

2015 REPORT ON REMUNERATION

pursuant to art. 123-ter CLF

(Report approved by the Board of Directors at its meeting of 27 April 2016
available on the website www.telecomitalia.com)



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LETTER FROM THE CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE



Chairman of the Nomination and Remuneration Committee

Dear Shareholders,

It gives me great pleasure to provide you with the 2015 Report on Remuneration, which, in compliance with current legislation, is divided into two sections. The first contains a description of the Telecom Italia S.p.A. remuneration policy for 2016 for Directors and Key Managers with Strategic Responsibilities, while the second gives the total for remuneration for FY 2015, together with the shareholdings held by Directors, Statutory Auditors and Key Managers with Strategic Responsibilities in the Company and its subsidiaries.

This report has 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 was performed through a process of planning activities, continuous monitoring of the implementation of instruments supporting the 2015 Remuneration Policy, and the determination of guidelines for the 2016 Remuneration Policy. In March 2016 the extraordinary management of the exit of the former Chief Executive Officer Marco Patuano (22 March 2016) and his succession, was grafted onto this ordinary activity. This led to the appointment of a Director, Flavio Cattaneo, to the post of Chief Executive Officer on 30 March 2016.

During 2015, with the support of the People Value Department, we initially monitored the suitability of the remuneration policies adopted, checked the level of achievement of the 2014 MBO targets and determined the 2015 incentive system, prepared the Report on Remuneration approved by the Shareholders' Meeting on 20 May 2015 and continuously monitored the People Strategy system.

Furthermore, the Committee has concentrated with particular attention on the analysis of and the procedures for implementing certain fundamental elements of the 2016 remuneration policy, with the object of increasing alignment with market best practices and with the expectations of investors, always in compliance with the relevant ruling legislation.

To this end we have redesigned the architecture of the MBO system, examined closely and introduced the clawback clause, and updated certain elements relating to severance settlements.

Furthermore, within the context of the overall People Strategy, we have carried out the introduction of tools for alignment and flexibility of remuneration in its entirety; the integrated use of the various remuneration levers will allow a balance between fixed component and variable component, and will permit more substantial development of the benefit and welfare areas.

This work benefited the definition of the compensation package for the new Chief Executive Officer (with the same general contractual approach and amounts), and, further, featured the introduction of a new extraordinary remuneration tool, of four years' duration, to incentivise pursuit of the total turnaround of the business, deemed a priority for most of Telecom Italia's stakeholders. The same priority prompted the review of the compensation package for the Chairman of the Board of Directors, to ensure full operational alignment for the Executive Directors in terms of the architecture of their pay packages and the related incentive targets, in pursuit of the strategic objectives of the company.

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 2016.


Davide Benello
Chairman of the Nomination and Remuneration Committee

EXECUTIVE SUMMARY

Telecom Italia's remuneration policies aim to become increasingly a strategic lever for developing human resources and creating value for the Company.

These policies are an important part of the more general People Strategy, aimed at the adoption of development and management systems that recognise the value of the individual, placing them at the centre of the model according to a rationale based on attention and proximity.

At the same time, a specific focus on the achievement of the targets for the total turnaround of the business was introduced, assigning to the new Chief Executive Officer a newly conceived incentive measure, in addition to the compensation package that was identical to that of his predecessor, which will directly benefit him, and which represents a management lever of immediate perception and effectiveness, than will enable him to reward those resources in his team that have made a particular contribution to the achievement of the over-performance against the company's business plan.

The 2016 remuneration policy is divided into the following components:

- Fixed Remuneration
- Variable Remuneration (both short and long term)
- Special Award
- Benefits and Welfare.

The key elements of the remuneration policy of 2016 are summarized below.

Remuneration element	Aims and features	Description	Beneficiaries and Values
Fixed remuneration	Aimed at appraising the breadth and strategic nature of the role held.	For 2016 there is confirmation of the tendency to progressively align individual positioning with the reference market median, determined on the basis of periodic market benchmarks. However, the Company may consider the possibility of positioning the highest-performing and most talented resources in the 3rd quartile range of the reference market.	Chairman: gross fixed annual compensation of € 700,000. Chief Executive Officer: Gross fixed annual compensation of € 1,400,000. Key Managers with Strategic Responsibilities (KMSRs): commensurate with the powers and the role held.
Short term Variable Remuneration: MBO	Aimed at promoting and making transparent the link between financial reward and the degree of achievement of annual targets.	The targets 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. The targets are: Group/company, Departmental and individual. The individual targets, excluding the Executive Directors, are contained in the Performance Management system. A "gate" target is set, applied to all the participants in the Plan.	Chairman: gross value at target (100%) of € 700,000, variable up to a maximum of 150%. Chief Executive Officer: gross value at target (100%) of € 1,400,000, variable up to a maximum of 150%. KMSRs: gross value at target (100%) differentiated by role and up to 50% of the fixed component. The maximum amount is 140% of the target.

Remuneration element	Aims and features	Description	Beneficiaries and Values
Long term Variable Remuneration: Stock Option Plan	Aimed at promoting alignment 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.	2014-2016 Stock Option Plan, with three-year vesting and performance conditions linked to the Free Cash Flow targets and relative TSR, each of which conditions the exercisability of 50% of the allocated options.	Chairman: not specified. Chief Executive Officer: Target value of 100% of fixed Remuneration per year of incentivisation. The maximum value of the bonus is 150% of the target assigned. KMSRs: Target value of 50% of fixed Remuneration per year of incentivisation. The maximum value of the bonus is 150% of the target assigned. A select group of other managers is also involved
Long term Variable Remuneration: Special Award	Aligns the interests of the beneficiaries with those of the shareholders regarding the target of Company turnaround.	A four year plan (2016-2019), based on the allocation for each of the financial years included of a percentage share of the over-performance achieved against the business targets for the period, within an overall total that has a predefined absolute maximum amount. The indicators are EBITDA (weight 50%), Net Financial Position (weight 25%) and Opex Reduction (weight 25%). The bonus (subject to claw-back), will be paid at the end of the cycle, 80% in equity and the remainder in cash (subject to approval by the Shareholders' Meeting).	Chief Executive Officer: 4% of the over-performance Other senior executives: The total value of the bonus will equal at most 1.5% of the over-performance.
Benefits and Welfare	Both benefits and welfare generate an economic value distinct from the other forms of remuneration. They are resources, benefits and a welfare system, aimed at increasing the individual and family welfare of the employees in economic and social terms.	Within the rationale of Total Rewarding, traditional monetary tools such as fixed and variable remuneration are supported with increasingly important non-monetary tools such as benefits and welfare.	Benefits: essentially, insurance policies, healthcare costs cover, supplementary pension, check-ups, cars for business and personal use are provided for the Executive Directors and KMSRs. Welfare: initiatives that cater to all employees.

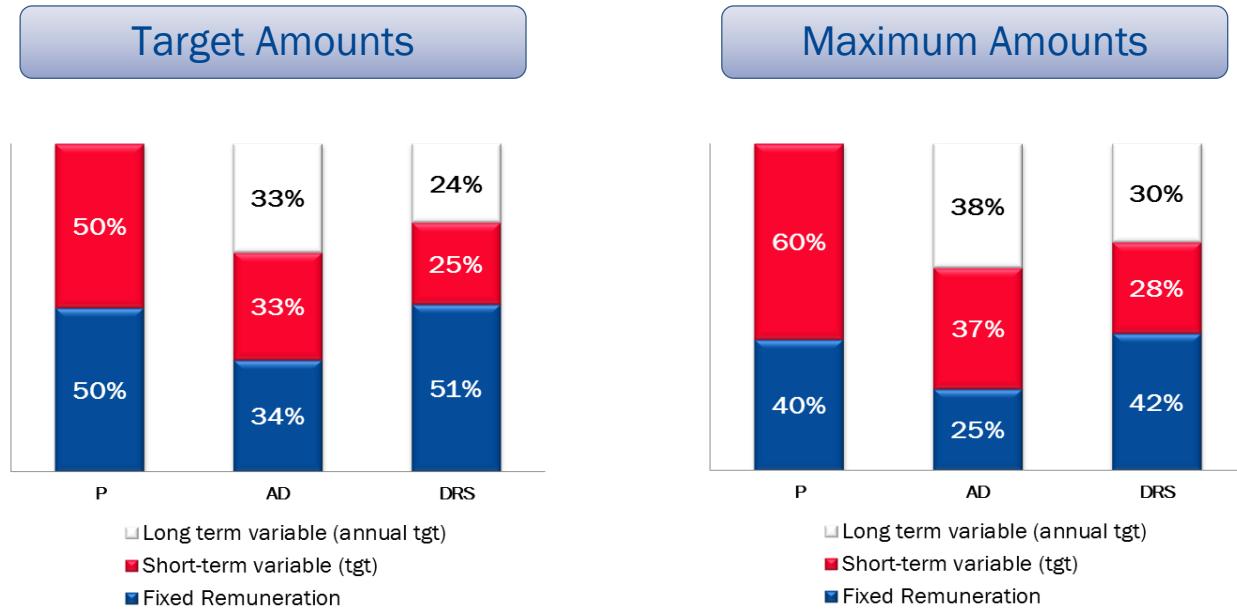
Remuneration element	Aims and features	Description	Beneficiaries and Values
Severance Payments	These regulate the financial settlement in the event of early termination of the employment contract.	Severance pay for Executive Directors is prescribed to be payment of no more than 24 months of the total remuneration, in the event of the early termination of office. For Key Managers with Strategic Responsibilities, there are the applicable payments set out in law, in the Collective Employment Agreement and supplementary company agreements.	Chairman: The fee payable for the remainder of his term of office (currently one year) Chief Executive Officer: 24 monthly salaries (in addition to the notice set out in the Collective Employment Agreement). KMSRs: The severance payments set out in law, in the Collective Employment Agreement and supplementary company agreements.
Clawback Clause	Introduced in 2016 to allow the recovery of variable remuneration.	It may be activated in the three years after the disbursement of payments in cases where said disbursement occurs following wilful misconduct or gross negligence on the part of the Executives concerned or in the case of an error in the formulation of the data, which resulted, in any case, in the restatement of the Financial Statements.	Chairman, Chief Executive Officer and KMSRs: scheduled to start from 2016.
One-off Bonuses	Paid as a one-off bonus	Used to reward significant ex post performance or for extraordinary initiatives that cannot be classified as ordinary activities.	Beneficiaries not pre-determined.

