

# Report on Remuneration

pursuant to art. 123-ter CFL

(Report approved by the Board of Directors at its meeting of 7 March 2013)

Telecom Italia S.p.A.  
Registered Office in Milan at Piazza degli Affari 2  
General Administration and Secondary Office in Rome at Corso d'Italia 41  
Certified e-mail address: [telecomitalia@pec.telecomitalia.it](mailto:telecomitalia@pec.telecomitalia.it)  
Share capital 10,693,628,019.25 euros fully paid up  
Tax Code, VAT Registration Number and  
Milan Business Register Number 00488410010

## Contents

### INTRODUCTION

### SECTION 1

#### 1. PARTIES INVOLVED IN THE REMUNERATION PROCESS

Letters a), b) and c) of Appendix 3A, Chart 7-bis, Section I, of the Issuers' Regulations:

- the bodies or individuals involved in drawing up and approving the remuneration policy, specifying the respective roles, and the bodies or individuals responsible for the proper implementation of this policy;
- any involvement of a remuneration committee or other relevant committee, describing its composition (making a distinction between non-executive and independent directors), responsibilities and modes of operation;
- names of any independent experts involved in drawing up the remuneration policy.

#### 2. PRINCIPLES AND AIMS OF THE REMUNERATION POLICY, WITH REFERENCE TO THE VARIOUS ITEMS OF REMUNERATION

Letters d), g), h) and i) of Appendix 3A, Chart 7-bis, Section I, of the Issuers' Regulations:

- the aims pursued by the remuneration policy, the principles that underlie it and any changes in remuneration policy from the previous financial year;
- with reference to the variable components, a description of the performance objectives according to which they are allocated, distinguishing between short term and medium to long term variable components, and information regarding the link between changes in results and changes in remuneration;
- the criteria used to assess the performance objectives on the basis of which shares, options, other financial instruments or other variable remuneration components are allocated;
- information aimed at demonstrating the consistency between the remuneration policy and the pursuit of the company's long term interests and risk management policy, where formalised.

#### 3. RATIO BETWEEN FIXED AND VARIABLE REMUNERATION COMPONENTS

Letter e) of Appendix 3A, Chart 7-bis, Section I, of the Issuers' Regulations:

- description of the policies regarding fixed and variable remuneration components, with particular focus on indicating their relative weight within the overall remuneration and distinguishing between short and medium to long term variable components.

#### 4. DEFERRAL OF CASH COMPONENTS AND LOCK-UP OF EQUITY COMPONENTS

Letters j) and k) of Appendix 3A, Chart 7-bis, Section I, of the Issuers' Regulations:

- the vesting period, any deferred payment systems, stating the deferral periods and the criteria used to determine these periods and any *ex-post* correction mechanisms;
- information regarding any clauses requiring financial instruments to be retained in the portfolio after purchase, stating the retention periods and criteria used to determine these periods.

#### 5. NON-MONETARY BENEFITS

Letter f) of Appendix 3A, Chart 7-bis, Section I, of the Issuers' Regulations:

- the policy pursued with regard to non-monetary benefits.

#### 6. SEVERANCE PAY

Letter l) of Appendix 3A, Chart 7-bis, Section I, of the Issuers' Regulations:

- the policy regarding payments made in the event of a termination of office or employment, specifying the circumstances in which the right may be exercised and any link between these payments and the company's performance.

## **7. INSURANCE, WELFARE AND PENSION COVER**

Letter m) of Appendix 3A, Chart 7-bis, Section I, of the Issuers' Regulations:

- information on the existence of any insurance, welfare or pension cover other than the compulsory ones.

## **8. REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS**

Letter n) of Appendix 3A, Chart 7-bis, Section I, of the Issuers' Regulations:

- any remuneration policy applied with regard to: (i) independent directors, (ii) participation in committees and (iii) performance of specific duties (chairman, vice chairman, etc.).

## **9. REFERENCES TO THE REMUNERATION POLICIES OF OTHER COMPANIES.**

Letter o) of Appendix 3A, Chart 7-bis, Section I, of the Issuers' Regulations:

- whether the remuneration policy has been established using the remuneration policies of other companies as a blueprint and, if so, the criteria used to select these companies.

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### **PART 2**

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## Introduction

By means of this document, Telecom Italia is complying with the disclosure obligations on the of compensation. The report on remuneration (the Report) makes reference in section 1 to the remuneration policy for the year 2013, while in section 2 it sets out the final figures with regard to remuneration for financial year 2012, supplemented by the situation of the shareholdings owned by the Company and its subsidiaries. The scope of the *disclosure* regarding remuneration encompasses (i) the named members of the management bodies (Executive and Non-Executive Directors) and the General Manager and (ii) collectively the key managers of Telecom Italia with strategic responsibilities.

The meeting of the Board of Directors of 17 January 2013 established the scope of the strategic executives - not only among the Executive Directors (Chairman and Chief Operating Officer) - but also among the pro tempore holders of the following organizational positions:

- *General Administration for South America,*
- *Administration Finance & Control,*
- *Human Resources and Organization,*
- *Legal Affairs,*
- *National Wholesale Services,*
- *Public & Regulatory Affairs,*
- *Business Support Officer,*
- *Technology,*
- *Consumer,*
- *Business,*
- *Tim Brasil,*
- *Telecom Argentina.*

The scope of the strategic executives was updated to take account of the following organizational changes which took place during 2012:

- ▶ establishment of the *General Administration for South America*, whose aim is to ensure strategic and operational coordination and business development in the South American continent;
- ▶ bringing within the new *Business* function the commercial oversight of the small, medium and large private companies in industry, the services and the banking sector, and also in the public and health sector, thus merging the two previous functions *Top Clients and Public Sector* and *Business*;
- ▶ establishment of the function *Business Support Officer*, into which the departments *Supply Chain & Real Estate, Quality* and *Compliance* were merged.

# SECTION 1

## 1. Parties involved in the remuneration process

The bodies/individuals involved in adopting and implementing remuneration policies are:

- the Shareholders' Meeting;
- the Board of Directors;
- the Nomination and Remuneration Committee (hereinafter: the Committee);
- the Executive Directors;
- the Board of Statutory Auditors;
- the *Human Resources and Organization* Function.

### **Shareholders' Meeting**

With regard to remuneration, the Shareholders' Meeting:

- expresses itself annually, with non-binding vote, on the first section of the remuneration report (which must at least contain the remuneration policy for the year after the one reported);
- establishes the gross annual remuneration of the Board of Directors based on the proposals made by shareholders when presenting the slates of candidates, in view of the renewal of the Board itself;
- resolves, on a proposal from the Board of Directors, on the remuneration plans based on the allocation of financial instruments.

At its meeting on 12 April 2011, the Shareholders' Meeting:

- in renewing the board, approved the proposal made by the shareholder Telco S.p.A. regarding the remuneration of the Board of Directors, fixing it at a total of 2.2 million euros for the year;
- approved the 2011 Long Term Incentive Plan applicable - according to different procedures - to the Executive Directors, Top Management and Selected Executives.

At its meeting on 15 May 2012, the Shareholders' Meeting:

- approved the 2012 Long Term Incentive Plan applying to Top Management and Selected Executives, in continuity with the initiative launched in 2011.

### **Board of Directors**

The Board of Directors:

- defines the remuneration policy of executive directors and key managers with strategic responsibilities and draws up the report on remuneration every year;
- resolves on the division of the remuneration determined by the Shareholders' Meeting for the Board of Directors in its entirety;
- determines the remuneration of Directors who hold special positions, based on the proposals made by the Committee and after consulting with the Board of Statutory Auditors;
- makes proposals to the Shareholders' Meeting on the remuneration plans based on the allocation of financial instruments to directors and employees.

In order to ensure that the decisions taken regarding remuneration are appropriately investigated, conform to the rules on transparency and strict rules governing potential conflicts of interest, the Board of Directors is supported by the Committee.

Following its renewal (Shareholders' Meeting of 12 April 2011), the Board of Directors:

- subdivided the total annual amount allocated to it by the Shareholders' Meeting of 2.2 million euros per year;
- approved the compensation package of the Executive Directors for the three-year period 2011-2013, which was subsequently agreed by contract;
- implemented the 2011 Long Term Incentive Plan and the 2012 Long Term Incentive Plan;
- shared the guidelines for the company's overall remuneration policy, established the 2013 incentive objectives for Executive Directors and approved this Report.

### **Nomination and Remuneration Committee**

The Committee currently consists of four non-executive directors, three of whom are independent, all of them in various ways having suitable accounting and financial knowledge and experience:

- Elio Catania (Chairman - independent)
- Massimo Egidi (independent)
- Jean Paul Fitoussi (independent)
- Gabriele Galateri di Genola

The Committee, which combines duties and responsibilities attributed to the nomination committee and the

remuneration committee by the Borsa Italiana Code (available at the link [www.borsaitaliana.it](http://www.borsaitaliana.it)) pursuant to the Corporate Governance principles of the Company (which can be consulted at [www.telecomitalia.com](http://www.telecomitalia.com), Governance section - Governance System/Codes channel):

- oversees the succession plan for Executive Directors, and monitors the updating of the company management replacement lists, prepared by the Executive directors.
- establishes the procedure and period for the annual evaluation of the Board of Directors;
- performs other duties assigned to it by the Board of Directors.

