard) corresponds to a percentage of the person's Base Salary expressed in Shares at their price on that date, multiplied by the number of business years from then to Maturity, and specifically:

- three, at the date of the first assignment;
- two, if awards are made after that, up to the end of the month of January of the second year of Vesting (2019);
- one, in case of assignment from the month of February of the second year of Vesting (2019) up to the end of the month of January of the third year of Vesting (2020).

The Plan may no longer be applied, wholly or in part, from the month of February 2020.

The percentage of Base Salary used to determine the number of Performance Shares at target varies according to the strategic importance of the position held in the Company or the Subsidiaries. Analogously, the range of minimum-maximum variability changes, and thus, in brief:

- in the First Tranche (reserved to the Chief Executive Officer), the bonus at target corresponds to 350% of the Base Salary, with a minimum of 100% and a maximum of 500% of the Base Salary;

- for Beneficiaries of the Second Tranche, there will be two incentive phases: during the first (managers reporting directly to the Company’s Chief Executive Officer and Chairman), the target varies at the discretion of the Board of Directors, on the proposal of the Executive Chairman and Chief Executive Officer, from 50 to 100% of the Base Salary, with a minimum and maximum respectively of 50% and 150% of the target; in the second (other managers), the incentive corresponds to the minimum values, target and maximum of 12.5%-25%-37.5% of the Base Salary.

The maximum number of Shares allocated to each tranche remains in any case fixed, as per point 3.4 below.

For the First Tranche, the assignment value has been defined with reference to the upper bracket of the market, considering the challenges set in order to achieve the three-year Strategic Plan objectives and the importance of maintaining CEO motivation throughout the Plan period. More specifically, the market highlights the data given in the table:

	LTI target value as a percentage of base salary	LTI maximum value as a percentage of base salary
Maximum	381%	700%
Median	91%	270%
Minimum	15%	40%

For the Second Tranche, the value of assignments to Beneficiaries has been defined with reference to the market median, in line with the previous TIM remuneration policy.

In determining these characteristics, consideration of premiums disbursed in connection with previous Plans was only of limited importance, in terms of simplifying the initiative architecture to ensure that it is more easily understood internally and by the market, and confirming an important premium component for the head of company, as specified previously.

## 2.4. Reasons for adopting remuneration plans based on financial instruments not issued by the Issuer.

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Not applicable.

## 2.5. Evaluation of significant tax and accounting implications that have influenced the design of the Plan

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There have been no significant tax and accounting implications that have influenced the design of the Plan.

## 2.6. Any support for the Plan from the special Fund for encouraging employee ownership of firms, pursuant to Article 4, subsection 112 of Law no. 350 of 24 December 2003

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The Plan does not receive support of the special Fund to provide incentives for the employees' shareholdings in the enterprises.

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

## 3.1. Scope of the powers and functions delegated by the Shareholders' Meeting to the Board of Directors for the implementation of the Plan

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The powers delegated to the Board of Directors include:



- powers to approve (and eventually update) the Regulations;
- powers to discretionally identify the Beneficiaries of the Second Tranche, at the proposal of the Executive Chairman and the Chief Executive Officer;
- powers to set the number of Performance Shares to be assigned to each of the Beneficiaries of the Second Tranche, within the incentive range, as better specified in paragraph 2.3.

### 3.2. Persons charged with administering the Plan and their functions and duties

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The administration of the Plan is the responsibility of the Board of Directors, which shall avail itself of the corporate functions for those aspects within their competence, and may also delegate to the Chief Executive Officer all or some of its powers with regard to the Second Tranche.

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

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If extraordinary situations involving the Company should arise, or if there are changes in the regulatory framework that impact on the Plan, the Board of Directors shall be entitled, based on a unanimous opinion of the Nomination and Remuneration Committee and without the need for further involvement of the Shareholders' Meeting, to make any amendments and additions to the Regulations needed to maintain unchanged the substantial and economic content of the Plan, within the limits permitted by the decisions taken by the Shareholders' Meeting on 24 April 2018 (including the maximum number of Shares to service the Plan) and by the law applicable from time to time.

### 3.4. Description of how the availability and allocation of the Shares on which the Plan is based will be determined.

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The Plan prescribes the allocation of Performance Shares to Beneficiaries in a number tied to the parameters of the Base Salary, assigning different percentages depending on the organizational level and band the beneficiaries belong to, accruing Shares on the basis of the level of achievement of the Performance Parameters. One Share shall be attributed for each Performance Share accrued.

A maximum number of 85,000,000 Shares have been earmarked to service the Plan, of which

- 30,000,000 to service the First Tranche;
- 55,000,000 to service the Second Tranche.