For the senior roles in Telecom Italia, the 2016 remuneration policy guidelines specify the pay mix described in the diagrams which follow.

In particular, it should be noted that for the Chairman, the fixed remuneration component and short term remuneration component have equal incidence, while for the Chief Executive Officer, most of his remuneration is subject to the achievement of short or medium term performance targets. The same dynamic, although less pronounced in coherence with the different responsibilities, is envisaged for the remuneration package of the Key Managers with Strategic Responsibilities .

The pay mix set out below is net of the Special Award.

PAY MIX



SECTION I - 2016 REMUNERATION POLICY

PARTIES INVOLVED IN THE REMUNERATION PROCESS

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

Shareholder's Meeting

- Determines the compensation of the Board of Directors, with the exception of the Directors holding specific offices (Chairman and Chief Executive Officer)
- Expresses a non-binding vote on the first section of the Report on Remuneration.
- Resolves on the remuneration plans based on the allocation of financial instruments.

Board of Directors

- 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).
- Defines the remuneration policy of Executive Directors and Key Managers with Strategic Responsibilities.
- Determines the remuneration of Directors holding specific offices;
- 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.

In order to ensure that the decisions taken regarding remuneration are appropriately investigated and conform to the rules on transparency and strict regulation of potential conflicts of interest, the Board of Directors makes use of the support of the Nomination and Remuneration Committee.

Nomination and Remuneration Committee

- 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.
- Examines, with the assistance of the People Value Department, the remuneration policy for managers, with specific regard to the Key Managers with Strategic Responsibilities;
- Examines proposals made to the Board of Directors for compensation plans based on financial instruments;
- Assesses 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;
- Ascertains the level of achievement of the variable short and long-term incentive targets by the Executive Directors and management in general, applying the measurement criteria determined when these targets were assigned, and sets the performance targets linked to the short-term variable incentive system for the following year. These activities are carried out in support of the resolutions to be adopted on the subject by the Board of Directors;
- Monitors the development of the relevant regulatory framework and of market best practices in remuneration, collecting ideas for setting up the remuneration policy and identifying aspects for improving the Report on Remuneration
- Reports on its own activities to the Board of Directors, normally at the next meeting

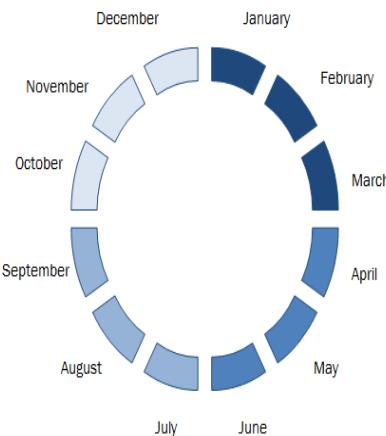
The Committee scheduled its 2015 activities according to the annual agenda shown below.

October - December

- Definition of the remuneration policy for the following year
- Checking and amending severance pay for Executive Directors
- Determining the clawback clause
- Checking the state of progress of the indicators for the short-term and long-term incentive systems (2014-2016 SOP Plan)
- Preparatory work for the short-term incentive systems for the following year.

July - September

- Monitoring the MBO system for the year in progress;
- Updating the Peer Group for analyses and benchmarks on market best practices;
- Checking the compensation of the Board of Statutory Auditors;
- Preparatory work for the introduction of the clawback clause.



January – March

- Checking the implementation of the remuneration policy for the previous year
- Finalising the results of the MBOs for the previous year and determining the short-term variable incentive policies;
- Finalising the results of the long-term incentive system;
- Examining the settings for the Company's global salary policy for the year in progress;
- Preparing the Report on Remuneration.

April - June

- Preparatory work to check the compensation of the Board
- Monitoring the operative implementation of the MBO system;
- Examining the results of the shareholder vote on the policy of scheduled remuneration
- Monitoring the implementation of the People Strategy

In 2015 the Committee met 7 times. The meetings were attended by the Head of the People Value Department, and the managers responsible for the areas being discussed were invited in each case to provide support. 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 likely to compromise their independence of judgement. Since July 2014, the Committee has made use of the assistance and studies provided by the company Mercer.

During 2016 and until the completion of this report (Board of Directors meeting on 27 April 2016), the Committee met 7 times. For the succession process, which led to the appointment of a Director, Flavio Cattaneo, as new Chief Executive Officer on 30 March 2016, the Committee was supported by executive search company Korn Ferry, as well as consultancy on employment law by the Company's external legal advisors.

The Committee members currently are: Davide Benello (Chairman), Luca Marzotto, Denise Kingsmill, Arnaud de Puyfontaine and Stéphane Roussel (the last two were appointed by the Board of Directors at its meeting on 15 February 2016, when note was taken of the resignation of the Director Jean Paul Fitoussi as a member of the Committee).

Board of Statutory Auditors

The Board of Statutory Auditors expresses the opinions required by current legislation 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.

2016 REMUNERATION POLICY TOOLS AND GUIDELINES

The remuneration policy of the Telecom Italia Group is aimed at ensuring the company's maximum competitiveness on the labour market, as well as its capacity to attract, retain and motivate people.

The guidelines and related remuneration tools must ensure:

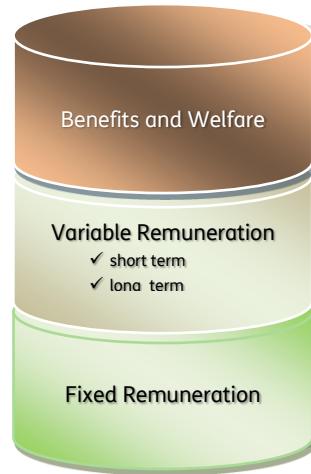
- the achievement of the Company's strategic targets
- the competitiveness of the company on the labour market
- the commitment of its people
- the safeguarding of the principles of internal fairness;
- the alignment of the interests of the management with the creation of value for shareholders and also with the sustainability of the results in the long term;
- the safeguarding of consistency at Group level, while taking into account the diversity of the reference markets

To improve the determination of the remuneration policies, the necessary comparisons are made with the external market. In this connection, the two different Peer Groups identified in 2014 have been updated:

- **International Companies**
operating in the same sector as Telecom Italia
(telecommunications, ICT and Media)
- **Major Italian companies**
comparable in terms of business
and/or best practices

TELCO		MEDIA/ICT		ITALIAN COMPANIES	
EUROPE	WORLD	EUROPE	WORLD	PEER GROUP FTSE MIB	
Telekom Austria	America Movil	Ericsson	Time Warner	Atlantia	Luxottica
Orange	AT&T	Alcatel-Lucent	21st Century Fox	Campari	Mediaset
Deutsche Telekom	Verizon Comm.	Vivendi		Enel	Pirelli & C.
BT Group				Enel Green Power	Prysmian
Vodafone				ENI	SaipeM
Telenor				FCA	Snam
KPN				Finmeccanica	Terna
Proximus					
Telefonica					
Telisonera					
Swisscom					
OTHERS		EUROPE			
		National Grid			
		EDF			
		GDF Suez			
		RWE			

The remuneration architecture, geared towards the People Strategy and the related centrality of the individual, will be based on three components, the first two typically having monetary content, and the third being linked to a broader idea of the remuneration system:



The integration of these components will mean that the principles of Total Rewarding can be even more effectively applied in 2016, through the appropriate balancing of monetary and non-monetary tools, with the object of increasing the satisfaction of the beneficiaries at a sustainable cost.

The balance between the different components will also guide the Meritocratic Policy which, in 2016, will mainly focus on action on variable remuneration, reserving action on the fixed component exclusively for the highest-performing and most talented resources.

In 2016 the following innovations are planned:

- the introduction of alignment tools and flexibility in fixed remuneration
- implementation of the MBO system with particular regard to increasing the weighting of areas connected with Performance Management (from 20% to 30%) and to setting the target bonus by pay band
- the remodelling of the gate and performance parameters for the Chief Executive Officer, and their extension to the Executive Chairman
- the introduction of new claw-back clauses and new rationales aligned to best practice in severance payments.

Finally, when current Chief Executive Officer, Flavio Cattaneo, was appointed, it was decided to introduce a new additional bonus, to incentivise the aim of a break with the past and a company turnaround.