Specifically regarding remuneration the Committee:

- proposes the criteria for allocating the total annual compensation established by the Shareholders' Meeting for the whole Board of Directors;
- presents the Board of Directors with proposals for the remuneration of executive directors, (i) for the entire term of office as regards the fixed component and the amount of the variable short-term remuneration, (ii) annually with regard to the short term performance objectives, (iii) from time to time in the event of Executive Directors being involved in incentive measures of a long-term nature;
- holds discussions with the Human Resources and Organization Function, examining the remuneration policy for all managers (and particularly the remuneration policy of key managers with strategic responsibilities) in the context of the Company's overall wage policy, with a view to its presentation to the Board of Directors;
- examines proposals made to the Board of Directors for remuneration 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 any corrective measures;
- monitors implementation of the decisions adopted by the Board of Directors regarding remuneration, ascertaining the level of achievement of the Executive Directors' targets, applying the measurement criteria determined when these targets were assigned to them;

The Committee, which is entitled to access the information and the company functions required for the performance of its tasks, as well as to engage external consultants independently, reports to the Board of Directors each time, at the next available meeting, on the activities carried out.

For completeness, we should point out that, according to the procedure for transactions with the Company's related parties (available on [www.telecomitalia.com](http://www.telecomitalia.com), Governance section - Governance System channel), resolutions regarding the remuneration of directors and key managers with strategic responsibilities passed in accordance with the remuneration policy submitted for examination by the Shareholders' Meeting, are considered to be non-relevant transactions and not therefore subject to Consob Regulation no. 17221/2010. The tasks assigned to the board committee by the Telecom Italia procedure are in this case performed by the Committee.

As of 2009, the Committee has relied on the collaboration of Mr Sandro Catani, currently employed by The European House Ambrosetti S.p.A., an expert in remuneration policies, who has no relationship with the Company that might compromise his independence of judgement.

The Committee's meetings are attended by the Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by him.

### **Executive Directors**

The Executive Directors, being responsible for the management of the Company, are assigned the following tasks with regard to remuneration policy, through the Human Resources and Organization Function:

- drawing up budget and business objective proposals, in which the cost of labour is a significant component;
- establishing policies for personnel and for key managers with strategic responsibilities who report to them hierarchically;
- operationally defining, in accordance with the company remuneration policy, the short term incentive measures for key managers with strategic responsibilities, in terms of setting them operational targets and subsequently verifying the extent to which they have been achieved;
- drawing up the proposals for plans based on financial instruments in agreement with the Committee;
- identifying the beneficiaries of long term remuneration instruments and establishing the extent of their participation in the plans.

### **Board of Statutory Auditors**

The Board of Statutory Auditors submits the opinions required by current laws on the proposed remuneration of Executive Directors.

## Human Resources and Organization Function

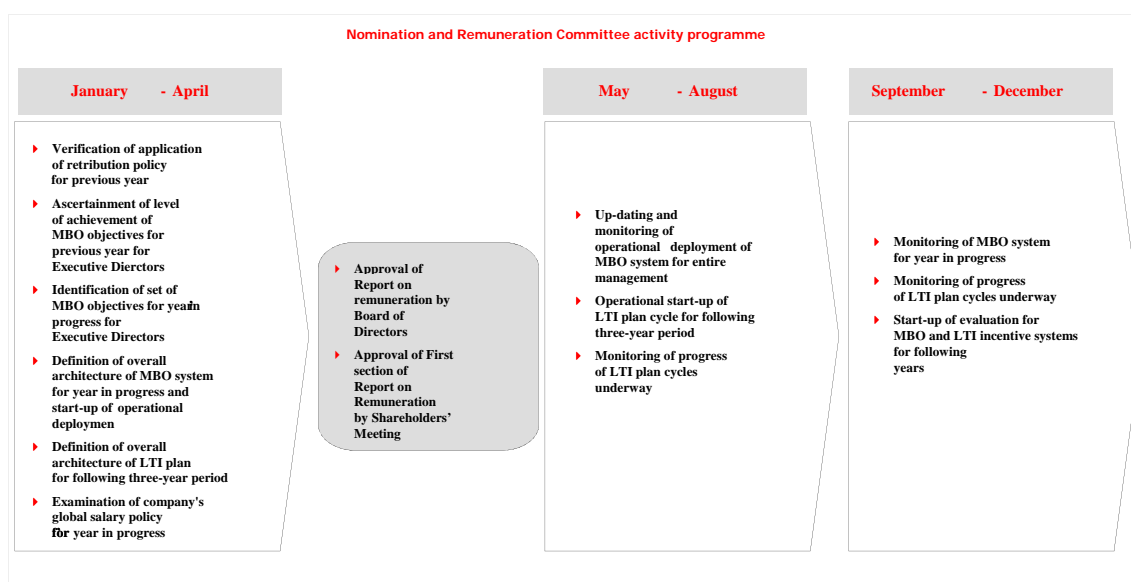
The Human Resources and Organization Function, which, on the basis of a prevalence criterion, reports to the Chief Operating Officer who is in charge of Operations, which account for 96% of the Company's workforce:

- reports to the Chairman with regard to activities associated with the Group's strategic policies and resources;
- on the basis of the remuneration position, within the budget framework defined and in accordance with the compensation policy, presents the Executive Directors annually with any proposals for action regarding the remuneration of key managers with strategic responsibilities;
- makes proposals to the Executive Directors and the Committee regarding the overall architecture of the management incentive systems, identifying the operating mechanisms and the set of operational targets to be assigned to key managers with strategic responsibilities, in agreement with the Administration, Finance and Control and Quality & Management Business Transformation departments;
- analyses and monitors the application and consistency over time of the general remuneration policy, making proposals for any corrections;
- administers management development activities, in order to draw up a succession planning system for strategic management positions;
- supplies the Committee with the technical support and all the information needed for it to perform its tasks.

### Remuneration process: annual planning cycle

The activities of the Committee are performed according to an annual programme which requires the participation of the various parties involved in the remuneration process. The following activities are specified in the programme:

- verification of the implementation, application and consistency of the remuneration policy put into effect in the previous year, in relation to the performance actually recorded by the Company and in relation to market benchmarks;
- assessment of the level of achievement of the performance objectives of the short-term variable incentive system (MBO) in the previous year and setting of performance objectives for the year in progress;
- assessment of the level of achievement of the performance objectives of the long-term variable incentive systems (LTI) and launching the new plan cycle for the subsequent three-year period;
- examination of the setting of the Company's global salary policy for the year in progress, with particular regard to the measures intended for the managers;
- monitoring of the indicators used both for the short-term and for the long-term incentive systems, in order to evaluate any revisions for the plans for subsequent years.



In the course of 2012 there were nine meetings of the Committee. The meetings were systematically attended by the Human Resources and Organization Function Manager and the managers responsible for the areas being discussed were invited to provide support. Three meetings have already taken place in 2013.

In 2012 the Committee:

- ▶ prepared the architecture and the implementation of the 2012 cycle of the long-term incentive plan;



- ▶ made the proposal for revising the distribution of the overall annual remuneration for the Board of Directors established by the Shareholders' Meeting following the renunciation by the Vice Chairman of his mandate in respect of the operation of the internal control system (with effect from 1 August 2012);
- ▶ examined the 2013 budget with regard to labour costs, sharing the Company's global salary policy, with particular reference to the measures taken in respect of managers, in Italy and abroad;
- ▶ on the basis of the analysis of strategic priorities in the business plan, identified the set of short term incentive targets for the Chairman and Chief Operating Officer for 2013 and the respective assessment metrics.

Finally, over time, the Committee monitored the development of the relevant regulatory framework and best practice in remuneration, analysing - with the help of the Company's departments and its own consultant - the structure and content of the Report, which it then validated with a view to its approval by the Board of Directors. For further information regarding the rules of composition, the responsibilities, operation and activities of the Committee in different fields other than remuneration, see the Report on Corporate Governance and Share Ownership for 2012 (available at [www.telecomitalia.com](http://www.telecomitalia.com), Governance section, Governance System channel/Report on corporate governance).

## 2. Principles and objectives of the remuneration policy, in respect of both fixed and variable components

In the knowledge that the competitiveness of a company in the labour market, and therefore its ability to attract, retain and motivate people who have the professional skills and experience needed for the purposes of management and development, in the interests of the various stakeholders, does not depend only on salaries, the Group's remuneration policy provides for individual pay packages to be structured, with the aim of ensuring the correct balance between fixed and variable components based on the strategic objectives and the policy for managing corporate risks. The resulting architecture is aimed on the one hand at safeguarding the Group's need for identity and integration (unity) and on the other hand at ensuring respect for the diversity of target markets (differentiation), in order to support the competitiveness and performance of the Company, ensure the engagement of staff and ensure internal equity and fairness.

Based on this premise, the compensation structure of the Executive Directors and key managers with strategic responsibilities consists of the following:

- a fixed salary component, linked to the performance of the relevant markets, monitored continuously using benchmarks developed by leading consulting companies;
- a variable salary component characterised by:
  - suitability to assess different levels of performance, both corporate and individual;
  - ability to safeguard internal fairness;
  - use of clear, solid and defined performance indicators, suited to ensuring that the interests of management are consistent with those of investors;
- a non-monetary component, consisting of resources and services made available to the individual.

