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Annual Report on Corporate Governance
Annual Report on Corporate governance

Structure of the paid-up capital

The subscribed and paid-up share capital on December 31, 2008 is shown in Table 1. The Company’s ordinary and savings shares are listed on Borsa Italiana and on the New York Stock Exchange in the form of American Depositary Shares, each of which corresponds to 10 ordinary shares or 10 savings shares as the case may be, represented by American Depositary Receipts issued by JPMorgan Chase Bank. The bonds issued by the Company that give holders the right to subscribe for newly issued shares are shown in Table 2. For information on Telecom Italia’s existing stock option plans and the capital increases for their implementation, see the notes to Telecom Italia’s financial statements for the year ended December 31, 2008.

Restrictions on voting rights and the transfer of securities

The bylaws contain no restrictions on the voting rights attached to Telecom Italia’s ordinary shares or on their being freely available, except for what is laid down in Article 22 (consultable in the Governance section of the Company’s website www.telecomitalia.it) concerning the special powers granted to the Ministry for the Economy and Finance under Law 474/1994, which include the power to oppose the acquisition of holdings of more than 3% of the voting capital. Savings shares do not carry the right to vote in ordinary shareholders’ meetings.

Significant shareholdings

According to the information available, the following are the significant holdings of Telecom Italia’s ordinary share capital:

<table>
<thead>
<tr>
<th>Declarant</th>
<th>Type of ownership</th>
<th>% of ordinary shares</th>
<th>% of voting shares</th>
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<td>Telco S.p.A.</td>
<td>Direct</td>
<td>24.503%</td>
<td>24.503%</td>
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<tr>
<td>Findim Group S.A.</td>
<td>Direct</td>
<td>5.006%</td>
<td>5.006%</td>
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In addition, the following have disclosed the availability of ordinary shares exceeding 2% of the ordinary share capital in their capacity as asset management companies:
• Brandes Investment Partners LP, which on July 23, 2008 reported a holding of ordinary shares equal to 4.024%;
• Alliance Bernstein LP, which on November 14, 2008 reported a holding of ordinary shares equal to 2.069%.

Securities giving special rights

No securities are issued giving special rights with regard to the control of Telecom Italia.

Employee share ownership: mechanism for exercising voting rights

At present there is no programme promoting employee share ownership.

Shareholders’ agreements

Telco S.p.A. (Telco) is Telecom Italia’s main shareholder. In turn Telco is owned by Intesa San Paolo S.p.A. (10.6%), Mediobanca S.p.A. (10.6%), Sintonia S.A. (8.4%), companies belonging to the Generali Group (28.1%) and Telefónica S.A. (42.3%).

On the basis of information in the public domain, on April 28, 2007 the shareholders of Telco signed an agreement that, among other things, lays down the criteria for nominating its slate of candidates for the positions of director of Telecom Italia:
• Telefónica, if it possesses at least 30% of Telco’s share capital, will be entitled to nominate two candidates;
• the other shareholders of Telco, if they possess the absolute majority of its share capital, will be entitled to nominate the other persons on the slate, of whom three candidates chosen unanimously and the others on a pro rata basis.

The shareholders’ agreement provides for the Telecom Italia Group and the Telefónica Group to be run autonomously and independently. In particular, the directors nominated by Telefónica in Telco and Telecom Italia will receive instructions from Telefónica not to take part or vote in board meetings that discuss and propose resolutions concerning the policies, management or operations of companies directly or indirectly controlled by Telecom Italia that supply services in countries where there are legal or regulatory restrictions or limitations to Telefónica’s exercise of its voting rights.