Individual remuneration components are examined below:

FIXED REMUNERATION

The breadth and strategic nature of the role are measured through a system of evaluation of positions, using internationally recognised and certified methods. Every year Telecom Italia checks its remuneration positioning through market benchmarks which analyse both the national and international context. **The trend towards aligning fixed remuneration with the market median will be followed according to the necessary gradations.** However, the Company may consider the possibility of positioning the highest-performing and most talented resources in the 3rd quartile range of reference.

Fixed remuneration alignment actions

To ensure that remuneration is gradually aligned with the market median, the following actions will be adopted:

- *disbursement of pay increases where there are positionings lower than the market benchmarks*, continuity of excellent performance levels over time and consolidated individual/reputational value
- *adjustment of the Total Annual Remuneration (fixed remuneration + MBO)* to the reference market, acting on the one hand on fixed remuneration, both upwards and downwards, and on the other hand on the Premium Target level of the MBO, which may go up or down depending on the fixed balance point.

Fixed remuneration flexibility tools

In addition to the remuneration alignment actions, a further form of remuneration flexibility is introduced for 2016:

- *temporary change in remuneration*, which may take the form of a *temporary departmental allowance* granted where special duties are assigned, or a *fixed term pay increase*, for a set period at the end of which the effects cease or are consolidated

SHORT TERM VARIABLE REMUNERATION

The Short Term Incentive System (MBO)

The MBO system in 2015 included the presence of a "gate" target consisting of the company indicator (EBITDA - Net Financial Charges) applied to all participants in the plan, with the exception of the Chairman. For 2015 this target had to be achieved as a condition for the Chief Executive Officer to access the incentive, while for the remaining incentivised parties, the "gate" affected only company and not departmental targets.

In 2016 the mechanism will be altered as follows:

- for the Chairman and the Chief Executive Officer, failure to achieve the minimum level of the gate target will result in the curtailment, by 50%, of the target bonus on which the evaluation of the remaining targets is calculated
- for all the other beneficiaries the gate will remain an access condition to achieving just the company objectives.

For those reporting directly to the Executive Directors, the target values are set in continuity with 2015 up to 50% of the fixed component. For the remaining staff on incentive schemes, the target values will be set by pay band - on the basis of the complexity of the role performed - up to 30% of the fixed component.

Alignment of the target bonus will occur with due gradations, also taking into account what is specified for the purposes of adjusting the Total Annual Remuneration to the reference market.

Also for 2016, there will be Group, departmental and individual targets in the MBO system, with weightings differentiated by company Department.

In keeping with the need to give greater space to the individual targets, in 2016 the weight of the Performance Management target – introduced in 2015 for all beneficiaries of MBOs, with the exception of the Executive Directors – will increase from 20% to 30%; also for 2016, this target will be based on the overall result of the assessment, taking equal account of both individual targets and conduct in relation to the new leadership model.

Moreover, it is emphasised that, in relation to the bonus deferment mechanism, thorough its partial payment in equity and the related allocation of *bonus shares*, approved by the Shareholders' Meeting in April 2015, the Board of Directors on 6 August 2015, in the light of the initiatives to improve cost efficiency also with regard to the executive personnel, decided not to proceed with the implementation of the deferment plan, maintaining the original set-up, exclusively cash, of the short-term incentive. Also for 2016, while the need to rationalise labour costs persists, the policy of not proceeding with forms of deferring the short-term incentive is confirmed; the matter may be reconsidered from 2017 onwards.

Finally, during salary reviews, other variable remuneration tools may be adopted (One-off Bonus) to reward significant performance or for particularly outstanding results relating to extraordinary initiatives that cannot be classified as ordinary activities.

LONG TERM VARIABLE REMUNERATION

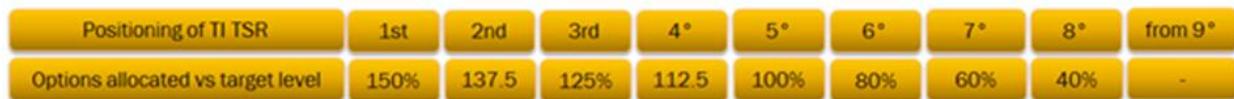
2014-2016 Stock Options Plan

Linked to the achievement of the Performance Objectives in the three-year period 2014-2016, the Plan was implemented in 2014 and consists of the allocation of options to purchase shares in the future at a predetermined price not lower than € 0.94 per ordinary share. This price was established by the Board of Directors, in line with the market price of the share at the time of initial allocation of the options, calculated as the average of the official quoted price of the Share on the electronic share market organised and managed by Borsa Italiana S.p.A., in the month preceding the resolution. For subsequent allocations, the strike price will be the higher of the price established at first allocation (€0.94) and the price resulting from the application of the same criteria at the time the options in question are allocated.

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 the two following parameters:

- **Relevant TSR (weight 50%)**

as a ranking within a peer group ¹made up of: AT&T, Verizon, Telefónica, Deutsche Telekom, France Télécom, Telekom Austria, KPN, Swisscom, BT, Vodafone, Telecom Italia



- **Adjusted Free Cash Flow** from the 2014/2016 Business Plan (weight 50%)



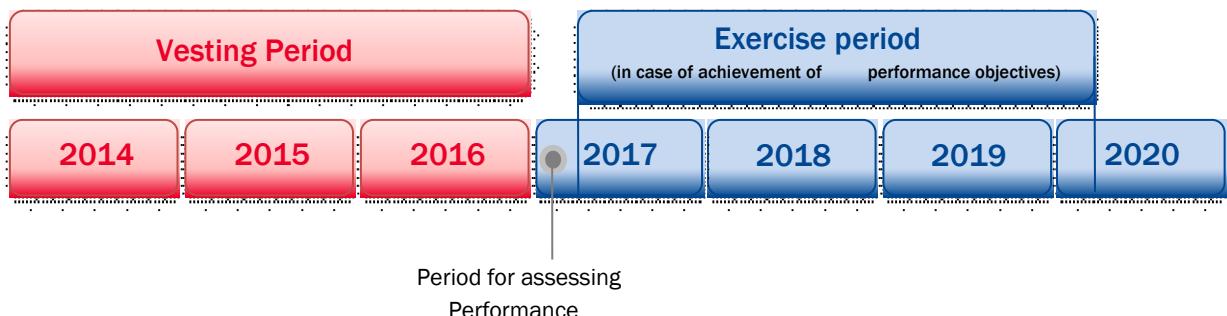
* From 2014-2016 Business Plan

** Accrual of a percentage of the allocated Options calculated using linear interpolation, in the event of intermediate performance levels compared with those listed

1 The company Portugal Telecom was excluded from the peer group after its delisting in March 2015

The degree of achievement of the performance targets 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.

Chronology of 2014-2016 Stock Option Plan



In terms of pay opportunities, the plan covers the entire three-year period. The launch of a new long-term plan can be considered from 2017 onwards.

Special Award

When current Chief Executive Officer, Flavio Cattaneo, was appointed (30 March 2016), it was decided to introduce a new additional bonus, to incentivise the company turnaround.

The Special Award provides for the payment of an annual bonus amounting to a total of a maximum of 5.5% of the difference between the result achieved and the planned result, only for over-performance in each of the years 2016, 2017, 2018 e 2019 on the targets of Group EBITDA, Opex Reduction and Net Financial Position (with weights of 50%, 25% and 25% respectively), as defined in the 2016-2018 Business Plan, and using for 2019 the same values as the plan for the 2018 financial year, to be set aside year on the date of the financial statements for the year of reference. This bonus will be calculated on the same corporate perimeter, and applying the same accounting, fiscal, tax, economic and financial criteria in force at the time the 2016-2018 Strategic Plan was approved, net of payments that could not be foreseen deriving from the management prior to 30 March 2016 (the date of appointment of Mr Cattaneo as Chief Executive Officer) or of changes to the share capital that affect the results of the calculation parameters. 4% of the aforementioned difference will be reserved for the remuneration of the Chief Executive Officer, while the remaining maximum 1.5% will be destined to benefit other Company managers, to be identified by the Chief Executive Officer, who will also define the amount of the bonus attributed to each.

Each annual bonus will consist of 80% in Telecom Italia ordinary shares (the number of which will be determined by dividing 80% of the bonus accrued in the financial year by the normal value of the shares on the date the performance is ascertained) and 20% in cash. After approval by the Board of the 2019 financial statements (year 2020), the sum of the annual bonuses accrued over the whole incentive period will be paid, with a maximum gross total amount (for the whole four year period of reference, and relative to 5.5% of the over-performance) of 55,000,000 euros. The claw-back mechanisms in force at the time shall be applicable to both the cash and equity components of the bonus actually paid.

By way of example, given a difference in a single financial year of one billion euros between final EBITDA and the target forecast for the year in the 2016-2018 plan (using for 2019 the same values as the plan for the 2018 financial year), 27,500,000 euros will be set aside for the Special Award, of which 22,000,000 euros in shares and 5,500,000 euros in cash will be paid respectively in 2020; if the same difference should be seen in Opex reduction or improvement in the Net Financial Position, the bonus would be 13,750,000 euros, to be paid (in 2020) for 11,000,000 euros in shares and the remaining 2,750,000 euros in cash. The 55,000,000 euros maximum amount therefore represents a total minimum over-performance in the four years of the incentive period, alternatively 2 billion euros in higher EBITDA (weight 50%), 4 billion euros' reduction in Opex (weight 25%), 4 billion euros' improvement in Net Financial Position (weight 25%), or a combination of the three items for amounts singularly lower, but in any case respecting the following condition:

$$\sum_{t=1}^4 (\text{overperformance Ebitda} + 25\% \text{ overperformance Opex} + 25\% \text{ overperformance PFN}) \geq \text{€ 1 mld}$$

with t representing the years from 2016 to 2019.