Remuneration policies are differentiated on the basis of a segmentation of the population, aimed at dividing resources according to their role and their individual value. Further details are provided below of the purposes and characteristics of the fixed and variable remuneration components for the Executive Directors and for key managers with strategic responsibilities, referring to Section 1 point 8 of the Report on the remuneration of non-executive Directors.

### **Fixed component**

The fixed remuneration component considers the breadth and strategic nature of the role performed, measured through a system of evaluation of positions that uses internationally recognised and certified methods (in the case of the Executive Directors and key managers with strategic responsibilities: Hay Top Executive Europe international market, both general and selected for the ICT and media sector<sup>1</sup>), as well as the distinguishing subjective characteristics and strategic skills possessed. Its amount is sufficient to remunerate the services even in the event of a failure to achieve the performance objectives which influence the disbursement of variable pay, in order, among other things, to discourage behaviour inconsistent with the company's appetite for risk.

<sup>1</sup> The Hay Top Executive Europe benchmark consists of a sample of senior management roles belonging to the largest European companies operating in all sectors. The so-called selected market is an extrapolation from that general sample, solely of management positions in companies operating in the ICT and media sectors. As a guide, the selected market presents greater competition, with higher remuneration levels.

During the course of 2012, policies were implemented aimed at tempering the dynamics of fixed salary components. In this framework, for managers in general, action on fixed salary components has been selective and aimed at resources holding key positions and with fixed remuneration significantly distant from reference market remuneration. For 2013, the trend towards tempering the dynamics of the fixed component will continue, maintaining the position of key managers with strategic responsibilities at around the market average. The fixed remuneration is the starting point for determining the target amounts for variable remuneration instruments linked to short and long term performance.

### **Short term variable component**

The short term variable component is aimed at making the link between financial reward and the degree of achievement of annual objectives transparent. For this purpose, the objectives are fixed with reference to qualitative and quantitative indicators that are representative of and consistent with the strategic priorities and business plan, measured according to pre-defined and objective criteria. However, provision is, normally and with the exclusion of the Executive Directors, made for discretionary assessment margins to be used that allow a reasoned *ex post* evaluation of the individual contribution to be carried out by the senior hierarchical body (and therefore the Chairman or Chief Operating Officer in respect of the key managers with strategic responsibilities who report to each of them).

The process of defining MBO objectives starts with the identification by the Board of Directors, on a proposal from the Committee and after consultation with the Board of Statutory Auditors, of the targets to be assigned to the Executive Directors, represented by certifiable indicators that address the priorities of the business plan. These targets of a company nature (which amount to 80% of the total for the Chairman and Chief Operating Officer), are linked to the budget for the period, which defines the target to be attained, with room for negative deviation up to a minimum level (access threshold) and positive deviation corresponding to the maximum payout. In addition to the budget objectives, an ordinary share valuation indicator will be used for the Executive Directors (amounting to 20% of the total), measured in the January-January period, within a basket consisting of Vodafone, Telefónica, Deutsche Telekom, France Télécom, Teliasonera, Telenor, KPN, Swisscom and British Telecom shares, as well as those of Telecom Italia itself<sup>2</sup>. The access threshold in 2013 becomes the positioning of the Company at fifth place in the rating.

The process of deployment to key managers with strategic responsibilities is carried out according to a top-down approach which provides a combination of:

- corporate targets (corresponding to the same basket of targets as the Chairman and Chief Operating Officer), which are intended to create team-building, directing the behaviour of management towards the achievement of overall corporate results;
- functional targets, which are intended to relate the incentive to the individual performance recorded. For key managers with strategic responsibilities, the discretionary evaluation component, which falls within the set of functional targets, does not exceed 10%.

The set of functional targets assigned to key managers with strategic responsibilities is defined - by agreement with the Executive Director to whom each executive reports - by the Human Resources and Organization Function, which works with the company functions responsible for certifying the parameters used as references. The performance of the targets is then monitored during the course of the year, with reference both to the individual targets and to the overall results of the indicators.

The MBO system for Executive Directors provides an annual value of the bonus of between 50% and 150% of the fixed remuneration. For the remainder of the managers incentivised from 2012, the scale of payout was modified to make it homogeneous with that of the Executive Directors, applying the 70%-100%-140% curve in place of the previous 80%-100%-160%.

Furthermore, following the logic of tempering the dynamics of the individual cost for all of the Company's managers, in 2012 an overall maximum MBO payout was introduced, depending on the performance level recorded by the Executive Directors. The cap thus identified has determined the total amount of financial resources to be disbursed, by applying an appropriate correction factor to the bonuses earned by management. The remaining settings confirmed, the logic of the payout cap, regarding the results achieved by the Executive Directors, was replaced in 2013 by an increase in the weight of Company and Group targets for the Top Management, whose managerial activities have a more direct impact on overall Company performance.

Lastly it should be noted that, with respect to the Chairman and Chief Operating Officer, for the 2013 MBO cycle the Board of Directors introduced a quality assessment principle *ex post* in the case of negative reported consolidated net income, payment of any bonus accrued is subject to said assessment.

By way of comparison, the incentive targets for 2012 and 2013 (with their respective weights) for the Chairman and Chief Operating Officer are shown below. For 2012 the table also shows the targets which exceeded the

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<sup>2</sup> The panel of companies for comparison is unchanged from the panel used as reference for the 2012 MBO and the long-term incentive plans, and is made up of the largest European telecoms companies in terms of capitalisation.

access threshold (ON) and the overall level of achievement.

<b>Chairman</b>	<b>2012</b>		<b>2013</b>
Group Net Income	25%	ON	20%
Group Net Financial Position	15%	OFF	15%
Group Organic EBITDA	20%	OFF	15%
Group Organic total revenue	20%	ON	10%
Group Investments <sup>3</sup>	-		20%
Share valuation	20%	OFF	20%
<b>Overall percentage of achievement</b>	<b>37.5%</b>		

<b>COO</b>	<b>2012</b>		<b>2013</b>
Group Net Income	15%	ON	20%
Italy Net Financial Position	20%	OFF	20%
TI Domestic EBITDA	10%	OFF	-
TI CSI	10%	ON	10%
Domestic Organic Revenue	25%	OFF	15%
Domestic Investments <sup>4</sup>	-		15%
Share valuation	20%	OFF	20%
<b>Overall percentage of achievement</b>	<b>27.7%</b>		

For completeness of information we describe below the proposed 2013 MBO objectives for the General Manager for South America. No comparison with 2012 is shown because the role, which was set up in the course of the year, had no specific incentive targets assigned to it.

<b>General Manager for South America</b>	<b>2013</b>
Latam Net Financial Position	20%
Latam Total Ebitda	20%
Latam Total Revenue	20%
Latam Investments <sup>5</sup>	25%
Share valuation	15%

#### **Long term variable component**

The long-term incentive structure involves the Executive Directors, the Top Management (a cluster which includes the key managers with strategic responsibilities) and a selected part of the remaining executives.

The instrument has the double objective of:

- ▶ favouring the alignment between the interests of the management and those of the shareholders, through participation in the opportunity and the risk associated with the value of the Company, with beneficial results expected in terms of growth in the share value;
- ▶ improving the competitiveness of the management remuneration package with the provision of a long-term component, in line with market practice.

The time reference of the incentive period corresponds to the time period used for strategic planning, and therefore commits the beneficiaries – in principle – to the pursuit of the development policies announced to the market. The bonus is conditional on achieving two pre-established performance targets:

- ▶ company performance as defined in the business plan, expressed in terms of Cumulated Free Cash Flow (so-called absolute performance), in the light of the corporate priority of deleveraging;

<sup>3</sup> Referring to innovative investments both within the Domestic perimeter and in Latam.

<sup>4</sup> Referring to innovative investments within the Domestic perimeter.

<sup>5</sup> Referring to innovative investments within the Latam perimeter.

- ▶ growth in share value measured by the Total Shareholder Return of Telecom Italia shares compared to a group of peers made up of the Vodafone, Telefónica, Deutsche Telekom, France Télécom, Teliasonera, Telenor, KPN, Swisscom, British Telecom and Telecom Italia shares (so-called relative performance).

The Long Term Incentive system provides a different structure for the three categories of incentivised parties:

- ▶ The Executive Directors are assigned the 2011 Long Term Incentive Plan, approved by the Shareholders' Meeting on 12 April 2011, on the occasion of the renewal of the Board appointments. The Plan has a three year duration and is conditional on the achievement of objectives measured in the three years 2011-2013, in line with the duration of the term of office.
- ▶ For the Top Management and Selected Executives, the long term incentive system provides a rolling structure under which – normally – a new incentive cycle is started each year, with parameters based on the time frame of the company's strategic planning.  
In continuity with the structure defined in 2011, an LTI cycle was launched in 2012 aimed at Top Management and Selected Executives, relative to the three-year performance period 2012-2014.  
In the light of the present economic situation the Board of Directors resolved, on the other hand, not to proceed with the launch of a 2013 LTI plan relative to the three-year performance period 2013-2015.

The information documents relating to the Long Term Incentive Plans are available at [www.telecomitalia.com](http://www.telecomitalia.com) Governance section - Remuneration channel.

### 3. Ratio between fixed and variable remuneration components

As previously stated, the remuneration policy applied to the Executive Directors and key managers with strategic responsibilities is based on a fixed part and a variable part, subdivided into short and long term components.