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

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The investigation for the architecture of the Plan was undertaken by the Nomination and Remuneration Committee (composed of the following Directors: Ms Jones - Chair, and Messrs Borsani, Crépin, Philippe and Vivarelli), with the support of the company management and consultant Willis Tower Watson.

The Board of Directors took the necessary resolutions in preparation for the Meeting (with the Chief Executive Officer, to whom the First Tranche is reserved, abstaining) on the proposal formulated by the Nomination and Remuneration Committee (passed by majority vote, with the dissenting vote of 2 of the 3 independent members of the Committee), after having acquired the opinion of the Board of Statutory Auditors on Chief Executive Officer's participation in the initiative (dissenting opinion pursuant to art. 2389, subsection 3 of the Italian Civil Code)\*. More specifically, the Board of Statutory Auditors considered that:

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\* Clarification included at the request of the Board of Statutory Auditors.

- in the definition of the performance parameters excessive weight (70%) had been attributed to the stock performance objective, whose achievement can also be significantly influenced by external factors not linked to the performance of the company's business;
- the maximum amount of the payout curve relating to the CEO, relating to the market benchmarks, appears excessively high.

The subsequent board decisions approving the Regulations and the attribution of the Performance Shares, and all determinations connected with the administration of the Plan, shall be adopted in accordance with the regulations concerning Directors' interests, transactions with related parties and the remuneration of directors assigned to hold particular offices, insofar as they are applicable.

### 3.6. Date of the decision taken by the competent body to submit approval of the Plan to the Shareholders' Meeting and of the proposal of the Nomination and Remuneration Committee

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The Nomination and Remuneration Committee specifically focussed on the architecture of the Plan in its meetings on 15 and 26 February 2018, after a preliminary investigation of the more widely used long term incentive tools undertaken in the fourth quarter of 2017.

The Board of Directors, which had already been informed of the investigation underway when the guidelines for the company's overall remuneration policy were reviewed (meeting on 5 December 2017), acquired a final presentation of the initiative on 5 March 2018 and then approved, with five dissenting votes, on 6 March 2018, the proposed Plan to be submitted to the Shareholders' Meeting, as part of the approval of the 2018-2020 strategic plan.

### 3.7. Date of the decision taken by the competent body concerning the award of the financial instruments and any proposal made to such body by the Nomination and Remuneration committee, if any

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The Plan is subject to the approval of the Shareholders' Meeting called for 24 April 2018. Subsequently, if the Plan should be approved, the Board of Directors will meet to take the relevant decisions for implementing the Plan itself, after the Nomination and Remuneration Committee has considered the text of the Regulations and at the proposal of the Executive Chairman and Chief Executive Officer regarding the identification of the Beneficiaries.

### 3.8. Market price of the Shares recorded on the aforementioned dates

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The official price of the Shares on the Electronic Share Market (MTA) organised and managed by Borsa Italiana S.p.A. was:

- 15 February 2018 – 0.6884 euros
- 26 February 2018 – 0.7379 euros
- 06 March 2018 – 0.7695 euros

### 3.9. Time limits and procedures by which the Issuer, in identifying the calendar for the allocation of the instruments to implement the Plan, takes into account the possible timing coincidence of: (i) such award or any decisions taken in this regard by the Nomination and Remuneration Committee and (ii) the dissemination of any relevant information pursuant to article 114, subsection 1 of the CLF

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The effective transfer of the Shares that are categorised as Performance Shares to the Beneficiaries shall take place upon Maturity, subject to the non-discretionary assessment of the degree to which the Performance Parameters have been achieved, and without prejudice to their subsequent Lock-up. In light of the above, the Company does

not envisage preparing any particular safeguard in relation to the situations referred to above, while respecting the applicable regulations.

## 4. CHARACTERISTICS OF THE FINANCIAL INSTRUMENTS ALLOCATED

### 4.1. Description of how the Plan is structured

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The Plan prescribes the allocation to the Beneficiaries, free of charge, of Performance Shares corresponding to an even maximum number of Shares, effective transfer of which shall take place on Maturity to a variable extent, depending on the level to which the Performance Parameters have been achieved (and in accordance with the early termination provisions set out in point 4.8). The Performance Shares may not be transferred or subjected to any limitations or constitute the object of any other acts to dispose thereof by the Beneficiaries.

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

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The Plan does not prescribe more than one allocation cycle, it remaining the case that the Board of Directors may, at the proposal of the Executive Chairman or Chief Executive Officer, allocate Performance Shares during the Vesting Period, in any event not after the month of January 2020, and within the maximum limit of 55,000,000 Shares reserved to service the Second Tranche of the Plan.