Payment of the maximum amount of Special Award would mean that economic and equity targets significantly higher than those in the 2016-2018 business plan announced have been achieved, and it is reasonable to expect that this would result in an increase in the value of the company and its Market capitalization, from which all the Group's shareholders would benefit. An increase in the Group EBITDA would be reflected in an increase in the value of the company by means of the Company valuation multiple (currently approximately 6x), just as, at an equal company value, a reduction in net indebtedness would translate into an increase in the value of the shares. At the same time, the payment of the deferred bonus at the end of the fourth year (with payment only in 2020), almost entirely (80%) in financial instruments valued

based on their normal value at the time the over-performance was ascertained, constitutes an incentive to create value in the medium-long term, disincentivising short term solutions and bringing the benefiting management's interest in the bonus in line with the shareholders' interest in an appreciation of the share price.

The equity component of the Special Award represents a compensation plan with the allocation of financial instruments, subject to the approval of the Shareholders' Meeting - with limited and exclusive reference to the possibility of payment of said component in the form of shares: if recourse to shares is not authorised, the bonus will be paid entirely in cash. -The Shareholders' Meeting will also be called on to resolve on section I of this remuneration report.

The table below gives a simulation of the method for calculating the Special Award for the Chief Executive Officer and the remaining managers benefiting from the initiative. The values are fictitious and presume that the targets for EBITDA, Opex and NFP are constant for all the years of the 2016-2018 plan.

					CEO bonus (4%)		Management bonus (1,5%)	
Year	Indicator	Plan	Actual figures	Over-performance	% over-performance	Total	% over-performance	Total
1 st year	EBITDA*	6,000	5,900	0	2%	0	0.750%	0
	Opex**	10,000	10,100	0	1%	0	0.375%	0
	NFP***	1,000	1,100	0	1%	0	0.375%	0
2 nd year	EBITDA*	6,000	6,200	200	2%	4.000	0.750%	1.500
	Opex**	10,000	9,700	300	1%	3.000	0.375%	1.125
	NFP***	1,000	900	100	1%	1.000	0.375%	0.375
3 rd year	EBITDA*	6,000	6,350	350	2%	7.000	0.750%	2.625
	Opex**	10,000	9,500	500	1%	5.000	0.375%	1.875
	NFP***	1,000	1,100	0	1%	0	0.375%	0
4 th year	EBITDA*	6,000	6,400	400	2%	8.000	0.750%	3.000
	Opex**	10,000	9,400	600	1%	6.000	0.375%	2.250
	NFP***	1,000	900	100	1%	1.000	0.375%	0.375

* Weight 50%

** Weight 25%

*** Weight 25%

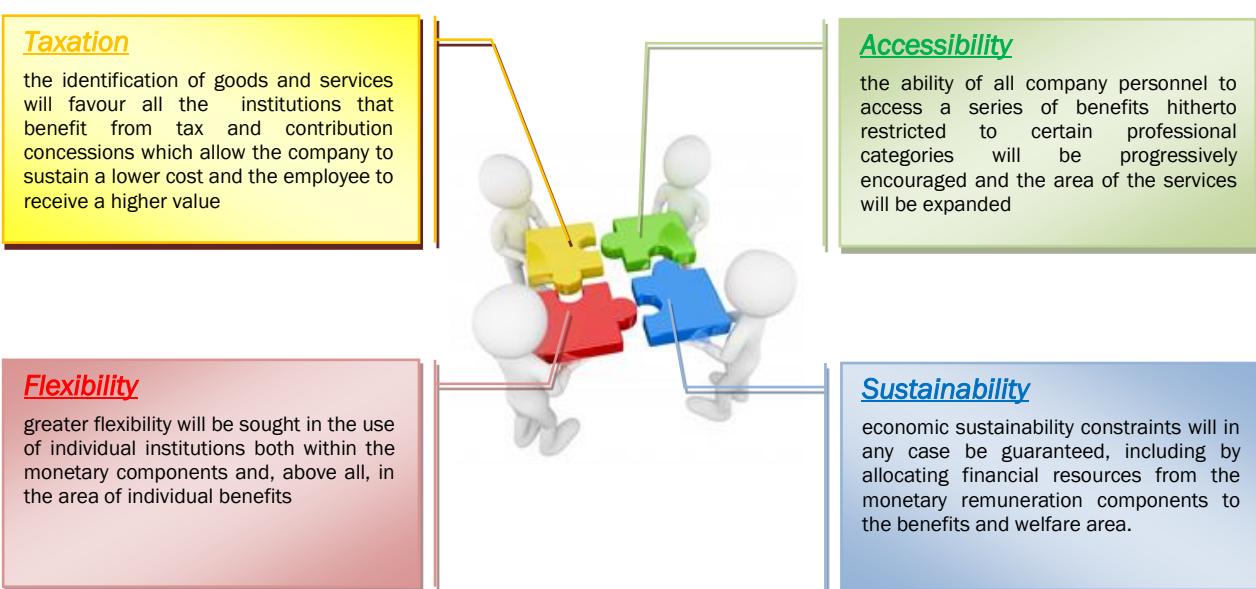
DEVELOPMENT OF THE BENEFITS AND WELFARE AREA

The operation of developing benefits and welfare will also depend on moving financial resources from the monetary remuneration components.

In particular it is emphasised that:

- **Benefits** are 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; these services generate economic value distinct both from the fixed remuneration and from the other forms of variable remuneration
- **Welfare** is a system of non-monetary services aimed at increasing the individual and family welfare of all employees.

The complete system will be reorganised taking account of the following principles:



SEVERANCE PAY

Regarding the fee for serving as Executive Director, the Board of Directors has decided, as policy, to limit severance pay to a lump sum of no more than 24 months' remuneration.

For Key Managers with Strategic Responsibilities, there are the applicable payments set out in law, in the Collective Employment Agreement and supplementary company agreements.

CLAWBACK CLAUSE

Starting from the 2016 MBO cycle, a contractual *clawback* mechanism is introduced which will enable the recovery of sums of variable remuneration allocated to Executive Directors and Key Managers with Strategic Responsibilities. The *clawback* clause may be activated in the three years after the disbursement of payments in cases where said disbursement occurs following wilful misconduct or gross negligence on the part of the Executives concerned or in the case of an error in the formulation of the data, which resulted in the restatement of the Financial Statements.

BROAD-BASED SHARE OWNERSHIP PLAN

In 2014, Telecom Italia launched a Broad-based Share Ownership Plan (PAD) aimed at all the permanent employees of Telecom Italia S.p.A. and its Italian-registered subsidiaries. The Plan provided for the free allocation, in August 2015 - 12 months after the subscription of shares at a discount - of one free share for every 3 subscribed for payment to all employees in continuing employment who have kept possession of the shares.

In 2016, based on the actual level of staff loyalty which is appraised, the interest in renewing the initiative from 2017 shall be gauged.

REMUNERATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS, THE CHIEF EXECUTIVE OFFICER, THE KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES AND BOARD OF DIRECTORS

REMUNERATION OF THE EXECUTIVE CHAIRMAN

The structuring of the remuneration package of the Chairman, determined in 2014 and as reviewed by the Board of Directors on 27 April 2016, at the proposal and with the approval of the Nomination and Remuneration Committee, envisages:

- **Fixed component**

The remuneration for the functions of Chairman is set at the gross sum of 700,000.00 euros per annum. The Chairman does not receive fixed remuneration for the position of Director (pursuant to Art. 2389, subsection I of the Italian Civil Code).

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

This is correlated with the achievement in the year of the objectives set annually by the Board of Directors. By resolution of the Board of Directors on 27 April 2016, to apply to the 2016 financial year, the target measure (100%) is set at 700,000.00 euros, gross (200,000.00 euros, gross for the 2015 financial year). A parametrised scale is adopted which 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.

Target	Weight	Min vs Tgt	Tgt:	Max vs Tgt
TIM Group EBITDA (Gate)	20%	-5%	budget	+10%
TIM Group Net Financial Position	20%	+1%	budget	-5%
TIM Group Service Revenues	20%	-2%	budget	+2%
Media Tracking EIKON Tracking IPSOS	20%	-8%	Values target	+8%
		-4%		+3%
Assessment of efficiency of the Board in managing BoD activities	20%	Role partially fulfilled	Role fully fulfilled	Role fulfilled beyond

Failure to achieve the minimum level of the gate target will result in the curtailment, by 50%, of the target bonus on which the evaluation of the remaining targets is calculated.

The pay-out scale is shown below, assuming that all objectives respectively reach the level below minimum, the minimum level, the target level and the maximum level.

Each target is measured individually, so different combinations are possible of the levels of achievement of the targets; to assess these, the linear interpolation mechanism will be adopted.

Performance Level	Parametrised Scale	Value of incentive in amount
Target below Minimum Level	0%	0
Target at Minimum Level	50%	€ 350,000
Target at Target Level	100%	€700,000
Target at Maximum Level	150%	€ 1,050,000

The clause to claw-back the sums paid out may be activated in the three years following payment, as set out in the policy described above.