#### **Executive Directors - Chairman**

The Remuneration Package of the Chairman (who has an exclusively administrative relationship with the Company and is not an employee), for the three years of his appointment to the board (2011-2013), provides as follows:

- fixed remuneration for the specific appointment of Chairman in the annual amount of 1.4 million euros gross, in addition to the fixed annual remuneration of 145,000 euros for the offices of Director and member of the Executive Committee;
- a variable component correlated with short term objectives, with a target value equal to the fixed component and a range of between 50% and 150%, depending on the level of achievement of the targets assigned (and without prejudice to, for the year 2013, a quality assessment *ex post* of the Board of Directors, as a condition for the payment of the any bonus accrued, in the case of negative reported consolidated net income);
- participation in the 2011 Long Term Incentive Plan, with a three-year vesting period and pay opportunity at target corresponding to 300% of the fixed annual remuneration for the special position, represented
  - by a cash bonus of 2.1 million euros (150% of the fixed annual remuneration) and
  - 2,253,702 ordinary shares (the same amount as the cash bonus expressed in shares, valued according to the average of official prices between 7 June and 6 July 2011),

The absolute and relative performance targets (TSR and Cumulated Free Cash Flow) provide for different levels of achievement, corresponding to a different payout. In particular, disbursement of the bonus associated with the TSR (65% of target bonus) will vary as follows according to Telecom Italia's position in the TSR ranking of companies included in the reference panel (consisting of Vodafone, Telefónica, Deutsche Telekom, France Télécom, Teliasonera, Telenor, KPN, Swisscom, British Telecom, Telecom Italia):

- 40% if positioned in seventh place (entry threshold);
- 100% if positioned in fourth place;
- 150% if positioned in first place.

In its turn, the target bonus associated with the Cumulated Free Cash Flow target (35% of the target bonus) will vary as follows:

- 80% if the minimum value, set at 95% of the Cumulated Free Cash Flow value provided in the 2012-2014 Business Plan is achieved (entry threshold);
- 100% if the objective of the plan is achieved;
- 150% in the case of overperformance equating to 110% (or more) of the value stated in the plan.

The payout in case of performance levels that are between those listed above will be calculated by linear interpolation.

For completeness, we should point out that Mr Bernabè also has 6,300,000 options for the purchase of an equal number of ordinary shares in the Company, with a strike price of purchase fixed at 1.95 euros per share, for a period of three years from 15 April 2011. These stock options derive from a specific plan approved by the Shareholders' Meeting on 14 April 2008 and reserved for him (in the role of Chief Executive Officer he held at the time) and the pro tempore Chairman of the Board of Directors (Gabriele Galateri). The disclosure documentation relating to the initiative is available at [www.telecomitalia.com](http://www.telecomitalia.com), Governance section - Remuneration channel.

#### **Executive Directors - Chief Operating Officer**

For the Chief Operating Officer (who has a relationship as employee with Telecom Italia S.p.A.), following waiver of his remuneration for the appointments of member of the Board of Directors and of the Executive Committee, the remuneration package provides as follows:

- a fixed amount of one million euros gross;
- variable component as remuneration for the specific office of Chief Operating Officer, divided into:
  - annual bonus (MBO) with a target value equal to the fixed component and a range of between 50% and 150%, depending on the level of achievement of the targets assigned (and without prejudice to, for the year 2013, a quality assessment ex post of the Board of Directors, as a condition for the payment of the any bonus accrued, in the case of negative reported consolidated net income);
  - participation in the 2011 Long Term Incentive Plan, with a pay opportunity at target corresponding to 300% of the fixed annual remuneration, represented
    - by a cash bonus of 1.5 million euros (150% of the fixed annual remuneration) and
    - 1,609,787 ordinary shares (the same amount as the cash bonus expressed in shares, valued on the basis of the average of official prices between 7 June and 6 July 2011).

The essential features of the 2011 Long Term Incentive Plan are shown above in the description of the Chairman's compensation package.

#### **General Manager for South America**

A remuneration package is provided for the General Manager for South America relating to 2013, made up as follows:

- a fixed component, defined as around the market average;
- a variable component correlated with short term objectives, with a target value equal to 75% of the fixed component and a range of between 70% and 140%, depending on the level of achievement of the targets assigned.

#### **Key managers with strategic responsibilities**

Following a similar remuneration logic, the pay of key managers with strategic responsibilities consists of the following elements:

- a fixed component, defined on the basis of the strategic importance of the role performed, which normally lines up at around the market average;
- a short term variable component of an annual amount at target of between 40% and 50% of the fixed remuneration, with a range determined according to the parameter scale of 70% - 100% - 140%;
- a long term variable component which provides for participation in the annual Long Term Incentive plan cycles launched in 2011 and 2012, with three-year vesting and pay opportunity at target of 60% of the fixed remuneration for each cycle. The bonus accrued at the end of each three-year performance period will be:
  - paid in cash in the amount of 50%;
  - represented, in respect of the remaining 50%, by free non-transferable two-year rights to a number of ordinary shares calculated at the time of determination of the performance conditions, on the basis of the normal value of the share at the time.

The target levels and the payout scale of the Long Term Incentive plans are stated above, in the description of the long-term variable component of the Chairman's remuneration. The long term incentive structure involved key managers with strategic responsibilities in 2011 and 2012, with the launch of the corresponding Long Term Incentive Plan. As already stated, for 2013 no LTI plan cycle is to be launched referring to the three-year performance period 2013-2015.

For completeness, we should point out that key managers with strategic responsibilities operating abroad participate in their local long term incentive policies in order to respect the specificity of the relevant markets.

## 4. Deferral of cash components and lock-up of equity components

There are no mechanisms for deferral of payment of the fixed and short term variable components.

Telecom Italia's LTI plans provide for an incentive period which corresponds to the company's strategic corporate plan timetable (three years), after which:

- for the Executive Directors, the 2011 Long Term Incentive Plan (the only long term incentive measure covering the whole period of office of the serving Chairman and Chief Operating Officer) provides for a two-year contractual lock-up, with the ordinary shares assigned being deposited with the Company;
- for the General Manager for South America and Top Management (which includes key managers with strategic responsibilities) the Long Term Incentive Plans provide for 50% of the total bonus accrued to be represented by free non-transferable two-year rights to ordinary Telecom Italia shares with a value equal to the bonus component paid in cash. Once assigned, the shares are not subject to lock-up.

Telecom Italia's remuneration policy does not include *ex post* correction mechanisms in the form of claw-back clauses, subject to applicability - if appropriate - of normal recovery mechanisms for undue payments.

## 5. Non-monetary benefits

### **Chairman**

With regard to non-monetary benefits, on a proposal made by the Committee, the Board of Directors resolved on the following in respect of the Chairman:

- allocation of a company car for mixed use;
- annual net payment to the Fontedir complementary welfare fund amounting to (i) 10% of the fixed remuneration and (ii) 10% of the annual bonus applicable for achievement of the target results;
- insurance for medical care, professional and non-professional accidents, life and permanent invalidity due to illness.

Since these benefits are considered to be essential components of the Chairman's remuneration package, provision has been made for them to be enjoyed without any charges, with the remuneration being increased by the amount required to pay the tax applicable to taxed benefits.

### **Chief Operating Officer, General Manager for South America and key managers with strategic responsibilities**

The Chief Operating Officer (who is employed by Telecom Italia S.p.A.), and also the General Manager for South America and the key managers with strategic responsibilities are granted benefits similar to those provided for all other company executives: company car for mixed use, mobile phone for work, insurance policies (professional accidents, life and permanent invalidity, complementary medical cover) and complementary pension fund.

## 6. Severance pay

### **Executive Directors**

In the event of early termination of office in the Board of Directors

- for objective reasons;
- on the company's initiative without just cause;
- on the initiative of Mr Bernabè with just cause, meaning a change to his position as Executive Chairman, including changes to the powers granted to him;

provision is made for the Chairman to receive the remuneration due to him until the end of his term of office, including the variable component, calculated to correspond to the average of the disbursements already made. Similar treatment has been agreed by contract for the Chief Operating Officer but only with regard to the remuneration for his special position (MBO value). In the event of early withdrawal of the administration relationship:

- by the Company without just cause or
- resignation requested by the Board of Directors,

Mr Patuano will receive the remaining variable remuneration, in annual payments, or fractions thereof, calculated to correspond to the average of what he has actually received since 2011; the same procedure will apply in the event of resignation for just cause (e.g. substantial change to his position as Chief Operating Officer and/or to the powers granted to him). However, in the event of a termination of employment with the Company

(unless there is a just cause) or resignation requested by the Board of Directors, the procedure required by the collective labour agreement for company executives will apply.

Furthermore, in respect of both Executive Directors, the Company has reserved the right to enter into a non-competition agreement with a duration of a year, in exchange for a one-off payment equal to a year's remuneration (fixed component and variable component calculated to correspond to the average of disbursements already made), to be implemented after termination of the employment contract.

#### **General Manager for South America and key Managers with strategic responsibilities**

There is no generalised standard practice regarding severance pay for key managers with strategic responsibilities. However, the general policy established since 2008 is the following:

- at the time of appointment to an executive position, a resource who already has an employment contract with the Group will be subject to the provisions of the collective labour agreement for company executives for cases of termination of contract;
- at the time of engagement of an executive from outside the company, any severance clauses will not normally exceed the maximum amount payable under the collective labour agreement for executives;
- in the event of specific executive staff redundancy campaigns, more generous payments may be made than are required by the collective labour agreement.