On November 19, 2007 the agreement was amended to take account of the ruling handed down by the Brazilian regulator for the telecommunications industry (Anatel) on October 23, 2007 and published on November 5, 2007 (the Anatel Decision), whereby:
• Telefónica and the directors/officers nominated by Telefónica may not participate, vote or veto resolutions in meetings of shareholders’, the board or committees or organs with equivalent functions of Telco, Telecom Italia or any other company controlled by Telefónica when the subject matter concerns engaging in telecommunications activity in the Brazilian market. In addition, Telefónica may not indicate directors or officers (i) of companies with their registered office in Brazil that are controlled by Telecom Italia and supply telecommunications services in the Brazilian market or (ii) of companies with their registered office in Brazil controlling such suppliers of telecommunications services;
• Telefónica must take steps to ensure that its subsidiaries supplying telecommunications services in the Brazilian market do not enter into certain types of relationship with the companies controlled by Telecom Italia that supply telecommunications services in the Brazilian market, on terms and conditions different from those envisaged by the provisions of Brazilian law applicable to telecommunications;
• Telefónica, including where it exercises the right to acquire shares of Telco, may not exercise direct or indirect control over any company controlled by Telecom Italia in Brazil;
• the parties to the agreement must give instructions to the members of the Board of Directors of Telco they have respectively nominated and to the members of the Board of Directors of Telecom Italia nominated by Telco for: (i) separate agendas to be prepared for the meetings of the Boards of Directors of Telco, Telecom Italia and Telecom Italia
International N.V. and every other company with its registered office outside Brazil that is controlled by Telecom Italia and has investments in the Brazilian telecommunications sector in which the directors nominated by Telefónica are allowed to attend and for the meetings in which the participation of the directors nominated by Telefónica is not allowed; and (ii) a copy of the agendas and minutes of the meetings referred to in point (i) is to be delivered to Anatel within a time limit of 30 days.

The restrictions and limitations referred to above will also apply in the event of Telco’s spin-off.

In accordance with the Anatel Decision, Tim Brasil Serviços e Participações S.A., Tim Celular S.A. and Tim Nordeste S.A., controlled by Telecom Italia, filed their constituent instruments with Anatel on November 22, 2007 in order to comply with the measures and procedures requested by the Anatel Decision to ensure the separation of the activities of the Telecom Italia Group and the Telefónica Group in Brazil.

Subsequently, on May 2, 2008, they proposed a series of additional measures in pursuit of the same aim. On July 31, 2008 Anatel approved the constituent instruments filed on November 22, 2007 after finding full compliance with the restrictions imposed by the Anatel Decision in this respect. Approval of the additional measures filed on May 2, 2008 is still pending.

In accordance with the above, the directors César Alierta Izuel and Julio Linares López undertook not to take part or vote in meetings of the Board of Directors (or the Executive Committee) when the subject matter concerned the activity of Telecom Italia or its subsidiaries in the Brazilian or Argentine telecommunications market and – in general – whenever the interests of the Telecom Italia Group might be prejudiced.

Lastly, on December 2, 2008 the Board of Directors adopted an internal procedure that formalizes the previously existing separation between the activities of the Telecom Italia Group and the Telefónica Group on the Argentine telecommunications market.

Appointment and replacement of directors

Article 9 of the Company’s bylaws provide for the Board of Directors to be made up of not less than seven and not more than nineteen members, elected on the basis of slates presented by shareholders who together hold at least 0.5% of the ordinary share capital:

- four fifths of the directors to be elected are chosen from the slate that obtains the majority of the votes cast by the shareholders, in the order in which they are listed on the slate; in the event of a fractional number, it is rounded down to the nearest whole number;
- the remaining directors are chosen from the other slates. To that end, the votes they obtain are divided successively by whole numbers from one up to the number of directors to be chosen and the quotients obtained are assigned to the candidates on each slate in the order specified thereon. The quotients assigned in this way are arranged in a single decreasing ranking and the candidates elected are those coupled with the highest quotients.

In appointing directors who for any reason have not been chosen pursuant to the procedure specified above, the shareholders’ meeting votes using the majorities required by law.

Mandates to increase the share capital and authorizations to purchase treasury shares

Until May 6, 2009 the Directors may increase the share capital in one or more tranches by means of cash issues of up to a maximum of 1,600,000,000 ordinary shares, all or part of which:

- to be offered with the right of pre-emption to shareholders and holders of convertible bonds; or
- to be offered for subscription to employees of Telecom Italia S.p.A. and its subsidiaries; and may also issue, in one or more tranches, convertible bonds up to a maximum amount of euro 880,000,000.

The shareholders’ meeting held on April 14, 2008 authorized the buyback of up to a maximum of 11,400,000 ordinary shares by October 14, 2009 for the stock-option plan reserved to the executive directors. The purchases must be made on regulated markets, in the manner prescribed by the applicable laws and regulations. The consideration must be between a minimum and a maximum corresponding to
the weighted average of the official prices of the ordinary shares recorded by Borsa Italiana in the last ten trading days prior to the purchase, respectively decreased and increased by 10%.

