THE TELECOM ITALIA PRINCIPLES OF CORPORATE GOVERNANCE

Approved on 6 December 2012

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1. INTRODUCTION
1.1 - Telecom Italia complies with the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana, in its December 2011 edition (hereafter: the Borsa Italiana Code).

1.2 - This document departs from and/or supplements the set of applicable rules that refer to the duties and operation of the corporate bodies of the Company. The principles and criteria of the Borsa Italiana Code shall apply to all matters not specified herein.

2. RULES OF CONDUCT
2.1 – In carrying out their tasks, the members of the corporate bodies of the Company shall fully comply with applicable laws, the Code of Ethics of the Group, the company By-Laws and the Borsa Italiana Code. They shall also comply with the undertakings given
- to the Conselho Administrativo de Defesa Econômica (CADE) and the Agência Nacional de Telecomunicações (Anatel) 1, as well as
- to the Comisión Nacional de Defensa de la Competencia (CNDC)2, to ensure that competition conditions are maintained in the Brazilian and Argentine telecommunications markets, respectively.

2.2 – The Directors, Auditors and executives relevant for the purposes of the rules on insider dealing, and those persons closely associated with them, shall refrain from carrying out transactions involving shares issued by the Company (and the parent company, if any) and financial instruments linked to them, from the day following the close of each accounting period until disclosure of the final or preliminary economic and financial data for the period. The Board of Directors may, in exceptional cases, determine further periods during which the obligation to abstain applies, or during which said obligation is suspended.

2.3 – The key managers/executive officers of the company3 are identified by the Board of Directors as the members of the management to whom the obligations to inform the public, and to abstain from carrying out transactions on financial instruments set out in the previous paragraph shall apply.

3. COMPOSITION OF THE BOARD OF DIRECTORS
3.1 – The Company urges its shareholders to exercise their rights to propose candidates and to appoint the members of the boards, considering the recommendations of the Borsa Italiana Code, best practice and the opinions expressed by the Board of Directors and/or the Board of Statutory Auditors in their respective reports.

3.2 In principle, serving as a director or member of a control body of more than five companies other than those subject to the management and coordination of Telecom Italia, that is, its subsidiary or affiliate companies, when the companies involved are (i) listed companies included in the FTSE/MIB index, or (ii) companies operating principally in the financial sector dealing with the public or (iii) companies that perform banking or insurance activities is not considered to be compatible with serving as a Director of

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1 The undertakings given to CADE and Anatel are contained in the “New Procedure for respecting the Agreement of 28 April 2010 with the Conselho Administrativo de Defesa Econômica (“CADE”)” and the “New Procedure for respecting ANATEL resolutions no. 68276 of 31 October 2007 and no. 3804 of 7 July 2009” which may be consulted on the Company website at www.telecomitalia.com.

2 The undertakings given to CNDC are contained in the “Procedure for implementing the undertakings given effective from 13 October 2010 with the Comisión Nacional de Defensa de la Competencia (“CNDC”)” of November 2010, which may be consulted on the Company website at www.telecomitalia.com.

3 At 17 January 2013, the executives with strategic responsibilities were identified as the Managers in charge of the Administration, Finance and Control, Human Resources and Organization, Legal Affairs, National Wholesale Services, Public & Regulatory Affairs, Business Support Officer, Technology, Consumer, Business, and the Managers responsible for Tim Brasil and Telecom Argentina, in addition to the Chairman and CEO, the COO and the General Manager of South American businesses.
Telecom Italia; nor is serving in more than three executive capacities in companies of the types indicated in (i), (ii) or (iii) above considered compatible for a Director of the Company. If a Director holds office in more than one company belonging to the same Group, only one appointment held within that Group shall be taken into account when calculating the number of appointments.

3.3 – As far as limits of appointments are concerned, the Board of Directors retains the right to make a different assessment on a case by case basis, taking account of the size and organisation of the different companies, as well as the shareholding relationships between them. This assessment shall be made public in the annual report on corporate governance.

4. ROLE OF THE BOARD OF DIRECTORS

4.1 – The role of the Board of Directors is to provide strategic supervision and direction, pursuing the primary objective of creating value for the shareholders, with a medium-long term perspective, also taking the legitimate interests of the remaining stakeholders into account.

4.2 - In carrying out the tasks attributed to it by applicable rules, the Company Bylaws and the Borsa Italiana Code, the Board of Directors shall, in particular, have overall responsibility for the internal control and risk management system, including the definition of the nature and level of risk consistent with the specific strategic objectives of the business.