- **Benefits**

In relation to the office as director, the Chairman has been allocated the following benefits: supplementary pension cover, through payment into a supplementary pension fund of an amount equal to 10% of the fixed fee; work-related and non-work-related accident cover, life insurance, permanent invalidity benefit due to illness; health insurance cover through taking out a specific policy; use of a company car for mixed use 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**

In the event of early termination of the Directorship at the initiative of the Company and/or if asked to resign by the Board of Directors in the absence of just cause, the Chairman shall have the right to receive the fixed remuneration established for the office (pursuant to Art. 2389, subsection 3 of the Italian Civil Code) otherwise due until the end of the term of office (at the time of approval of the 2016 financial statements: one year's salary). Moreover, unless otherwise resolved by the Board of Directors, the Chairman shall also have the right to receive an additional amount, calculated on the remaining value in annual amounts (or fractions of annual amounts) equal to the average of the amounts actually received, as variable short term fee, until the actual date of cessation of the office of director.

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

Board of Statutory Auditors' considerations on the Chairman's compensation package

The Board of Statutory Auditors felt it could not approve the proposal for a significant component of the variable part of the remuneration to be conditional on the achievement of economic objectives that - in its view - are not immediately ascribable to the exercise of the powers of the Chairman.

Hence the control body did not approve of the change to the compensation package for the Executive Chairman, resolved by the Board of Directors in its meeting on 27 April 2016.

Nevertheless, the Board of Directors decided that the full operational alignment of the Chairman and Chief Executive Officer in this last year of their term of office, also in terms of the structuring of their remuneration packages and the related incentive targets, was in the interests of the Company, since it linked the action of the Executive Chairman with the company results, promoting the turnaround. Briefly, the change introduced (which was, moreover, in line with the results of a specific benchmarking exercise carried out by the consultant to the Nomination and Remuneration Committee) is related to the increased involvement of the Executive Chairman in the achievement of the strategic objectives pursued by Telecom Italia.

CHIEF EXECUTIVE OFFICER'S REMUNERATION

Below is a description of the remuneration package decided by the Board of Directors (at the proposal and with the approval of the Nomination and Remuneration Committee, after specific negotiations) on 30 march 2016, when conferring the role of Chief Executive Officer on Flavio Cattaneo, one of the Directors.

In relation to the loss of opportunity caused to him due to the early cessation of his previous employment, it was agreed that Mr Cattaneo would also be paid a sign-up bonus of 2,500,000 euros, gross, in line with corporate practice in such situations. Said sum would be repayable if Mr Cattaneo should resign before 30 April 2017, unless the resignation is for just cause (including resignation caused by revocation or reduction of powers, extension of powers to other directors, or change of control).

The compensation package of the serving Chief Executive Officer is substantially the same as his predecessor, and is made up as follows:

- **Gross annual fixed remuneration**

An annual gross sum of € 1,400,000 euros, gross, has been set for the management employment, with the duties of General Manager.

- **Fixed remuneration (pursuant to article 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 (pursuant to art. 2389 subsection III of the Italian Civil Code)**

For each year of service correlated with the achievement of the targets set annually by the Board of Directors, in the target amount (100%) of 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.

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

Performance Level	Parametrised Scale	Value of incentive in amount
All targets below the minimum level	0%	0
All targets at Minimum Level	50%	€700,000
All targets at Target Level	100%	€ 1.400.000
All targets at Maximum Level	150%	€ 2.100.000

The 2016 MBO cycle is linked to the achievement of the following targets:

Targets	Weight	Min vs Tgt	Tgt:	Max vs Tgt
TIM Group EBITDA (Gate)	20%	-5%	Budget	+10%
TIM Group Net Financial Position	20%	+1%	Budget	-5%
TIM Group Service Revenues	30%	-2%	Budget*	+2%
2016 Key Initiatives: A) New domestic turnaround plan B) Updated turnaround plan for Brazil C) Updated plan for broadband D) Pricing schemes and the Regulator	30%	Approval and start of execution of key initiatives by 30/09/16	Approval and start of execution of key initiatives by 31/07/2016	Over-performance assessed by the Board

* Restated, based on the Q1 results

For 2016, the “gate” mechanism for payment of the bonus used for 2015 for the Chief Executive Office in post at that time, has been amended: failure to achieve the minimum level of the gate objective will result in the curtailment of the target bonus by 50% on which achievement of the remaining targets will be calculated.

The clause to claw-back the sums paid out may be activated in the three years following payment, as set out in the policy described above.

In case of early termination as a good leaver (namely, after revocation, dismissal or non-renewal in the absence of just cause, or resignation for just cause or for revocation or reduction of powers, or their extension to other directors or caused by changes in control, and any operation that produces the same substantial effect) the bonus for the fraction of a year will be payable.

- **Long term variable component**

Upon appointment, the Chief Executive Officer was allocated options under the 2014-2016 Stock Options Plan, described above, payable on the third bonus year, for a target value of 100% of fixed remuneration up to a maximum of 150% of the target, with a strike price of 0.99 euros per share, as specified in the Regulations of the initiative. The plan assigns the Chief Executive Officer 4,468,085 options (if targets are achieved at target level) which can be increased up to a maximum of 6,702,127 options (if targets are achieved at maximum level). His participation in the Stock Option Plan for the 2017-2019 three year period (or other long term incentive plan, at conditions no less favourable than those envisaged in the current plan), or other monetary incentive of equal economic content.

In case of early termination as a good leaver, the Chief Executive Officer will maintain the stock options in place at the moment of termination (or will benefit from a substantially equivalent monetary payment).

- **Special Award**

Always within the maximum total value of the initiative, set at 55,000,000 euros (including the component destined to reward the managers identified by the Chief Executive Officer), 4% of the over-performance in the consolidated results for the 2016, 2017, 2018 and 2019 years compared to the consolidated targets of EBITDA (weight 50%), Opex reduction (weight 25%) and Net Financial Position (weight 25%), as specified in the 2016-2018 Business Plan, and applying the 2018 targets for 2019 will be reserved for the Chief Executive Officer.

Should Mr Cattaneo cease to hold the office of Chief Executive Officer (also after non-appointment as a member of the Board of Directors when the board is renewed), as a good leaver before payment of any bonus, he will be paid (i) the annual bonuses already accrued, and (ii) the Special Award he would have been entitled to, according to a linear projection to the end of the incentive period of the mean results already obtained, or, in the first year of his mandate and in the absence of historical data, taking as reference the results attested in the latest approved quarterly report.

The claw-back mechanisms in force at the time shall be applicable to both the cash and equity components of the bonus actually paid.

- **Severance pay**

In case of termination of the employment and directorship as a good leaver an agreed amount will be paid (distinct from and in addition to the MBO and the stock option plans and the Special Award) equal to the sum of the payment in lieu of notice, as specified in the collective employment agreement, and severance pay equal to 24 months' salary, considering both the fixed gross annual remuneration and the mean of the amounts received or accrued as MBO in the preceding 36 months (or lesser period of duration of employment as Chief Executive Officer of the Company).

- **Benefits**

In relation to the managerial role, the Chief Executive Officer enjoys the benefits specified 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 invalidity benefit due to illness; a company car for mixed use; 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.

Board of Statutory Auditors' considerations on the Chief Executive Officer's compensation package

The Board of Statutory Auditors' report to the Shareholders' Meeting pursuant to art. 153 of Legislative Decree no. 58/1998 contained some references to remuneration issues. Specifically, in the document it is stated that the Board of Statutory Auditors monitored "the process for the replacement of the Chief Executive Officer, attending the meetings of the Nomination and Remuneration Committee aimed at identifying the new Chief Executive Officer and defining his compensation, ensuring the release of the opinion envisaged by Art. 2389, subsection 3 of the Italian Civil Code". In this regard, "the Board of Statutory Auditors expressed an unfavourable opinion, pursuant to article 2389, subsection 3, of the Italian Civil Code, because of the problems regarding the manner in which the variable part of the remuneration (special award) is determined, particularly in relation to the market benchmarks and to it being determined exclusively on the basis of improvements relative to the 2016-2018 Business Plan previously approved by the Board of Directors on 15 February 2016."

With regard to the above, the shareholders' attention – for transparency – is brought to the full minutes of the opinion given by the Board of Statutory Auditors during the board meeting of 30 March 2016, at which the topic was discussed, as reported by its Chairman: "the control body was required to express its opinion prior to the resolution to be taken by the Board of Directors on the compensation for the special office of Chief Executive Officer. He reported that the Boards of Statutory Auditors had therefore examined the compensation package of the new Chief Executive Officer, and did not agree with the Special Award component, insofar as it substantially means that a very significant part of the overall compensation package would be determined by improvements and further synergies relating to a business plan that has already been approved: the Board of Statutory Auditors considered that the correct solution would be for the new Chief Executive Officer to directly prepare a reviewed and amended business plan, on the basis of which the Board of Directors would determine the targets to which the variable part of the compensation would be linked. For this reason, the Board of Statutory Auditors expressed a negative opinion of the proposed package".

After a specific discussion, which concerned the architecture of the bonus and the elements of the benchmark considered by the Nomination and Remuneration Committee in the formulation of the proposal, and in any case the merit of the decision to be taken, the Board of Directors did not comply with this (non-binding according to law) opinion, approving the proposal.