**Change-of-control clauses**

A series of agreements to which Telecom Italia is a party require the Company to notify any change of control. In the first place such an obligation, provided for by national legislation on authorizations, is contained in the general licences granted to Telecom Italia for the running and supply of electronic network communications and in the general concessions/licences granted to TI Media for operating networks and providing content. A similar obligation governed by applicable local law is contained in concessions/licences to provide telecommunications services granted to foreign subsidiaries of the Group (notably in Bolivia and Brazil).

Telecom Italia is also a party to agreements in which change of control entails modification or even termination of the relationship. Some of these cases, not concerning loan agreements, are subject to confidentiality constraints such that disclosure of the existence of the change-of-control clause would cause serious harm to the Company, which consequently invokes the right not to disclose its existence pursuant to the second part of paragraph 1.h) of Article 123-bis of the Consolidated Law on Finance. In other cases the agreement is deemed not to be material.

There remain the following cases, all of which concern loan agreements.

- **Multi-currency revolving credit facility (euro 8,000,000,000)**. The loan agreement was concluded by Telecom Italia with a syndicate of banks on August 1, 2005 and subsequently amended. In the event of a change of control Telecom Italia must inform the agent within 5 business days and the agent, acting on behalf of the lending banks, will negotiate in good faith on how to continue the relationship. None of the parties are obliged to continue the negotiation beyond 30 days. If this time limit expires without an understanding, the facility will cease to be effective and Telecom Italia will be required to repay the amounts it has received (currently equal to euro 1,500,000,000). Conventionally, there is not deemed to be a change of control when control, as defined by Article 2359 of the Civil Code, is acquired: (i) by shareholders who at the date the loan agreement was signed held, directly and indirectly, more than 13% of the voting rights in the shareholders’ meeting; (ii) by the investors (Telefónica, Assicurazioni Generali, Sintonia, Intesa Sanpaolo and Mediobanca) who on April 28, 2007 signed a shareholders’ agreement in relation to Telecom Italia shares; or (iii) by some combination of the two categories referred to above;

- **Term Loan facility (euro 1,500,000,000)**. The loan agreement was concluded by Telecom Italia with a syndicate of banks on December 8, 2004 and subsequently amended. The rules are basically the same as those of the facility referred to above. The total amount actually disbursed under this facility is currently equal to euro 1,500,000,000.

- **bond loans. The terms and conditions of the loans issued under the EMTN Programme by Olivetti and Telecom Italia and of the loans denominated in US dollars typically provide that, in the event of a merger or the transfer of all or substantially all of the assets of the issuer or the guarantor, the merging company or the company to which the assets are transferred must assume all the obligations of the merged company or the company whose assets are transferred. Failure to fulfil the obligation, without this being remedied, constitutes a default event;**

- **contracts with the European Investment Bank (EIB). The contracts concluded by Telecom Italia with the EIB, for a total maximum amount of approximately euro 2.5 billion, require Telecom Italia to notify the EIB promptly of changes concerning the bylaws and the distribution of the capital among the shareholders capable of leading to a change of control. Provision is made for termination of the contract in the event of failure to make such notifications and when a shareholder who did not hold at least 2% of the capital when the contract was signed comes to hold more than 50% of the voting rights in the ordinary shareholders’ meeting or of the share capital if the EIB reasonably considers that this may cause it harm or compromise the implementation of the project financed.**
Indemnity of directors in the event of resignation, dismissal or termination of the relationship following a takeover bid

For the Chairman and the Managing Director (Gabriele Galateri di Genola and Franco Bernabè) provision is made if the appointment is interrupted before the end of the mandate established by the shareholders’ meeting held on April 14, 2008 (i) for objective reasons (such as the merger of the Company or the termination of the entire Board of Directors pursuant to Article 9.12 of the bylaws), (ii) at the initiative of the Company (except in the case of just cause) or (iii) at the initiative of the interested parties for just cause (e.g. change in the position, especially with reference to the delegated powers, or significant changes in the composition of the reference shareholders), for payment of the remuneration due until the end of the mandate, supplemented by an indemnity equal to one year's remuneration. In the case of the Managing Director, the payment also includes the variable component, calculated as the average of the disbursements already made or, in the absence thereof, as the target value.

Compliance

Telecom Italia complies with Borsa Italiana’s Code of Corporate Governance and since 2000 has provided information on the development of its system of corporate governance in its annual and half-yearly reports.