Upon the Maturity of the Performance Shares, the Board of Directors shall ascertain the degree to which the Performance Parameters have been achieved, and hence the number of Shares to be transferred to the Beneficiaries free of charge, with the consequent crediting to the share accounts in their names, prepared for this purpose by the Issuer.

### 4.3. Expiration of the Plan

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The Plan shall expire upon the Maturity of the Performance Shares, with consequent crediting of the Shares to the share accounts of the Beneficiaries, without prejudice to their subsequent Lock-up.

### 4.4. Maximum number of financial instruments allocated in each fiscal year in relation to the persons individually identified or to the categories specified

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The Plan does not prescribe more than one cycle, but permits the allocation of Performance Shares as part of the Second Tranche - and without change to the maximum number of Shares to service the Plan, in total 85,000,000 - until the end of January 2020.

For all the Performance Shares allocated (and not extinguished), Maturity shall occur at the exact same time the Board approves the consolidated financial statements of the Group at 31 December 2020, with the concurrent ascertainment of the degree to which the Performance Parameters have been achieved.

#### 4.5. Plan implementing procedures and clauses, specifying if the actual allocation of the financial instruments is dependent on conditions being met, or on the achievement of specific results, including performance results

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The Performance Shares shall accrue in variable number, dependent on the degree to which the Performance Parameters have been achieved, as ascertained by the Board of Directors at the meeting to approve the consolidated financial statements of the Group at 31 December 2020.

The Board of Directors was guided in the choice of Performance Parameters by the need to identify simple indicators that could be immediately read and perceived by the market and the incentivised population, as well as valid indices of the success of the strategic plan to which the Company has committed: these indices show the pure stock market trend (instead of, for example, TSR) and the free cash flow.

The Share's relative performance (weight: 70%) will be

- calculated
  - ✓ as of 1 January 2018 for the assignees of Performance Shares in the initial allocation; from 1 January 2019 for assignees up to and beyond 31 January 2019; from 1 January 2020 for assignees from 1 February 2019 to 31 January 2020,
  - ✓ up to 31 December 2019 in the event of early termination with the right maintained, and up to 31 December 2020 in the remaining cases, considering the average of the official Share prices recorded on the electronic share market organised and managed by Borsa Italiana S.p.A. during the quarters prior to period start and end, calculated to two decimal places;
- compared to the average stock market performance, calculated using similar methods and over the same period by the shares issued by Deutsche Telekom AG, Vodafone Group PLC, Telefonica SA, Orange SA, BT Group PLC, Telenor ASA, Swisscom AG, Telia Co AB, Koninklijke KPN NV, Proximus SADP, Elisa OYJ, TDC A/S (the Peer Basket), in the respective main listing markets.

With regard to this Performance Parameter, the payout metric includes:

- minimum if the Share performance is in line with the average performance of the Peer Basket;
  - target if the Share performance is 10% higher than the average performance of the Peer Basket;
  - maximum if the Share performance is 20% higher than the average performance of the Peer Basket;
- with linear interpolation (i) between the minimum value and target value and (ii) between the target value and maximum value, taking into account the positive absolute stock market performance of the Share giving access to a payout higher than the target value.

The Performance Parameter linked to cash generation is represented by cumulative net cash flow in the three years, as per the 2018-2020 plan guidance, before the dividend, investment in frequencies and on the same perimeter, i.e. without including the effect of acquisitions and disposals of shareholdings (M&As) and with the same accounting standards.

The target value will be recalculated - during the course of the plan - excluding the impact connected with changes to the consolidation area, exchange rates and accounting standards. This will be carried out with reference to the years 2018, 2019 and 2020 for the assignees of Performance Shares during the initial allocation; compared to the years 2019 and 2020 for the assignees up to and beyond 31 January 2019; compared to the year 2020 for assignees from 1 February 2019 and until 31 January 2020. The year 2020 is excluded in the event of early termination with the right maintained.

The payout metrics involves a comparison of the data calculated as above with the cumulative target of 4.5 billion euros resulting from the Group's 2018-2020 strategic plan, disclosed on 6 March 2018, with the assumption of linear progress over the three years (the "Target"), and payment:

- minimum where 90% of the Target is achieved;

- target where 105% of the Target is achieved;
- maximum where 115% of the Target is achieved.

The number of Performance Shares accrued in case of value ascertained at intermediate levels compared with those listed above will be calculated by linear interpolation.