There are no general non-competition policies for key managers with strategic responsibilities. For a small number of key managers with strategic responsibilities there is still a duty not to compete with group companies under agreements signed prior to 2008, for which the entire consideration has already been disbursed.

## **7. Insurance, welfare and pension cover**

In the same way as all the Group's other executive staff, the Executive Directors, General Manager and key managers with strategic responsibilities of Telecom Italia:

- benefit from civil liability (professional risks) insurance, known as a Directors & Officers policy, drawn up as a "claim first made" policy, which is renewed annually and covers all managers and members of the management bodies of the companies of the Group (Telecom Italia and subsidiaries), including external directorships designated by Telecom Italia;
- have access, on a voluntary basis, to the welfare and insurance services provided by Fontedir and Assida.

At the end of the 1980s, Telecom Italia (SIP at the time) set up a non-profit-making fund (the Fondo Pensione Complementare Dirigenti Gruppo Telecom Italia, shortened to Fontedir) to deal with welfare issues complementary to the obligatory insurance, and administer the contributions paid by the Company and fund members. Registration with Fontedir is optional and reserved for the executives of companies in the Telecom Italia Group. Insurance benefits accrued are disbursed, in a lump sum or as an annuity, in the event of termination of employment.

Also operating within Telecom Italia is a mutual voluntary association for complementary medical care in favour of executives, known as Associazione di mutualità volontaria per l'assistenza sanitaria integrativa, shortened to Assida. By contributing to expenses incurred and by entering into appropriate discount agreements with specialised healthcare establishments, the association provides complementary and additional medical care services to those provided by the national health service, within the limits of the overall contributions paid by members.

## **8. Remuneration policy for non-executive directors**

With reference to all the Directors, the Board of Directors, on a proposal from the Committee, divided the overall remuneration fixed by the Shareholders' Meeting on 12 April 2011 of 2,200,000 euros, as follows:

- 110,000 euros gross per year to each Director (including the Chairman and excluding the Chief Operating Officer, who expressly waived this remuneration);
- an additional 35,000 euros gross per year to each member of the Executive Committee (including the Chairman and excluding the Chief Operating Officer, and therefore to Franco Bernabè, Elio Catania, Julio Linares, Aldo Minucci, Renato Pagliaro, Mauro Sentinelli);
- an additional 45,000 euros gross per year to each member of the Internal Control and Corporate Governance Committee (Elio Catania, Lucia Calvosa, Jean Paul Fitoussi, Mauro Sentinelli, Luigi Zingales);
- an additional 20,000 euros gross per year to each member of the Nomination and Remuneration Committee (Elio Catania, Jean Paul Fitoussi, Gabriele Galateri, Massimo Egidi);

- an additional 20,000 euros gross per year to the Director appointed to the Supervisory Board (Jean Paul Fitoussi); With effect from May 2012, with the assignment to the Board of Statutory Auditors of the functions of supervisory body under Legislative Decree no. 231/2000, this remuneration is no longer paid;
- an additional 90,000 euros gross per year to the Vice Chairman (Aldo Minucci), in view of his responsibility for the internal control system. Following the renunciation by the Vice Chairman of his mandate in respect of the operation of the internal control system, on 8 November 2012 the Board of Directors decided to divide the above compensation between the said Vice Chairman (taking account of the costs arising from the acting legal representation which he performs under the bylaws) and Director Galateri, who has been assigned the role of link between the Board and the control bodies which report directly to the Board.

These are fixed remunerations amounting to a maximum total annual disbursement currently of 2,145,000 euros. The remuneration of non-executive Directors is not related to the Company's financial performance nor are they granted access to share plans.

All Directors are also reimbursed for the expenses incurred by reason of their position.

## 9. References to the remuneration policies of other companies.

The remuneration policy of Telecom Italia is not determined on the basis of the remuneration policies adopted by other companies.

As specified in this presentation, Telecom Italia uses a standard method of evaluating positions which is internationally recognised and certified, which measures the breadth and strategic character of the roles, classifying them into bands with different weighting. This system of evaluation makes it possible to compare remuneration with roles considered similar, on the basis of the discrepancy between remuneration within the Company and market remuneration levels provided by leading consultancy companies.

Prevailing market trends, in Italy and abroad, are constantly monitored, both in terms of remuneration levels and applicable incentive and retention systems.



## SECTION 2

### Part 1

#### **Remuneration of the Board of Directors in 2012**

- 110,000 euros gross per year to each Director (including the Chairman and excluding the Chief Operating Officer, who expressly waived this remuneration);
- an additional 35,000 euros gross to each member of the Executive Committee (including the Chairman and excluding the Chief Operating Officer, and therefore to Franco Bernabè, Elio Catania, Julio Linares, Aldo Minucci, Renato Pagliaro, Mauro Sentinelli);
- an additional 45,000 euros gross per year to each member of the Internal Control and Corporate Governance Committee (Elio Catania, Lucia Calvosa, Jean Paul Fitoussi, Mauro Sentinelli, Luigi Zingales);
- an additional 20,000 euros gross per year to each member of the Nomination and Remuneration Committee (Elio Catania, Jean Paul Fitoussi, Gabriele Galateri, Massimo Egidi);
- an additional 20,000 euros gross per year to the Director appointed to the Supervisory Board (Jean Paul Fitoussi). With effect from May 2012, with the assignment to the Board of Statutory Auditors of the functions of supervisory body under Legislative Decree no. 231/2000, this remuneration is no longer paid;
- an additional 90,000 euros gross per year to the Vice Chairman (Aldo Minucci), in view of his responsibility for the internal control system. Following the renunciation by the Vice Chairman of his mandate in respect of the operation of the internal control system, on 8 November 2012 the Board of Directors decided to divide the above compensation between the said Vice Chairman (taking account of the costs arising from the acting legal representation which he performs under the bylaws) and Director Galateri, who has been assigned the role of link between the Board and the control bodies which report directly to the Board.

#### **2012 Remuneration of the Chairman - Mr Franco Bernabè**

- fixed annual remuneration of 110,000 euros gross for the position of Director;
- fixed annual remuneration of 1.4 million euros gross for the position of Chairman of the Board of Directors;
- fixed annual remuneration of 35,000 euros gross for the position of member of the Executive Committee;
- variable remuneration correlated with annual performance objectives, with a target value equal to the fixed component and a range of between 50% and 150%, depending on the level of achievement of the targets assigned;
- one-off participation in the 2011 Long Term Incentive Plan (disclosure documentation available on [www.telecomitalia.com](http://www.telecomitalia.com), Governance section – Remuneration channel), with pay opportunity at target corresponding to 300% of the fixed annual remuneration for the position, consisting of
  - by a cash bonus of 2.1 million euros (150% of the fixed annual remuneration) and
  - 2,253,702 ordinary shares (150% of the fixed annual remuneration expressed in shares, valued according to the average of official prices between 7 June and 6 July 2011),
- benefits similar to those granted to Group executives (company care, medical and accident insurance, complementary healthcare, complementary welfare) enjoyed free of any direct or indirect charges, with a corresponding increase in the remuneration for the position by the amount required to pay the tax applicable to taxed benefits. With specific reference to complementary welfare, provision is made for the Company to make an annual net payment to the Fontedir complementary welfare fund amounting to (i) 10% of the fixed remuneration and (ii) 10% of the annual bonus applicable for achievement of the target results;

Provision is also made for the payment of amounts due until the end of the period of office, including the variable component, calculated to correspond to the average of disbursements already made, in the event of early termination of the term of office (i) for objective reasons, (ii) on the company's initiative without just cause, (iii) on the initiative of Mr Bernabè with just cause.

Finally, the Company has reserved the right to enter into a non-competition agreement with a duration of a year, in exchange for a one-off payment equal to a year's remuneration (fixed component and variable component calculated to correspond to the average of disbursements already made), to be implemented after termination of the employment contract.

#### **2012 Remuneration of the Chief Operating Officer - Mr Marco Patuano**

- fixed annual remuneration of 1.0 million euros gross as the annual gross remuneration for his employment;
- waiver of fixed components for the position of Director and membership of the Executive Committee;

- variable remuneration for the position of Chief Operating Officer correlated with annual performance objectives, with a target value equal to the fixed component and a range of between 50% and 150%, depending on the level of achievement of the targets assigned;
- one-off participation in the 2011 Long Term Incentive Plan (disclosure documentation available on the website [www.telecomitalia.com](http://www.telecomitalia.com), Governance – Remuneration), with pay opportunity at target corresponding to 300% of the fixed annual remuneration, consisting of
  - a cash bonus of 1.5 million euros (150% of the fixed annual remuneration) and
  - 1,609,787 ordinary shares (150% of the fixed annual remuneration expressed in shares, valued according to the average of official prices between 7 June and 6 July 2011);
- benefits similar to those granted to Group executives (company car, accident and medical insurance, complementary healthcare, complementary welfare);

Provision is also made for the payment of remuneration for the special position held (MBO value, calculated as the average of the amounts received since 2011), in the event of early termination of the term of office due to (i) early withdrawal of the administration relationship by the Company without just cause, (ii) resignation by Mr Patuano at the request of the Board of Directors (iii) resignation by Mr Patuano with just cause. The procedure set forth in the collective labour agreement for company executives has been established as being applicable in the event of a termination of employment by the Company (unless there is just cause) or resignation requested by the Board of Directors.