The report of the Board of Statutory Auditors also points out that, from the supervisory and control activity performed by the Board of Statutory Auditors, "no significant facts that should be mentioned in the Report to the Shareholders' Meeting have emerged, except for the issues encountered during the procedure adopted by the Company for the approval of the compensation package for the Chief Executive Officer appointed by the Board of Directors on 30 March 2016. In particular, the Board of Statutory Auditors has ascertained that it was a transaction with related parties of minor importance (not excluded from application, pursuant to the combined provisions of art. 18, letter c) of the Telecom Italia S.p.A. Procedure for performing transactions with related parties and art. 13, subsection 3, letter b), of Consob Regulation no. 17221 of 12 March 2010). The Board of Statutory Auditors, while taking into account and agreeing that the procedure for appointing the new Chief Executive Officer needed to be carried out and concluded in a short space of time, considers that the Nomination and Remuneration Committee and the Board of Directors were not provided with full and adequate information suitably in advance, as provided for under art. 7, subsection 1, letter c) of the aforementioned Regulation. The Board of Statutory Auditors, as regards the economic conditions agreed contractually, also considers that the Nomination and Remuneration Committee did not provide the Board of Directors with an adequately reasoned opinion - pursuant to art. 7, subsection 1, letter a) of the above Regulation and art. 35 of the Telecom Italia Procedure for performing transactions with related parties - on the Company's interest in performing the transaction and on the advantage and substantial correctness of the related conditions. The Board of Statutory Auditors consequently informed Consob of the irregularities encountered pursuant to art. 149, subsection 3, legislative decree 58/1998."

Irrespective of the assessment the control authority will give to the report, it is observed that the Nomination and Remuneration Committee, pursuant to the corporate procedure for carrying out transactions with related parties, is responsible for the evaluation of the Company's interest, the advantages and the substantial correctness of the conditions of those particular transactions with related parties that the Corporate Governance Principles of Telecom Italia attribute to its authority, such as the proposals on the remuneration of the executive directors.

With reference to the finding that the Committee was allegedly not "provided" with full and adequate information on the transaction suitably in advance, the Company specified that the Committee itself "performed" the transaction, in the sense that it directly defined, with the support of consultants of its choice, the package for the future Chief Executive Officer. And precisely because it "performed" the transaction (concluding the part pertaining to it on the evening of 29 March 2016), the Committee itself directly proposed it to the full board (the next morning: 30 March 2016). It is clear that in such a context the expression of the "opinion" required by the regulations on transactions with related parties could, in practice, only manifest itself in the presentation and arguments for the Board of the proposal developed by the Committee. The Committee promptly took measures through its various members and with the help of experts, focusing on the Company's interest in its completion, the advantages and the substantial correctness of the relative conditions, which are the three evaluation profiles identified in Consob Regulation no. 17221 of 12 March 2010. In short, the rationale of the proposal can be summarized as follows:

- Telecom Italia urgently needs change and a turnaround and Mr Cattaneo has been identified as the right person to achieve this (as also confirmed by an independent executive search company especially chosen by the Committee itself to support its evaluations: Korn Ferry);
- the congruity of the structure and of the economic terms of the transaction (the remuneration package negotiated to meet the requests made by Mr Cattaneo as a condition for acceptance of the appointment) was verified on the basis of a benchmark analysis (performed by another independent advisor: Mercer), combined with an estimate of the indirect benefit on the stock market (the multiples being equal) which affect the planned bonuses;
- the financial conditions of the transaction, which was defined in full compliance with the applicable procedures (procedural correctness profile), are therefore correct.

As for the topic of the prior notice and adequateness of the information for the full board, this can only be judged by the board itself and/or in any case its individual members, and at the aforementioned meeting of 30 March 2016 no remarks were made on the presumed delay or possible unsuitability of the information received. The assessment of the suitability of the prior notice was reasonably related to the urgency and the singularity of the decision, and therefore to the extraordinary nature of the circumstances, enabling rapid and effective solution to the question of appointing the Chief Executive Officer. On the other hand, the proposal was analytically presented and discussed, and during the meeting each participant was able to ask questions, express opinions and constructively participate in the debate without anyone complaining about a lack of information.

The Nomination and Remuneration Committee in fact, as per Consob Regulation no. 17221 of 12 March 2010, performed a complete and in-depth analysis with the full board on the Company's interest in the hypothesized transaction, and on the relative advantages and substantial correctness. All the considerations made at the Committee meetings and by the Committee unanimously agreed on and approved (i.e. all the arguments supporting the operation) were duly explained to the full board, both by the consultants who participated in the Committee meeting, and by its members.

To summarize, the Nomination and Remuneration Committee first and then the Board of Directors made their decisions being fully aware and informed, in respect of the regulations the Company has set itself and in compliance with Consob regulations. They submit them through this report for the examination and judgement of the shareholders.

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	Executive Chairman of Telecom Italia S.p.A
Marco Patuano	Managing Director and Chief Executive Officer of Telecom Italia S.p.A. ⁽¹⁾
Flavio Cattaneo	Managing Director and Chief Executive Officer of Telecom Italia S.p.A. ⁽²⁾ General Manager ⁽³⁾

Executives:

Rodrigo Modesto de Abreu	Diretor Presidente Tim Participações S.A.
Simone Battiferri	Head of ICT Solutions & Service Platforms
Stefano Ciurli	Head of Wholesale Department
Antonino Cusimano	Head of Legal Affairs
Stefano De Angelis	Head of Consumer & Small Enterprise Market
Mario Di Loreto	Head of People Value Department
Cristoforo Morandini ⁽⁴⁾	Head of Regulatory Affairs and Equivalence
Giuseppe Roberto Opilio	Head of Technology Department
Piergiorgio Peluso	Head of Administration, Finance and Control
Paolo Vantellini ⁽⁵⁾	Head of Business Support Office Department

(1) until 21 March 2016;

(4) from 17 March 2016

(2) from 30 March 2016

(5) until 15 April 2016 (the same date from which responsibility for the department was assigned temporarily to the Chief Financial Officer of the Company, Piergiorgio Peluso).

(3) from 12 April 2016

The structuring of the remuneration package for 2016 for Key Managers with Strategic Responsibilities, excluding the Chairman and the Chief Executive officer, is described below:

- **Fixed component**

The strategy for 2016 is basically to maintain remuneration in line with the market, while providing for selective criteria for alignment of the fixed remuneration.

- **Short Term Variable Component (MBO)**

The 2016 incentive plan is linked to the achievement of a combination of predefined targets:

- company targets generally of an economic and financial nature;
- departmental targets related to the specific activities of the Department;
- the Performance Management target, the weight of which is increased to 30% from 20% in 2015, based in any event on the overall result of the assessment from the new Performance Management system. More specifically, the new system will consider in equal measure both individual targets and conduct in relation to the new leadership model, assessed in multi-rater mode, i.e. by the direct manager, colleagues and collaborators.

The division of the corporate and departmental targets varies according to the organisational structure to which they belong, as described in the table:

Structures	Targets	Weight
COMMERCIAL + OPERATIONS Structures	GROUP/COMPANY	40%
	DEPARTMENTAL	30%
	PERFORMANCE MANAGEMENT	30%
STAFF structures	GROUP/COMPANY	50%
	DEPARTMENTAL	20%
	PERFORMANCE MANAGEMENT	30%
Structures reporting to the BoD	GROUP/COMPANY	30%
	DEPARTMENTAL	40%
	PERFORMANCE MANAGEMENT	30%

The achievement of the "gate" target constitutes, in continuity with 2015, an absolute access condition for the accrual of the incentive on the rest of the assigned company targets.

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

The scale for pay-outs (subject to claw-back) is shown below, assuming that all targets respectively reach the level below minimum, the minimum level, the target level and the maximum level. Each target is measured individually, so different combinations are possible of the levels of achievement of the targets; to assess these, the linear interpolation mechanism will be adopted.

Performance Level	Parametrised Scale
All targets below the minimum level	0%
All targets at Minimum Level	70%
All targets at Target Level	100%
All targets at Maximum Level	140%

- **Long Term Variable Component**

As already specified, the 2014-2016 Stock Option Plan is the long-term incentive instrument connected to the achievement of the Performance targets 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.

- **Special Award**

Managers with Strategic Responsibilities may be among the beneficiaries of the previously described Special Award (subject to claw-back).

- **Benefits**

Benefits are granted similar to those provided for all other company managers: company car for mixed use, insurance policies (workplace accidents, life and invalidity caused by illness), complementary health insurance cover, complementary pension fund and 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, covering the civil liability of the Directors and the Directors of companies controlled by Telecom Italia as well as the Directors & Officers of companies not controlled by Telecom Italia who are appointed by the latter or by its subsidiaries.

- **Severance pay**

Settlements applicable by virtue of legal provisions, the national collective labour agreement and supplementary company agreements, are specified (always excluding cases of dismissal with just cause).

REMUNERATION OF THE BOARD OF DIRECTORS

The Shareholders' Meeting on 15 December 2015, after the change to the composition of the Board of Directors from 13 to 17 Directors, proportionally increased the total remuneration of the Board of Directors, pursuant to art. 2389, subsection 1 of the Italian Civil Code, from 1,900,000 to 2,484,615 euros, gross.

The Board of Directors divided up the remuneration thus established, allocating 110,000 euros, gross per annum to each Director (excluding the Chairman and the Chief Executive Officer).

The following additional compensation will be also paid to the Directors who are members of Committees:

Control and Risk Committee Compensation	Nomination and Remuneration Committee Compensation
Lucia Calvosa (P)	Davide Benello (P)
Laura Cioli	Jean Paul Fitoussi **
Francesca Cornelli	Denise Kingsmill
Félicité Herzog *	Luca Marzotto
Giorgina Gallo	Arnaud Roy de Puyfontaine **
Giorgio Valerio	Stephane Roussel **

* On 15 February 2016 the Board of Directors re-determined the number of the members of the Control and Risk Committee at six, calling upon Ms Félicité Herzog to join it.