4.3 – The following are examples of matters considered to have a major impact on the business of the Company and the Group, and as such are subject to approval by the Board:

a) agreements with competitors that, owing to the subject, the commitments, the conditionings and the limits that might derive from them, have a lasting influence on the freedom of strategic business choices (e.g. partnerships, joint ventures, etc.);

b) investments and disinvestments exceeding 250 million euros, and in any event purchases or sales of shareholdings, or businesses or business units that are of strategic significance in the overall framework of the business; transactions that, in their execution or upon their completion, can create commitments and/or purchases and/or sales of this nature and scale;

c) agreements, if any, entered into with consultants to the issuer; for each contract, the Board of Directors shall establish general criteria for identifying the material transactions;

d) provide information in the Corporate Governance Report on: (1) its composition, indicating for each member the qualification (executive, non-executive, independent), the relevant role held within the Board of Directors (including by way of example, chairman or chief executive officer, as defined by article 2), the main professional characteristics as well as the duration of his/her office since the first appointment; (2) the application of article 1 of the Borsa Italiana Code and, in particular, on the number and average duration of meetings of the Board and of the Executive Committee, if any, held during the fiscal year, as well as the related percentage of attendance of each director; (3) how the self-assessment procedure as at previous item g) has developed

4 Pursuant to point 1.C.1. of the Borsa Italiana Code, the Board of Directors shall, in particular:

a) examine and approve the strategic, operational and financial plans of both the issuer and the group it heads, monitoring periodically the related implementation; it defines the issuer’s corporate governance system and the group structure;

b) define the nature and level of risk in a manner compatible with the issuer’s strategic objectives;

c) evaluate the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control system and risk management;

d) specify the frequency, in any case no less than once every three months, with which the delegated bodies must report to the Board on the activities performed in the exercise of the powers delegated to them;

e) evaluate the general performance of the company, paying particular attention to the information received from the delegated bodies and periodically comparing the results achieved with those planned;

f) resolve upon transactions to be carried out by the issuer or its controlled companies when such transactions have a significant impact on the issuer’s strategies, profitability, assets and liabilities or financial position; to this end, the Board shall establish general criteria for identifying the material transactions;

g) perform, at least annually an evaluation of the performance of the Board of Directors and its Committees, as well as their size and composition, taking into account the professional competence, experience (including managerial experience) and gender of its members, as well as the number of years for which they have served as director. Where the Board of Directors avails itself of consultants for such a self-assessment, the Corporate Governance Report shall provide information on other services, if any, performed by such consultants to the issuer or to companies having a control relationship with the issuer;

h) taking into account the outcome of the evaluation mentioned under the previous item g), report to shareholders its view on the professional profiles deemed appropriate for the composition of the Board of Directors, prior to the nomination of the new board;

i) provide information in the Corporate Governance Report on: (1) its composition, indicating for each member the qualification (executive, non-executive, independent), the relevant role held within the Board of Directors (including by way of example, chairman or chief executive officer, as defined by article 2), the main professional characteristics as well as the duration of his/her office since the first appointment; (2) the application of article 1 of the Borsa Italiana Code and, in particular, on the number and average duration of meetings of the Board and of the Executive Committee, if any, held during the fiscal year, as well as the related percentage of attendance of each director; (3) how the self-assessment procedure as at previous item g) has developed

j) in order to ensure the correct handling of corporate information, adopt, upon proposal of the managing director or the chairman of the Board of Directors, procedures for the internal handling and disclosure to third parties of documents and information concerning the issuer, having special regard to price sensitive information.
c) the acceptance of loans for amounts exceeding 500 euros million and the granting of loans and guarantees in favour of non-subsidiary companies for amounts exceeding euro 250 million; transactions that, in their execution or upon their completion, can create commitments and/or purchase or sales of this nature and scale;

d) the above transactions, to be performed by unlisted subsidiaries of the Group, excluding those controlled by listed subsidiaries;

e) the listing and delisting of financial instruments issued by the Company or Group companies in regulated markets inside or outside Europe;

f) instructions to be given to listed subsidiaries (and their subsidiaries), when Group Parent Telecom Italia exercises its managing and coordinating activity for the performance of transactions with the characteristics indicated above.

5. OPERATION OF THE BOARD OF DIRECTORS

5.1 – The Board of Directors shall establish an annual schedule of meetings, upon proposal by the Chairman, with a long term work programme listing those topics that can be planned for. In addition to the scheduled meetings, the Board of Directors shall meet whenever the Chairman deems it necessary in the interest of the Company; it may also meet at the initiative of Directors and Auditors, as provided for by law and the bylaws. Each director may propose matters for discussion in Board meetings; the Board shall decide if and when such matters are to be addressed.