Finally, the Company has reserved the right to enter into a non-competition agreement with a duration of a year, in exchange for a one-off payment equal to a year's remuneration (fixed component and variable component calculated to correspond to the average of disbursements already made), to be implemented after termination of the employment contract.

#### **2012 remuneration of the General Manager for South America - Mr Andrea Mangoni**

- fixed annual remuneration of 0.9 million euros gross as the annual gross remuneration for his employment by Telecom Italia S.p.A.;
- variable remuneration correlated with annual performance objectives, with a target value equal to 50% of the fixed component and a range of between 70% and 140%, depending on the level of achievement of the targets assigned;
- lump sum bonus in the amount of 0.5 million euros per year, to be paid at the termination of his managerial role in South America;
- lump sum foreign allowance and reimbursement of travel expenses in relation to the actual duration of his appointment in South America;
- benefits similar to those granted to Group executives (company car, accident and medical insurance, complementary healthcare, complementary welfare);
- application of the collective labour agreement for executives in the event of early termination of the employment contract (excluding in the case of dismissal with just cause);
- fixed annual remuneration of 0.67 million euros gross (1.68 million *real* gross) for the office of Diretor Presidente of TIM Participações received, in Brazil, by the beneficiary as “*pro-labore*” remuneration. In the course of 2012 this remuneration was recovered by Telecom Italia S.p.A..

Mr Mangoni (who has submitted his resignation and will cease to hold the office of General Manager with effect from 30 April 2013) has waived the long term incentive plan operated by TIM Participações and, when his resignation takes effect, will withdraw from the 2011 and 2012 LTI measures.

#### **Remuneration of key managers with strategic responsibilities in 2012**

- fixed remuneration, which is certified to be around the market average;
- a short term variable component of an annual amount at target of between 40% and 50% of the fixed remuneration, with a range varying between a minimum of 70% and a maximum of 140%;
- participation, with a rolling mechanism, of key managers with strategic responsibilities operating in Italy in the 2011 and 2012 Long Term Incentive Plan (disclosure documentation available at [www.telecomitalia.com](http://www.telecomitalia.com), Governance section – Remuneration), with pay opportunity at target corresponding to 60% of the fixed annual gross remuneration. The bonus accrued at the end of the three-year performance period will be:
  - paid in cash in the amount of 50%;
  - represented, in respect of the remaining 50%, by free non-transferable two-year rights to a number of ordinary shares calculated at the time of determination of the performance conditions based on the normal value of the share at the time;
- participation by key managers with strategic responsibilities operating abroad in the local long term incentive policies;

- benefits similar to those granted to Group executives (company car, accident and medical insurance, complementary healthcare, complementary welfare);
- application of the collective labour agreement for executives, except where more favourable agreements are reached, in the event of early termination of the employment contract (excluding cases of dismissal with just cause);
- absence of general policies regarding non-competition agreements (a small number of resources are subject to agreements signed prior to 2008, for which the full consideration has already been disbursed).

We should emphasise that in the 2012 financial year, following the resignation of Mr Luca Luciani (Diretor Presidente of Tim Brasil until 4 May 2012), the clauses contained in the agreement signed on his transfer to Brazil in 2008 were applied. This agreement provided for the disbursement of a sum of 2.9 million euros as severance pay in the event of termination of the employment contract. Furthermore, it was thought advantageous to enter into a non-competition agreement, expiring on 31 December 2013, for the whole of South America, with payment to the beneficiary of the sum of 1.5 million euros. While tendering his resignation, Mr. Luciani's right to participate in the stock option plan at Tim Participações S.A. lapsed, as described in the financial statements (without prejudice to the rights referred to in the 2011 performance). No provision is made for the payment of benefits following cessation from the office of Diretor Presidente of Tim Brasil, nor has the Company given indemnity or hold harmless undertakings for any liability proceedings against it.

In relation to the above, Mr Luciani received higher total remuneration in the course of 2012 than the highest total remuneration allocated to Executive Directors and the General Manager.

## SECTION 2

### Part 2

**TABLE 1: Remuneration paid to members of the management and control body [€/000]**

The following table shows the remuneration owed to all the individuals who held the position of member of the management and control body during the 2012 financial year, or any part thereof.

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Franco Bernabè	Chairman	1/1-31/12/2012	31/12/2013									
(I) Remuneration in the company drawing up the financial statements				1,918 <sup>(1)</sup>	35 <sup>(2)</sup>	525 <sup>(3)</sup>		490		2,968	313	

<sup>(1)</sup> This amount includes the remuneration pursuant to article 2389, subsection 3, of the Italian Civil Code (€/000 1,400) and subsection 1 of the Italian Civil Code (€/000 110) including other remuneration offsetting the tax burdens applicable to taxed benefits (€/000 408).

<sup>(2)</sup> This amount refers to the remuneration received as member of the Executive Committee.

<sup>(3)</sup> The amount refers to the bonus relating to the financial year for targets achieved in the year itself.

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Marco Patuano	COO	1/1-31/12/2012	31/12/2013									
(I) Remuneration in the company drawing up the financial statements				1,005 <sup>(1)</sup>		279 <sup>(2)</sup>		38		1,322	224	

<sup>(1)</sup> The amount includes the remuneration for work as employee (€/000 1.000) and travel expenses (€/000 5).

<sup>(2)</sup> The amount refers to the bonus relating to the financial year for targets achieved in the year itself (€/000 277) including other remuneration offsetting the tax burdens applicable to taxed benefits relating to employment (€/000 2).

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Aldo Minucci	Vice Chairman Director	1/1-31/12/2012	31/12/2013									
(I) Remuneration in the company drawing up the financial statements				169 <sup>(1)</sup>	35 <sup>(2)</sup>					204		

<sup>(1)</sup> This amount refers to the remuneration received as member of the Board of Directors (pursuant to article 2389, subsection 1, of the Italian Civil Code) [€/000 110] and as Vice Chairman (with responsibility for the operation of the internal control system for the period 1/1 – 1/8/2012 [€/000 59].

<sup>(2)</sup> This amount refers to the remuneration received as member of the Executive Committee.

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Cesareo Izuel Alierta	Director	1/1-31/12/2012	31/12/2013									
(I) Remuneration in the company drawing up the financial statements				110 <sup>(1)</sup>						110		

<sup>(1)</sup> This amount refers to the remuneration received as member of the Board of Directors (pursuant to article 2389, subsection 1 of the Italian Civil Code). This remuneration is not received by the person concerned but paid to Telefonica S.A.

<sup>(2)</sup>

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Tarak Ben Ammar	Director	1/1-31/12/2012	31/12/2013									
(I) Remuneration in the company drawing up the financial statements				110 <sup>(1)</sup>						110		

<sup>(1)</sup> This amount refers to the remuneration received as member of the Board of Directors (pursuant to article 2389, subsection 1, of the Italian Civil Code)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Lucia Calvosa	Director	1/1-31/12/2012	31/12/2013									
(1) Remuneration in the company drawing up the financial statements				110 <sup>(1)</sup>	45 <sup>(2)</sup>					155		

<sup>(1)</sup> This amount refers to the remuneration received as member of the Board of Directors (pursuant to article 2389, subsection 1, of the Italian Civil Code).

<sup>(2)</sup> This amount refers to the remuneration received as member of the Internal Control and Corporate Governance Committee.

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Elio Catania	Director	1/1-31/12/2012	31/12/2013									
(1) Remuneration in the company drawing up the financial statements				110 <sup>(1)</sup>	100 <sup>(2)</sup>					210		

<sup>(1)</sup> This amount refers to the remuneration received as member of the Board of Directors (pursuant to article 2389, subsection 1, of the Italian Civil Code).

<sup>(2)</sup> This amount refers to the remuneration received as member of the Executive Committee [€./000 35], the Nomination and Remuneration Committee [€./000 20] and of the Internal Control and Corporate Governance Committee [€./000 45].

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Massimo Egidio	Director	1/12-31/12/2012	31/12/2013									
(1) Remuneration in the company drawing up the financial statements				110 <sup>(1)</sup>	19 <sup>(2)</sup>					129		

<sup>(1)</sup> This amount refers to the remuneration received as member of the Board of Directors (pursuant to article 2389, subsection 1, of the Italian Civil Code).

<sup>(2)</sup> This amount refers to the remuneration received as member of the Nomination and Remuneration Committee for the period 19/1 - 31/12/2012

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Jean Paul Fitoussi	Director	1/1-31/12/2012	31/12/2013									
(I) Remuneration in the company drawing up the financial statements				118 <sup>(1)</sup>	65 <sup>(2)</sup>					183		

<sup>(1)</sup> This amount refers to the remuneration received as member of the Board of Directors [€/000 110] and of the Supervisory Board pursuant to Legislative Decree 231/2001 for the period 1/1 – 28/05/2012 [€/000 8].

<sup>(2)</sup> This amount refers to the remuneration received as member of the Internal Control and Corporate Governance Committee [€/000 45] and Nomination and Remuneration Committee [€/000 20].