** On 15 February 2016 the Board of Directors took due note of the resignation submitted by Mr Fitoussi and re-
The Board of Directors resolved to assign to the Chairman of the Control and Risk Committee the role of director "linking" the full board and the heads of Internal Audit and Compliance departments that report directly to the Board of Directors. For this role, additional emoluments of 45,000 euros per year are paid.

determined the number of the members of the Nomination and Remuneration Committee at five, calling on Directors Arnaud Roy de Puyfontaine and Stephane Roussel to join it.

SECTION II – IMPLEMENTATION OF REMUNERATION POLICIES AND COMPENSATION PAID IN 2015

This section describes the remuneration interventions performed in 2015 in favour of 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
- Short term variable compensation
- Long term variable compensation

Furthermore, for completeness, details are provided of the economic treatment awarded by the Board of Directors (with the supporting opinion of the Nomination and Remuneration Committee) to former Chief Executive Officer Marco Patuano upon receipt of his resignation effective from 22 March 2016.

EXECUTIVE CHAIRMAN

The fixed compensation for the Chairman, Mr. Giuseppe Recchi, consisted of the emolument 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).

The table below illustrates in detail the degree of achievement of the targets assigned for the 2015 MBO short-term variable component and the results of the previous year (characterised by a different approach to the incentive targets).

Target	Weight	2015	2014
Assessment of the Board's effectiveness in managing BoD activities regarding: <ul style="list-style-type: none">• Board Leadership and Management• Working in cooperation with the Board members• Ensuring accountability• Setting and managing agendas and Board's decisions• Managing the relationship with the external stakeholders• Commitment to values and ethics	100%		
TOTAL		101.36%	120%

According to the percentage achievement given above, the Chairman has been paid a bonus for the short-term variable component in the amount of 202,720.00 euros gross.

No long-term variable compensation was paid to the Chairman.

The detailed analysis of the compensation received during the period for which he held the office (01.01.2015/31.12.2015) is shown in Table 1 of the second part of this section.

CEO

In 2015 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 gross per annum. During 2015 this compensation was not changed. 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).

With reference to the 2015 MBO Plan, the Board of Directors of Telecom Italia, in light of the recent cost cutting initiatives that also regarded the management of the company, resolved, on 6 August 2015, to not proceed to implement the architecture of deferral and partial settlement in equity (with bonus mechanism) authorised by the Shareholders' Meeting on 20 May 2015, maintaining the original cash approach of the short term bonus scheme. Consequently, the biannual allocation in shares of half of the accrued bonus, with subsequent award of bonus shares, was not proceeded with.

The table below illustrates in detail the degree of achievement of the targets assigned for the 2015 MBO short-term variable component and the results of the previous period.

Targets	2015			2014	2013	2012
	Weight	%	Weighted Score			
EBITDA - Organic Net Financial Charges	30%	90.7%	27.2%			
TI Group Net Financial Position	25%	70.3%	17.6%			
Total TI Group Organic Revenue	20%	0%	0.0%			
Domestic + Brazil Innovative Investments	15%	120,3	18.0%			
Customer Satisfaction Indicator	10%	100%	10%			
WEIGHTED TOTAL		72.8%	89.53	0% ²	28%	

According to the percentage of 2015 achievement given above, the Chief Executive Officer has been paid a bonus for the short-term variable component in the amount of 1,019,200.00 euros gross.

The detailed analysis of the compensation received during the period for which he held the office (01.01.2015/31.12.2015) is shown in Table 1 of the second part of this section.

Termination of the employment and directorship of Mr Marco Patuano

On 22 March 2016 the Company and Marco Patuano reached an agreement to terminate his employment and directorship, with immediate effect.

In addition to the amount described in the previous paragraph, accrued as variable emolument for the 2015 MBO (subject, pursuant to the agreement itself, to a claw-back mechanism, although only introduced in the current financial year 2016), the agreement awarded the total sum of 6,000,000 euros gross - paid on 31 March - made up as follows:

- 1,235,000 euros gross, for the cessation of his directorship; this amount - based on the contractually provided severance pay - is the mean of the finalised MBO earned during his mandate to cover the 13 months to go before the natural end of his mandate.
- 4,765,000 euros gross, for the cessation of his employment as senior executive; this amount is equal to the cost of notice, as provided in the collective employment agreement in case of unilateral termination of employment, plus the penalty specified in articles 19 and 22 of the applicable Collective Employment Agreement.

The agreement signed does not include a non-competition agreement.

The amount agreed on is in line with the remuneration policy and the agreements in place with Marco Patuano; before its approval by the Board of Directors the transaction was examined by the Nomination and Remuneration Committee - the competent body pursuant to the Company's *Procedure for performing transactions with related parties* - which expressed its reasoned favourable opinion on the conclusion of the agreement.

After his resignation became effective, Mr Marco Patuano's rights to participate in the 2014-2016 Stock Option Plan expired.

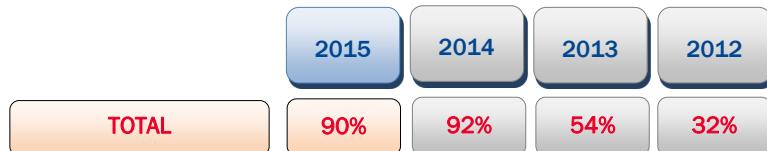
² In 2013, the "gate" target to gain access to the bonus was not reached

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.

With reference to the deferred 2015 MBO Plan, as for the Chief Executive Officer, the Key Managers with Strategic Responsibilities will also receive only the bonus in cash.

The table below shows the average pay out for the 2015 MBO short-term variable component compared with the average values for the previous period:



For the Key Managers with Strategic Responsibilities, no long-term variable compensation relating to the 2012 - 2014 LTI Plan was paid in 2015, because of the failure to achieve the two targets 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.

COMPENSATION PAID IN 2015

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

The compensation due to all the individuals who, during the financial year 2015, 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) are shown below.
(in thousands of euros)

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	Variable compensation non-equity			Other compensation	Total	Fair Value of compensation equity	Compensation on loss of office or termination of employment
							Bonuses and other incentives	Profit sharing	Non-monetary benefits				
Board of Directors													
1	Giuseppe Recchi	Executive Chairman	01.01 31.12	12.16	700		204		129		1,033		
2	Marco Patuano	CEO	01.01 31.12	12.16	1,388		1,024		41		2,453	804	
3	Tarak Ben Ammar	Director	01.01 31.12	12.16	110						110		
4	Davide Benello	Director	01.01 31.12	12.16	110	60					170		
5	Lucia Calvosa	Director	01.01 31.12	12.16	155	65					220		
6	Flavio Cattaneo	Director	01.01 31.12	12.16	110	9					119		
7	Laura Cioli	Director	01.01 31.12	12.16	110	45					155		
8	Francesca Cornelli	Director	01.01 31.12	12.16	110	45					155		
9	Jean Paul Fitoussi	Director	01.01 31.12	12.16	110	40					150		
10	Giorgia Gallo	Director	01.01 31.12	12.16	110	45					155		
11	Félicité Herzog	Director	15.12 31.12	12.16	5						5		
12	Denise Kingsmill	Director	01.01 31.12	12.16	110	40					150		
13	Luca Marzotto	Director	01.01 31.12	12.16	110	31					141		
14	Hervé Philippe	Director	15.12 31.12	12.16	5						5		
15	Stephane Roussel	Director	15.12 31.12	12.16	5						5		
16	Arnaud Roy de Puyfontaine	Director	15.12 31.12	12.16	5						5		
17	Giorgio Valerio	Director	01.01 31.12	12.16	110	45					155		
Board of Statutory Auditors													
18	Roberto Capone	Standing Auditor	01.01 20.05	12.14	47						47		
		Chairman	21.05 31.12	12.17	83						83		
19	Vincenzo Cariello	Standing Auditor	21.05 31.12	12.17	58						58		
20	Paola Maiorana	Standing Auditor	21.05 31.12	12.17	58						58		
21	Gianluca Ponzellini	Standing Auditor	01.01 20.05	12.14	45						45		
		Standing Auditor	21.05 31.12	12.17	58						58		
22	Ugo Rock	Standing Auditor	21.05 31.12	12.17	58						58		
23	Enrico Maria Bignami	Chairman	01.01 20.05	12.14	63				5		68		
24	Salvatore Spiniello	Standing Auditor	01.01 20.05	12.14	44						44		
25	Ferdinando Superti Furga	Standing Auditor	01.01 20.05	12.14	45				3		48		
Key Managers with Strategic Responsibilities *													
Remuneration in the company drawing up the financial statements					4,557		2,115		133		6,805	1,288	
Remuneration from subsidiaries **					462		132				594	371	
Total					5,019		2,247		133		7,399	1,659	
					TOTAL	8,941	425	3,475	0	303	8	13,152	2,463

Notes

(*) The compensation refers to all the individuals who held the position of Key Managers with Strategic Responsibilities during the 2015 financial year, or any part thereof (10 managers);

(**) Amounts relating to local work contracts have been converted into euros at the average exchange rate in 2016, at 31/03/2016 (Reais/€4.29753).