5.2 – The Board of Directors shall examine, discuss and resolve on the transactions, business and plans of the Group companies in Argentina and Brazil, and shall discuss all topics related in any way to said transactions, business and plans in separate meetings, with separate agendas, to which the Directors designated directly or indirectly by Telefónica S.A. are not invited and shall not participate.

5.3 – To carry out his duties the Chairman of the Board of Directors shall avail himself or herself of the assistance of the Secretary of the Board of Directors. To ensure that the body operates properly, he or she shall collaborate in appropriate ways with the Executive directors, the Lead Independent director, the Chairman of the Committees and of the Board of Statutory Auditors, the Director responsible for links between the full Board of Directors and the Managers responsible for Internal Audit and for compliance functions who report directly to the Board of Directors.

5.4 – The Chairman, of his or her own initiative or at the request of the directors present, may invite Group managers or other persons to attend meetings. The person responsible for the preparation of the corporate financial documents shall attend Board meetings, at the invitation of the Chairman, when the agenda includes matters falling within the scope of his/her duties.

5.5 – As a matter of urgency and with the limitations set forth by law and the Bylaws, the Chairman of the Board of Directors shall exercise the powers in matters for which the Board of Directors is competent; in such cases the Chairman shall report to the Board of Directors and to the Auditors on the action taken and the decisions adopted, in a specific communication and in any event at the first subsequent meeting, explaining why it was a matter of urgency.

5.6 – The Chairman shall promote the organisation of meetings of Directors and Auditors with the Executive Directors, members of the management of the Group, and experts, to examine matters of interest to the Company and the Group, for training or development purposes, or to explore issues in greater depth.

5.7 - The Board of Directors shall designate an independent Director as Lead Independent Director. The Lead Independent Director shall act as a reference point and coordinator of the applications and contributions made by independent Directors and generally non-executive Directors; he or she may make use of the Company structures and is entitled to call specific meetings of the independent Directors only, to discuss topics of interest relating to the operation of the Board of Directors or the running of the business, and can invite members of the management of the Group to such meetings.

5.8 – The Board of Directors shall, as a rule, establish among its members an Executive Committee, a Nominations and Remuneration Committee and a Control and Risks Committee. The internal Committees shall not have exclusive attributes, but - where their intervention is prescribed by the Borsa Italiana Code or by this document – the Board of Directors shall explain any decisions it might make in the absence of their prior proposal and/or investigation.
6. EXECUTIVE COMMITTEE

6.1 - The Board of Directors shall establish an Executive Committee from among its members, including the Executive Directors (who shall ensure coordination with the managers of the Group) and non-executive Directors; the Chairman of the Committee shall be the Chairman of the Board of Directors.

6.2 - The Committee shall:

a) monitor the operational performance of the Company and the Group;

b) approve the Company’s macro organizational arrangements, acting on a proposal from the Executive Directors;

c) express its opinion of the budget and of the strategic, industrial and financial plans of the Company and the Group, as well as on transactions that, owing to their nature, strategic importance, size or consequent commitments, will have a major impact on the business of the Company and the Group;

d) perform other duties assigned to it by the Board of Directors.

6.3 - The Committee shall report to the Board of Directors on its activity in the most appropriate manner, and in any case at the first possible meeting.

6.4 - Insofar as they are applicable, the operational rules specified for the Board of Directors shall apply to the Committee.

7. NOMINATION AND REMUNERATION COMMITTEE

7.1 - The Board of Directors shall constitute a Nomination and Remuneration Committee, made up of non-executive directors, of whom the majority shall be independent, including at least one elected from a slate presented by minority shareholders in accordance with the Bylaws. At least one member of this Committee shall possess adequate expertise in financial matters or pay policies.

7.2 - The chairman of the Board of Statutory Auditors or another Auditor appointed by the chairman of the Board of Statutory Auditors for the purpose, shall attend the meetings of the Committee, which makes use of the Company structures or of external consultants of its choice to perform its functions.

7.3 - Without prejudice to the tasks attributed to it by the Borsa Italiana code, the Committee shall:

a) oversee the succession plan for Executive Directors, and monitor the updating of the company management replacement lists, prepared by the Executive directors.

b) establish the procedure and period for the annual evaluation of the Board of Directors;

c) propose the criteria for allocating the total annual compensation established by the Shareholders’ Meeting for the whole Board of Directors;

d) perform other duties assigned to it by the Board of Directors.