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Gabriele Galateri di Genola	Director	1/1-31/12/2012	31/12/2013									
(I) Remuneration in the company drawing up the financial statements				117 <sup>(1)</sup>	20 <sup>(2)</sup>					137		
(II) Remuneration from subsidiaries				67 <sup>(3)</sup>						67		
(III) Total				184	20					204		

<sup>(1)</sup> This amount refers to the remuneration 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 hierarchically to the Board for the period 8/11 – 31/12/2012 [€/000 7].

<sup>(2)</sup> This amount refers to the remuneration received as member of the Nomination and Remuneration Committee.

<sup>(3)</sup> This amount refers to the remuneration received as member of the Board of Directors in TIM Participações [168.000 R\$] converted into euros at the average exchange rate for 2012 at 31/12/2012 (Real/€ 2.50953)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Julio Linares Lopez	Director	1/1-31/12/2012	31/12/2013									
(I) Remuneration in the company drawing up the financial statements				110 <sup>(1)</sup>	35 <sup>(2)</sup>					145 <sup>(3)</sup>		

<sup>(1)</sup> This amount refers to the remuneration received as member of the Board of Directors (under article 2389, subsection 1, of the Italian Civil Code).

<sup>(2)</sup> This amount refers to the remuneration received as member of the Executive Committee.

<sup>(3)</sup> This remuneration is not received by the person concerned but paid to Telefonica S.A..

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Gaetano Miccichè	Director	1/1-31/12/2012	31/12/2013									
(I) Remuneration in the company drawing up the financial statements				110 <sup>(1)</sup>						110		

<sup>(1)</sup> This amount refers to the remuneration received as member of the Board of Directors (pursuant to article 2389, subsection 1 of the Italian Civil Code). This remuneration is not received by the person concerned but paid to Intesa San Paolo S.p.A..

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Renato Pagliaro	Director	1/1-31/12/2012	31/12/2013									
(I) Remuneration in the company drawing up the financial statements				110 <sup>(1)</sup>	35 <sup>(2)</sup>					145 <sup>(3)</sup>		

<sup>(1)</sup> This amount refers to the remuneration received as member of the Board of Directors (pursuant to article 2389, subsection 1, of the Italian Civil Code).

<sup>(2)</sup> This amount refers to the remuneration received as member of the Executive Committee.

<sup>(3)</sup> This remuneration is not received by the person concerned but paid to Mediobanca S.p.A.



(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Mauro Sentinelli	Director	1/1-31/12/2012	31/12/2013									
(I) Remuneration in the company drawing up the financial statements				110 <sup>(1)</sup>	80 <sup>(2)</sup>					190 <sup>(3)</sup>		

<sup>(1)</sup> This amount refers to the remuneration received as member of the Board of Directors (pursuant to article 2389, subsection 1, of the Italian Civil Code).

<sup>(2)</sup> This amount refers to the remuneration received as member of the Executive Committee [€/000 35] and of the Internal Control and Corporate Governance Committee [€/000 45].

<sup>(3)</sup> This remuneration is not received by the person concerned but paid to Ecotel International S.r.l.

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Luigi Zingales	Director	1/1-31/12/2012	31/12/2013									
(I) Remuneration in the company drawing up the financial statements				110 <sup>(1)</sup>	45 <sup>(2)</sup>					155		

<sup>(1)</sup> This amount refers to the remuneration received as member of the Board of Directors (pursuant to article 2389, subsection 1, of the Italian Civil Code).

<sup>(2)</sup> This amount refers to the remuneration received as member of the Internal Control and Corporate Governance Committee.

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Andrea Mangoni	General Manager for South America	1/8-31/12/2012	30/04/2013									
(I) Remuneration in the company drawing up the financial statements				557 <sup>(1)</sup>		363 <sup>(2)</sup>		40		960		
(II) Remuneration from subsidiaries				335 <sup>(3)</sup>						335		
(III) Total				892		363		40		1,295		

<sup>(1)</sup> The amount includes the remuneration for work as an employee (€/000 441), for the entire financial year 2012, and traveling allowance (€/000 116).

<sup>(2)</sup> The amount refers to the bonus relating to the financial year for targets achieved in the year itself, (€/000 113) and to the bonus for managerial services in South America (€/000 250).

<sup>(3)</sup> This amount refers to the remuneration received for the appointment in TIM Participações converted into euros at the average exchange rate for 2012 at 31/12/2012 (Real/€ 2.50953).

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Luca Luciani	Diretor Presidente of TIM Participações SA	1/1-4/5/2012	04/05/2012									
(I) Remuneration in the company drawing up the financial statements				289		300		54		643		4,400 <sup>(2)</sup>
(II) Remuneration from subsidiaries				183 <sup>(1)</sup>						183		
(III) Total				472		300		54		826		4,400

<sup>(1)</sup> The amount relating to the local work contract has been converted into euros at the average exchange rate for 2012 at 31/05/2012 (Real/€ 2.50826).

<sup>(2)</sup> For details of end of service indemnities, please refer to section 2, part 1, at the paragraph "**Remuneration for key managers with strategic responsibilities in 2012**".

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
<b>Enrico Maria Bignami</b>	Chairman of the Board of Statutory Auditors	1/1/2012 31/12/2012	31/12/2014									
(I) Remuneration in the company drawing up the financial statements				129						129		
<b>Sabrina Bruno</b>	Standing auditor	16/5/2012 18/9/2012	31/12/2014									
(I) Remuneration in the company drawing up the financial statements				33						33		
<b>Roberto Capone</b>	Standing auditor	19/09/2012 31/12/2012	Next Shareholders' meeting									
(I) Remuneration in the company drawing up the financial statements				27						27		
<b>Gianluca Ponzellini</b>	Standing auditor	1/1/2012 31/12/2012	31/12/2014									
(I) Remuneration in the company drawing up the financial statements				89						89		
<b>Lorenzo Pozza</b>	Standing auditor	1/1/2012 15/5/2012	31/12/2011									
(I) Remuneration in the company drawing up the financial statements				30						30		
<b>Salvatore Spiniello</b>	Standing auditor	1/1/2012 31/12/2012	31/12/2014									
(I) Remuneration in the company drawing up the financial statements				89						89		
(II) Remuneration from subsidiaries and associates				101(1)						101		
(III) Total				190						190		
<b>Ferdinando Superti Furga</b>	Standing auditor	1/1/2012 31/12/2012	31/12/2014									
(I) Remuneration in the company drawing up the financial statements				95(2)						95		

(1) This amount refers to the remuneration received for the office of Chairman of the Board of Statutory Auditors of the listed subsidiary Telecom Italia Media S.p.A. (€/000 43); for the office of independent Director (€/000 50) and for the office of member of the Supervisory Board (€/000 8) of the affiliated companies Italtel Group and Italtel S.p.A. (remuneration paid by the latter company), held for the period 1/1 – 31/12/2012).

(2) This amount includes the remuneration received as member of the Board of Statutory Auditors [€/000 89] and of Chairman of the Supervisory Board pursuant to Legislative Decree 231/01 for the period 1/1 – 15/05/2012 [€/000 6].

## TABLE 1: Remuneration paid to key managers with strategic responsibilities.

The following table shows the remuneration owed to all the individuals who held the position of manager with strategic responsibilities during the 2012 financial year, or any part thereof.

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Position	Period for which the position was held	Expiry of term of office	Fixed remuneration	Remuneration for involvement in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Profit sharing					
11 key managers with strategic responsibilities												
Remuneration in the company drawing up the financial statements				4,065		687 <sup>(2)</sup>		192		4,944	218	
Remuneration from subsidiaries (1)				760						760		
Total				4,825		687 <sup>(2)</sup>		192		5,704	218	

<sup>(1)</sup> Amounts relating to local work contracts have been converted into euros at the average exchange rate in 2012, at 31/12/2011 (Pesos/€ 5,84408)

<sup>(2)</sup> The amounts refer to the bonuses relating to the financial year for targets achieved during the same financial year.

**TABLE 2: Stock options assigned to members of the management and control bodies.**

			Options held at the beginning of the financial year			Options assigned during the financial year						Options exercised during the financial year			Options expired during the financial year	Options held at the end of the financial year	Options for the year
<b>A</b>	<b>B</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>	<b>(8)</b>	<b>(9)</b>	<b>(10)</b>	<b>(11)</b>	<b>(12)</b>	<b>(13)</b>	<b>(14)</b>	<b>(15)</b>	<b>(16)</b>
Name and surname	Position	Plan and respective resolution	Nr of options	Exercise price	Possible exercise period (from – to)	Nr of options	Exercise price	Possible exercise period (from – to)	Fair value on assignment date	Date of assignment	Market price of underlying options on assignment of options	Nr of options	Exercise price	Market price of underlying shares on exercise date	Number of options	(15) = (2)+(5) - (11)-(14)	Fair value
Franco Bernabè	Chairman	TOP 2008 15/04/2008	6,300,000	1.95	15/04/2011 15/04/2014											6,300,000	
Gabriele Galateri (1)	Director	TOP 2008 15/04/2008	2,250,000	1.95	15/04/2011 15/04/2014											2,250,000	
Remuneration in the company drawing up the financial statements			8,550,000													8,550,000	
Remuneration from subsidiaries and associates																	
Total			8,550,000													8,550,000	

(1) The 2008 TOP Plan was assigned at the time when Mr Galateri was chairman of the Board of Directors

**TABLE 2: Stock options assigned to key managers with strategic responsibilities.**

A	B	(1)	Options held at the beginning of the financial year			Options assigned during the financial year						Options exercised during the financial year			Options expired during the financial year	Options held at the end of the financial year	Options for the year
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)			
Name and surname	Position	Plan and respective resolution	Nr of options	Exercise price	Possible exercise period (from – to)	Nr of options	Exercise price	Possible exercise period (from – to)	Fair value on assignment date	Date of assignment	Market price of underlying options on assignment of options	Nr of options	Exercise price	Market price of underlying shares on exercise date	Number of options	(15)= (2)+(5) - (11) - (14)	Fair value
1 key manager with strategic responsibilities	2011 Stock Option Plan		233,203	7.956 (1)	July 12												233,203
Remuneration in the company drawing up the financial statements																	
Remuneration from subsidiaries and associates			233,203														233,203
Total			233,203														233,203

<sup>(1)</sup> Exercise price (8.84 Real) discounted by 10% due to the use of relative performance.