1 Giuseppe Recchi – Executive 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, relating to the office as Director, refers to the "bonus" for the financial year for targets achieved in the year itself (€/000 203), as well as reimbursements for membership of clubs and associations (€/000 1).
- col. 4 The amount includes payments for pension policies relating to the financial year 2014 (€/000 49)

2 Marco Patuano – Chief Executive Officer

- col. 1 The amount includes the remuneration for work as employee (€/000 1.383) and travel expenses (€/000 5);
- col. 3 The amount, relating to the office as Director, includes the "bonus" for the financial year for targets achieved in the year itself (€/000 1,019), as well as miscellaneous/taxed reimbursements relating to the contract of employment (€/000 5).

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 40) and as Chairman of the Nomination and Remuneration Committee (€./000 20)

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 45)
- 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 20)

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 for the period 1/1 - 26/03/2015.

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 Nomination and Remuneration Committee

10 Giorgina 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 Félicité Herzog – Director

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

12 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

13 Luca Marzotto – Director

- Column 1 This amount refers to the compensation received as member of the Board of Directors
- Column 2 This amount refers to the compensation received as member of the Nomination and Remuneration Committee for the period 27/3 - 31/12/2015.

14 Hervé Philippe – Director

- Column 1 This amount refers to the compensation received as member of the Board of Directors

15 **Stephane Roussel – Director**
 Column 1 This amount refers to the compensation received as member of the Board of Directors

16 **Arnaud Roy de Puyfontaine – Director**
 Column 1 This amount refers to the compensation received as member of the Board of Directors

17 **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

18 **Roberto Capone – Standing Auditor**
 col. 1 The amounts refer to the compensation received as Standing Auditor (€/000 37), supplemented with the attendance fees (€/000 10), as per the resolution passed by the Shareholders' meeting on 16 April 2014, and as Chairman of the Board of Statutory Auditors.

19 **Vincenzo Cariello – Standing Auditor**
 Column 1 This amount refers to the compensation received as Standing Auditor

20 **Paola Maiorana – Standing Auditor**
 Column 1 This amount refers to the compensation received as Standing Auditor

21 **Gianluca Ponzellini – Standing Auditor**
 Column 1 The amounts refer to the compensation received as Standing Auditor (€/000 37), supplemented with the attendance fee (€/000 8), as per the resolution passed by the Shareholders' meeting on 16 April 2014.

22 **Ugo Rock – Standing Auditor**
 Column 1 This amount refers to the compensation received as Standing Auditor

23 **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 52), supplemented with the attendance allowance (€/000 11), as per the resolution passed by the shareholders' meeting on 16 April 2014
 Column 5 The amount refers to the accrual (period 14/1 – 20/5/2015) of the compensation received as Chairman of the Board of Statutory Auditors of the subsidiary company INWIT S.p.A.

24 **Salvatore Spinelli – Standing Auditor**
 col. 1 This amount refers to the compensation received as Standing Auditor (€/000 36), supplemented with the attendance allowance (€/000 8), as per the resolution passed by the Shareholders' meeting on 16 April 2014

25 **Ferdinando Superti Furga – Standing Auditor**
 col. 1 This amount refers to the compensation received as Standing Auditor (€/000 37), supplemented with the attendance allowance (€/000 8), as per the resolution passed by the Shareholders' meeting on 16 April 2014
 Column 5 The amount refers to the accrual (period 16/4 – 20/5/2015) of the compensation received as Chairman of the Board of Statutory Auditors of the subsidiary company Telecom Italia Information Technology S.r.l.

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

							Date: 31/12/2015
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 16/04/2014	Stock Option Plan 2014 16/04/2014	Stock Option Plan 2013 30/07/2013	Stock Option Plan 2014 29/09/2014	Stock Option Plan 2015 16/10/2015	
Options held at the beginning of the financial year	2	Number of options	20,106,382	25,839,518	412,781	338,601	46,697,282
	3	Strike price	€ 0.94	€ 0.94	R\$ 8.1349 (1)	R\$ 13.4184 (1)	
	4	Possible exercise period (from/to)	2017-2020	2017-2020	2014-2019	2015-2020	
Options allocated during the financial year	5	Number of options		2,227,722		780,144	3,007,866
	6	Strike price		€1.01		R\$ 8.4526 (1)(4)	
	7	Possible exercise period (from/to)		2017-2020		2016-2021	
	8	Fair value on allocation date		€591,089		€495,862 (2)(3)	€1,086,951
	9	Allocation date		02/03/2015		16/10/2015	
	10	Market price of underlying options on allocation of options		€1.08		R\$ 8.4526 (4)	
Options exercised during the financial year	11	Number of options					
	12	Strike price					
	13	Market price of underlying options on exercise date					
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	28,067,240	412,781	338,601	780,144 49,705,148
Options for the year	16	Fair value	€804,255	€1,200,660	€108,312 (2)	€194,254 (2)	€68,606 (2)(3) €2,376,087

(1) The strike price can be corrected in relation to the conditions laid down in the plan

(2) Amounts relating to local Stock Option Plans have been converted into euros at the average exchange rate in 2015, at 31/12/2015 (Reais/€3.69727)

(3) Fair Value at allocation date for each option equal to 2.35 Reais

(4) The market price (same value as the strike price) is calculated on the basis of the share price weighted for volume of trading in the 30 days prior to 29 September 2015

* On 22 March 2016, after his resignation became effective, Mr Marco Patuano's rights to participate in the 2014-2016 Stock Option Plan expired.

Table 3A relating to incentive Plans based on financial instruments other than stock options, for members of the management and control bodies and key managers with strategic responsibilities, is not shown because the previous LTI Plans have expired.

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 Executive	MBO 2015 BoD Resolution 19/03/2015	203						1
Marco Patuano	Managing Director	MBO 2015 BoD Resolution 19/03/2015	1,019						5
Compensation in the company drawing up the financial statements			1,222						6
Compensation in subsidiaries and associates									
		TOTAL	1,222						6

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	
Key Managers with Strategic Responsibilities									
Remuneration in the company drawing up the financial statements		MBO 2015 Letters of 25/02/2015	2,071						44
Compensation in subsidiaries and associates		MBO 2015	132 (1)						
		TOTAL	2,203						44

(1) The amount refers to the estimated local bonus of 567,338 Reais converted into euros at the average exchange rate for 2016 at 31/03/2016 (Real/€4.29753).

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 table below shows the shareholdings held by all the individuals who during the financial year 2015, 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 2014 financial year (or on the date of appointment)	Number of shares bought during the 2015 financial year	Number of shares sold during the 2015 financial year	Number of shares owned at the end of the 2015 financial year (or on the date of termination of office if earlier)
Board of Directors							
Giuseppe Recchi	Chairman Executive	Telecom Italia S.p.A.	Ordinary		320,000		320,000
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						
Laura Cioli	Director						
Francesca Cornelli	Director						
Jean Paul Fitoussi	Director						
Giorgina Gallo	Director						
Félicité Herzog	Director						
Denise Kingsmill	Director						
Luca Marzotto	Director	Telecom Italia S.p.A.	Savings	200,798			200,798
Hervé Philippe	Director						
Stephane Roussel	Director						
Arnaud Roy de Puyfontaine	Director						
Giorgio Valerio	Director						
Board of Statutory Auditors							
Roberto Capone	Chairman						
Vincenzo Cariello	Standing Auditor						
Paola Maiorana	Standing Auditor						
Gianluca Ponzellini	Standing Auditor						
Ugo Rock	Standing Auditor						
Enrico Maria Bignami	Chairman						
Salvatore Spiniello	Standing Auditor						
Ferdinando Superti Furpa	Standing Auditor						
Key Managers with Strategic Responsibilities							
10		Telecom Italia S.p.A.	Ordinary	23,553 (*)	1,104		24,657
		Tim Participacoes	ON (**) 11,310				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: 31/12/2015			
Name or category	Position	PANEL 2							Market price of underlying shares on date of allocation	Possible exercise period (from-to)		
		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 Shareholder's 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)			
TELECOM ITALIA 2014-2016 STOCK OPTION PLAN												
Marco Patuano*	CEO	16 April 2014	Assignment of options conditional on achieving three-year performance targets	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 targets	25,839,518 2,227,722	= =	26 June 14 02 March 15	€0.94 €1.01	€ 0.93 €1.08	2017-2020 2017-2020			
Other Executives of the Telecom Italia Group		16 April 2014	Assignment of options conditional on achieving three-year performance targets	107,110,853 2,016,086	= =	26 June 14 02 March 15	€0.94 €1.01	€ 0.93 €1.08	2017-2020 2017-2020			

* On 22 March 2016, after his resignation became effective, Mr Marco Patuano's rights to participate in the 2014-2016 Stock Option Plan expired.

COMPENSATION PLANS BASED ON FINANCIAL INSTRUMENTS TABLES NO.1 OF CHART 7 OF APPENDIX 3A OF THE REGULATIONS NO.11971/1999

								Date: 31/12/2015	
Name or category	Position	PANEL1						Vesting Period	
		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	
TELECOM ITALIA EMPLOYEE SHARE OWNERSHIP PLAN 2014									
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.	51,199,661 (*)	31 July 2014	€ 0.84	€ 0.87	=	

(*) On the date of the allocation of the bonus shares (4 August 2015) 51,202,973 ordinary shares were subscribed at a price of 0.84 euro each, to which were added 17,007,927 ordinary shares assigned free of charge.

Telecom Italia S.p.A.

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