#### 4.6. Indication of any availability constraints on the financial instruments that are the object of the Plan

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The Performance Shares will be allocated to the Beneficiaries on a personal basis, and cannot be transferred or subject to constraints, nor may they constitute the object of any other act of disposal.

After Maturity, the Shares credited to the individual share accounts of the Beneficiaries prepared for this purpose by the Issuer shall be subject to Lock-up.

Furthermore, TIM operates a contractual *clawback* mechanism that enables the variable remuneration allocated to Executive Directors and Key Managers with Strategic Responsibilities to be recovered. Clawback may be activated in the three years after the disbursement of payments (including payments in shares) in cases where said disbursement occurred following wilful misconduct or gross negligence on the part of the Executives concerned or in case of error in the formulation of the data which resulted in the restatement of the information in the financial statements.

#### 4.7. Description of any resolutive conditions which apply in relation to the allocation under the Plan in the event that the Beneficiaries engage in hedging transactions to neutralise any prohibitions on the sale of the Shares deriving from the maturity of the Performance Shares.

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Not provided for.

#### 4.8. Description of the effects produced by the termination of employment

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The Performance Shares will definitively be extinguished and without any form of restoration in case of (i) the death of the Beneficiary or (ii) if their employment by/collaboration with the Company (or with a Subsidiary Company, even if not the Group company which employed the Beneficiary at the time of application of the Plan) should cease for any reason during the first two financial years (2018 and 2019) of the Vesting Period.

In the event:

- that Amos Genish's appointment as Chief Executive Officer should not be renewed when the serving Board of Directors is renewed upon the natural expiry of its mandate (Shareholders' Meeting to approve the financial statements at 31 December 2019),
- premature death or termination of the collaboration with/employment by (i) the Company of the Chief Executive Officer, or (ii) the Company or a Subsidiary of the remaining Beneficiaries, after 1 January 2020, and always provided that the persons in question qualify as good leavers, the Performance Shares, reduced by a number corresponding to a whole year of the total Vesting Period, shall remain susceptible to Maturity.

Those whose employment/collaboration with the Company (or a Subsidiary) ceases due to (i) retirement; (ii) consensual termination with maintenance of the Performance Shares (in any case subject to the Beneficiary's acceptance of a non-competition agreement towards the Company for at least 12 months); (iii) placement outside the perimeter of the Group, for any reason, of the company the beneficiary is employed by/collaborates with; (iv) dismissal for justified objective reasons; (v) total and permanent invalidity qualify as good leavers.

After Maturity, the circumstances of the employment by/collaboration with the Company (or a Subsidiary) shall only have relevance for the purposes of the application of the clawback regulation (cf. point 4.6).

#### 4.9. Indication of any other grounds for cancelling the Plan

The Plan does not prescribe any grounds for its cancellation.

#### 4.10. Reasons for an option for the company to “buy back” the financial instruments underlying the plan, introduced pursuant to article 2357 et seq. of the Italian Civil Code

The plan does not envisage buy-back by the Company.

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

Not applicable.

#### 4.12. Indication of the cost the Company is expected to incur at the time of the allocation, as may be determined on the basis of the already defined terms and conditions, in total and for each financial instrument.

At the date of this document, it is not possible to indicate the exact amount of the expected cost of the Plan for the Issuer, as this cost depends on the maximum number of Performance Shares actually allocated, determined in the way described above, and the degree to which the Performance Parameters are achieved.

Pursuant to IFRS 2 (Share-based payment), the Company and, where applicable, each Subsidiary, for the part pertaining to them, will measure the fair value of the allocated Performance Shares throughout the vesting period. This expense will be recognised pro-rata temporis in the profit and loss account separated throughout the accrual period with an item in Personnel Costs as a counter-entry to a net equity reserve. These expenses recognised among the personnel costs may be deducted for IRES (corporation tax) and IRAP (regional business tax) purposes by the Company and by each Subsidiary with registered offices in Italy, where possible apply the standards of IFRS 2 for the portion pertaining to it.

#### 4.13. Indication of any capital dilution effects caused by the Plan

Up to 85,000,000 Shares, equating to 0.559% of the ordinary share capital, as at 6 March 2018, are allocated to service the Plan.

The Company's treasury shares may be used towards the initiative. The Company also expressly reserves the right to establish, during the three-year period 2018-2020, further arrangements to acquire the availability of Shares to be used for the initiative.

#### 4.14. Any restrictions on the exercise of voting right or the attribution of property rights

Without prejudice to the two-year Lock-up period, no restrictions are placed on the exercise of voting rights or for the attribution of the property rights inherent to the Shares acquired through the Maturity of the Performance Shares.

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