**TABLE 3A: Incentive plans based on financial instruments, other than stock options, for members of the management and control bodies.**

A	B	(1)	Financial instruments assigned in previous financial years not vested during the financial year		Financial instruments assigned during the financial year					Financial instruments vested during the financial year and not assigned	Financial instruments vested during the financial year and assigned		Financial instruments for the year
			(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)	(10)	
Name and surname	Position	Plan and respective resolution	Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value on assignment date	Vesting Period	Date of assignment	Market price on assignment	Number and type of financial instruments	Number and type of financial instruments	Value on assignment date	Fair value
Franco Bernabè	Chairman	LTI 2011 07/07/2011	3,380,533	Apr 2011 Mar 2014									313
Marco Patuano	COO	LTI 2011 07/07/2011	2,414,681	Apr 2011 Mar 2014									223
Remuneration in the company drawing up the financial statements			5,795,234										536
Remuneration from subsidiaries and associates													
Total			5,795,234										536

**TABLE 3A: Incentive plans based on financial instruments, other than stock options, for key managers with strategic responsibilities.**

A	B	(1)	Financial instruments assigned in previous financial years not vested during the financial year			Financial instruments assigned during the financial year				Financial instruments vested during the financial year and not assigned	Financial instruments vested during the financial year and assigned	Financial instruments for the year	
			(2)	(3)	(4)	(5)	(6)	(7)	(8)				(9)
Name and surname	Position	Plan and respective resolution	Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value on assignment date	Vesting Period	Date of assignment	Market price on assignment	Number and type of financial instruments	Number and type of financial instruments	Value on assignment date	Fair value
8 key managers with strategic responsibilities (1)		LTI 2012 02/07/2012			(3)	664	01/01/2012 01/04/2017	02/07/2012	0.741				126
8 key managers with strategic responsibilities (1)		LTI 2011 07/07/2011	(2)	01/01/2011 01/04/2016									84
Remuneration in the company drawing up the financial statements													210
Remuneration from subsidiaries and associates													
Total													210

(1) The incentive plans based on financial instruments shown in the table refer to key managers with strategic responsibilities as of 31/12/2012.

(2) Number of Shares with a maximum countervalue of 1,490,850 euros; number to be determined on the basis of the market value at the time of determination of the three-year performance (but no lower than par value).

(3) Number of Shares with a maximum countervalue of 1,625,100 euros; number to be determined on the basis of the market value at the time of determination of the three-year performance (but no lower than par value).



**TABLE 3B: Monetary incentive plans for members of the management and control bodies [€/000]**

(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	
Franco Bernabè	Chairman	MBO 2012 BoD Resolution 23/02/2012 and BoD and NRC Resolution 29/03/2012	525						
Franco Bernabè	Chairman	LTI 2011 BoD Resolution 07/07/2011		470	2014			353	
Marco Patuano	COO	MBO 2012 BoD Resolution 23/02/2012 and BoD and NRC Resolution 29/03/2012	277						
Marco Patuano	COO	LTI 2011 BoD Resolution 07/07/2011		336	2014			252	
Marco Patuano	COO								2
Andrea Mangoni	General Manager for South America	MBO 2012 Letter of 26/03/2012	113						
Andrea Mangoni	General Manager for South America			(1)				(1)	250
(I)	Remuneration in the company drawing up the financial statements		915	806				605	252
(II)	Remuneration from subsidiaries								
(III)	Total		915	806				605	252

<sup>(1)</sup> The rights relating to participation in the 2011 and 2012 Long Term Incentive Plans lapsed ex tunc in application of the relevant regulation.

**TABLE 3B: Monetary incentive plans for key managers with strategic responsibilities [€/000]**

(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	
11 key Managers with strategic responsibilities (1)									
Remuneration in the company drawing up the financial statements		MBO 2012 Letters of 26/03/2012 19/04/2012	472						
		LTI 2012 Letters of 02/07/2012		240	2015				
		LTI 2011 Letters of 07/07/2011		202	2014			187	
									515
Remuneration from subsidiaries		MBO 2012							
		LTI 2012		574 <sup>(2)</sup>	2013				
		MBO 2011						769 <sup>(3)</sup>	
		LTI 2011						545 <sup>(4)</sup>	
Total			472	1,016				1,501	515

(1) The bonuses shown in the table refer to key managers with strategic responsibilities as of 31/12/2012.

(2) Amount converted into euros at the average exchange rate in 2012 as of 31/12/2012 (Pesos/€ 5.84408).

(3) Amount converted into euros at the average exchange rate in 2012 as of 31/03/2012 (US\$/€ 1.31082).

(4) Amount converted into euros at the average exchange rate in 2011 as of 31/12/2011 (Pesos/€ 5.74419).

## CHART No. 7-ter Chart containing information on the shareholdings of members of the management and control bodies, of the general manager for South America and other key managers with strategic responsibilities

The tables below show the shareholdings held by all the individuals who during the financial year 2012, or a part thereof, held the position of member of the Board of Directors, of member of the Board of Statutory Auditors, of General Manager for South America or key manager with strategic responsibilities (for this last category the information is shown in aggregate form).

Surname and name	Position	Investee Company	Category of shares	Number of shares owned at the end of the 2011 financial year (or on the date of appointment)	Number of shares bought during the 2012 financial year	Number of shares sold during the 2012 financial year	Number of shares owned at the end of the 2012 financial year (or on the date of termination of office if earlier)
<b>Board of Directors</b>							
Franco Bernabè	Chief Executive Officer	Telecom Italia S.p.A.	Ordinary	318,000	150,000	=	468,000 (1)
			Savings	330,000	150,000	=	480,000 (2)
Aldo Minucci	Vice Chairman	Telecom Italia S.p.A.	Ordinary	2,595	=	=	2,595
Marco Patuano	COO	Telecom Italia S.p.A.	Ordinary	=	70,000	=	70,000
			Savings	=	30,000	=	30,000
Cesar Izuel Alierta	Director	=	=	=	=	=	=
Tarak Ben Ammar	Director	=	=	=	=	=	=
Lucia Calvosa	Director	=	=	=	=	=	=
Elio Catania	Director	=	=	=	=	=	=
Massimo Egidi	Director	=	=	=	=	=	=
Jean Paul Fitoussi	Director	=	=	=	=	=	=
Gabriele Galateri	Director	Telecom Italia S.p.A.	Ordinary	352,000	=	=	352,000
			Savings	176,000	=	=	176,000
Julio Linares Lopez	Director	=	=	=	=	=	=
Gaetano Micciché	Director	=	=	=	=	=	=
Renato Pagliaro	Director	Telecom Italia S.p.A.	Savings	60,000	=	=	60,000
Mauro Sentinelli	Director	=	=	=	=	=	=
Luigi Zingales	Director	Telecom Italia S.p.A.	Ordinary	58,000	=	=	58,000
<b>General Manager</b>							
Andrea Mangoni	General Manager for South America	Telecom Italia S.p.A.	=	=	=	=	=
<b>Board of Statutory Auditors</b>							
Enrico Maria Bignami	Chairman of the Board of Statutory Auditors	=	=	=	=	=	=
Sabrina Bruno	Standing auditor	=	=	=	=	=	=
Roberto Capone	Standing Auditor	Telecom Italia S.p.A.	Ordinary	1,319	=	=	1,319
Lorenzo Pozza	Standing Auditor	=	=	=	=	=	=
Salvatore Spiniello	Standing Auditor	=	=	=	=	=	=
Ferdinando Superti Furga	Standing Auditor	=	=	=	=	=	=

(1) Including 18,000 shares owned indirectly.

(2) Including 30,000 shares owned indirectly.

Number of key managers with strategic responsibilities	Investee Company	Category of shares	Number of shares owned at the end of the 2011 financial year (or on the date of appointment)	Number of shares bought during the 2012 financial year	Number of shares sold during the 2012 financial year	Number of shares owned at the end of the 2012 financial year (or on the date of termination of office if earlier)
12	Telecom Italia S.p.A.	Ordinary	31,412	10,000	10,000	31,412 <sup>(1)</sup>
		Savings	55,484	=	=	55,484
	Telecom Italia Media S.p.A.	Ordinary	4	=	=	4

<sup>(1)</sup> Including 3,460 shares owned indirectly.