7.4 - The Committee shall report to the Board of Directors on its activity in the most appropriate manner, and in any case at the first possible meeting.

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5 Pursuant to point 6.C.5. of the Borsa Italiana Code, the Remuneration Committee shall, in particular:

- periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, also on the basis of the information provided by the managing directors; it shall formulate proposals to the Board of Directors in that regard

- submit proposals or issue opinions to the Board of Directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration; monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives.

Moreover, point 5.C.1. of the Borsa Italiana Code assigns the following functions to the Nomination Committee:

a) to express opinions to the Board of Directors regarding its size and composition and express recommendations with regard to the professional skills necessary within the Board as well with regard to the topics indicated by articles 1.C.3 (limit to the accumulation of offices) and 1.C.4 (derogations from the prohibition of competition pursuant to Article 2390 of the Italian Civil Code);

b) to submit to the Board of Directors candidates for directors offices in case of co-optation, should the replacement of independent directors be necessary.
7.5 - Insofar as they are applicable, the operational rules set out for the Board of Directors shall apply to the Committee. The Committee shall appoint a Chairman from among its independent members, to coordinate the work of the Committee and speak on its behalf to the Board of Directors and its Chairman.

8. CONTROL AND RISK COMMITTEE

8.1 - The Board of Directors shall constitute a Control and Risk Committee, made up of non-executive directors, of whom the majority shall be independent, including at least one elected from a slate presented by minority shareholders in accordance with the Bylaws. At least one member of this Committee shall possess adequate expertise in accounting and finance or risk management.

8.2 - The Chairman of the Board of Statutory Auditors or another Auditor appointed by the chairman of the Board of Statutory Auditors for the purpose, and the Director responsible for links between the full Board of directors and the Managers responsible for Internal Audit and for compliance functions who report directly to the Board of Directors, shall attend the meetings of the Committee, which makes use of the Company structures or of external consultants of its choice to perform its functions; the Executive Directors are entitled to attend, in relation to their assigned duties regarding control and risk management. Where appropriate, in relation to the topics to be discussed, the Committee and the Board of Statutory Auditors shall meet jointly.

8.3 - Without prejudice to the tasks attributed to it by the Borsa Italiana Code and internal rules, the Committee shall:

a) provide high-level supervision related to corporate social responsibility, monitoring the consistency of the actions performed with the principles laid down by the Code of Ethics of the Group and the values of Telecom Italia;

b) monitor observance of the Company's corporate governance rules, the evolution of rules and best practice in the field of controls, corporate governance and corporate social responsibility, also with a view to proposing updates to the internal practices and rules of the Company and the Group;

c) perform other duties assigned to it by the Board of Directors.

8.4 - The Committee shall report to the Board of Directors on its activity in the most appropriate manner, and in any case at the first possible meeting.

8.5 - Insofar as they are applicable, the operational rules set out for the Board of Directors shall apply to the Committee. The Committee shall appoint a Chairman from among its independent members, to coordinate the work of the Committee and speak on its behalf to the Board of Directors and its Chairman.

9. BOARD OF STATUTORY AUDITORS

9.1 - The Board of Statutory Auditors performs the activities assigned to it by Italian rules, as well as the duties of the audit Committee pursuant to the United States' regulations, applicable to the Company by virtue of its status as a foreign issuer listed on the New York Stock Exchange. The Board of Statutory Auditors is assigned the functions of supervisory body pursuant to legislative decree no. 231/2001.

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6 Pursuant to point 7.C.2. of the Borsa Italiana Code, the Control and Risk Committee, when assisting the Board of Directors, shall
a) evaluate together with the person responsible for the preparation of the corporate financial documents, after hearing the external auditors and the Board of statutory auditors, the correct application of the accounting principles and, in the case of groups, their consistency for the purpose of the preparation of the consolidated financial statements;

b) express opinions on specific aspects relating to the identification of the main risks for the company;

c) review the periodic reports evaluating the internal control and risk management system, as well as those reports of the internal audit function that are particularly significant;

d) monitor the independence, adequacy, efficiency and effectiveness of the internal audit function;

e) request that the internal audit function review specific operational areas, giving simultaneous notice to the chairman of the Board of Statutory Auditors;

f) report to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half-year financial report, on the activity carried out, as well as on the adequacy of the internal control and risk management system.

7 The reference is to the Procedure for conducting transactions with related parties adopted by the Company pursuant to Consob Regulation no. 17221/2010, the latest edition of which, amended by the Board of Directors by resolution on 28 June 2012, may be consulted on the Company website at www.telecomitalia.com.
9.2 – Without prejudice to the powers and rights assigned to the Auditors by law, the Company makes available to the Board of Statutory Auditors specific internal structures with support functions, the faculty to ask internal audit and the compliance departments that report directly to the Board of Directors to carry out specific audits, and access to external consultants of its choice.

9.3 – The Board of Statutory Auditors has a procedure that disciplines the receipt, retention and processing of complaints, concerns and declarations, including those made by employees and anonymous communications.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

10.1 - The risk management and internal control system is organised and operates according to the principles and criteria set out in the Borsa Italiana Code. It is an integral part of the general organisational structure of the Company and the Group, and involves several components that act in a coordinated way according to their respective responsibilities – the responsibility of the Board of Directors to direct and provide strategic supervision, the responsibility of the Executive Directors and management to monitor and manage, the responsibility of the Control and Risks Committee to overview and provide support to the Board of Directors, and the supervisory responsibilities of the Board of Statutory Auditors.

10.2 – While meeting compliance requirements with applicable local regulations, the Board of Directors of Telecom Italia defines the guidelines of the risk management and internal control system for the whole Group, to be instituted and maintained by the Executive Directors, each in relation to the area delegated to him or her, and by the person responsible for the preparation of the corporate financial documents for those matters within his or her sphere of competence. They are responsible for identifying risks and for the first and second level controls, excepting those specified in paragraph 10.4 below.

10.3 – The adequacy and effectiveness of the way the aforementioned tasks are discharged, the organisational structures and the significant operational processes, are monitored through the Control and Risks Committee, and are evaluated by the Board of Directors at least once a year, in the corporate governance report. More generally, the Control and Risks Committee provides general preparatory support to the Board in connection with control and risk management matters, interacting with the relevant main players at managerial level, the external auditor and the Board of Statutory Auditors.

10.4 – Both the Internal Audit Manager of the parent company, who has sole responsibility for the third level controls, and the Managers responsible for the compliance checks referring to (i) respect and guidance for abidance to the Code of Ethics and (ii) the rules with most significant and general effects on Telecom Italia (second level controls) report to the Board of Directors. They (i) work directly in Telecom Italia and those subsidiaries without corresponding structures of their own, acting also in their interest and reporting to their respective corporate bodies, (ii) liaise and collaborate with the structures of those subsidiaries that do have such structures of their own, with a view to coordinate, address and harmonise, consistently with respect for applicable rules and for the responsibilities such local structures have.

10.5 – The Managers of the Group Parent Telecom Italia who are responsible for Internal Audit and for the compliance functions referred to in the previous paragraph report to the Board of Directors, which

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8 The Board of Directors has retained hierarchical responsibility for Compliance Management (although the presence of a specific Compliance Department that reports directly to the Managing Director for Domestic business has been retained) and the IT & Security Compliance Department (as at 8 November 2012).

9 Pursuant to point 7.C.5. of the Borsa Italiana Code, the person in charge of Internal Audit shall:
   a) verify, both on a continuous basis and in relation to special needs, in conformity with international standards, the adequacy and effective functioning of the internal control and risk management system, through an audit plan approved by the Board of Directors, based on a structured analysis and ranking of the main risks;
   b) not be responsible for any operational area and report directly to the Board of Directors;
   c) have direct access to all information useful for the performance of his or her duties;
   d) draft periodic reports containing adequate information on its own activity, and on the risk management process, as well as about compliance with the plans defined to mitigate these risks. Such periodic reports contain an evaluation of the adequacy of the internal control and risk management system;
   e) prepare timely reports on particularly significant events;
   f) submit the reports indicated under items d) and e) above to the chairman of the Board of Statutory Auditors, the Control and Risks Committee and the Board of Directors, as well as to the director in charge of the internal control and risk management system;
   g) tests the reliability of the information systems included in the accounting system as part of the audit plan.
assigns one of its members to act as a link, with guarantor functions, when the Chairman is an executive. They are appointed and dismissed by the Board of Directors, which determines their pay and makes its decisions based on the opinion of the Control and Risks Committee (for appointments and dismissals) or the Nomination and Remuneration Committee (for pay and incentive mechanisms), having obtained the opinion of the Board of Statutory Auditors, and assures their independence from the operational areas.

Translation for the reader's convenience only. In case of inconsistency, the Italian text will prevail.