Telecom Italia is also subject to US law as a foreign issuer registered with the Securities and Exchange Commission and listed on the New York Stock Exchange. Accordingly, as specified in the Company’s Self-Regulatory Code (consultable in the Governance section of the Company’s website www.telecomitalia.it), the Board of Statutory Auditors performs the tasks entrusted to the audit committee under US law.

Telecom Italia’s strategic subsidiaries include the companies belonging to the Tim Brasil group, of which the holding company Tim Participações S.A. (indirectly controlled by Telecom Italia) is a Brazilian company listed in Brazil; this company is also registered with the Securities and Exchange Commission and listed on the New York Stock Exchange.

Direction and coordination

Telecom Italia is not subject to direction and coordination as referred to in Article 2497 et seq. of the Civil Code.

Composition of the Board of Directors

Tables 3 and 4 show information on the members of the Board of Directors as of February 27, 2009 and on those whose directorships ended during the 2008 fiscal year.

Cap on offices held in other companies

Under the Company’s Self-Regulatory Code the position of Telecom Italia director is not compatible with membership of the board of directors or auditors of more than five companies other than companies that are directed and coordinated by Telecom Italia or are Telecom Italia subsidiaries or affiliates, when the companies in question:

- are listed and included in the S&P/MIB index and/or
- operate prevalently in the financial sector on a public basis and/or
- engage in banking or insurance.

When it is a case of executive positions in companies of the types specified above, the limit is reduced to three. The Board of Directors may nonetheless make different individual evaluations, which may be based on other criteria.

In its meeting on February 27, 2009 the Board of Directors checked that the directors in office
Role of the Board of Directors

Board meetings in 2008: 10 (of which 8 subsequent to the election of the new board by the shareholders’ meeting on April 14, 2008)
Average length of meetings: 3 hours
Attendance rate (new board): 93.5% (100% for the independent directors)
Number of meetings planned for 2009: 7
Telecom Italia’s Self-Regulatory Code reserves an active role to the Board of Directors both in the strategic guidance of the Company and in the control of operations, with the full Board empowered to formulate strategy and responsible for intervening directly in decisions having the greatest impact on the activity of the Company and the Group. In particular, the tasks of the Board of Directors include:

- examining and approving strategic, business and financial plans and the budget;
- examining and approving strategic transactions;
- verifying the adequacy of the organizational, administrative and accounting structure, with special reference to the internal control system;
- preparing and adopting the Company’s corporate governance rules and drawing up the Group’s governance guidelines;
- specifying the limits to delegated powers, the manner of exercising them and the frequency with which bodies with such powers must report on the activity performed in exercising them;
- nominating the persons who are to hold the offices of Chairman and CEO in strategic subsidiaries;
- assessing the overall performance of operations and periodically comparing the results achieved with those planned.

The strategic transactions to be submitted to the Board for its prior approval include:

- agreements with competitors of the Group that, owing to the subject, the commitments, the conditionings and the limits capable of deriving from them, have a lasting influence on the freedom of strategic business choices;
- deeds and transactions that entail the entry into (or exit from) geographical and/or product markets;
- business investments and disinvestments exceeding euro 250 million;
- purchase and sale deeds referring to companies or business units that are of strategic significance in the overall framework of the business or exceed euro 250 million;
- purchase and sale deeds of controlling or affiliation shareholdings exceeding euro 250 million or (even if less) in companies carrying out activities included in the core business of the Group, and the conclusion of contracts for the exercise of rights attaching to such shareholdings;
- the taking out of loans and the granting of loans and guarantees in favour of non-subsidiary companies for amounts exceeding euro 250 million;
- transactions referred to above to be carried out by unlisted subsidiaries of the Group, except for subsidiaries of listed subsidiaries;
- the listing on (delisting from) European and non-European regulated markets of financial instruments issued by the Company or companies belonging to the Group;
- the instructions to be given to listed subsidiaries (and their subsidiaries) in the performance of the Parent Company’s direction and coordination function in relation to the carrying out of transactions having the characteristics referred to above.

In light of the effective Group operations, the Board of Directors meeting of February 27, 2009 amended its Self Regulatory Code increasing the threshold for the Board’s decision on the receiving of loans and guarantees to Euro 500 million.

The assessment of the performance of operations is based on a continuous flow of information coordinated by the Chairman of the Board of Directors and directed towards the non-executive
directors and the members of the Board of Statutory Auditors. Assessments are made at intervals in the various meetings, notably with a comparison of the results achieved with those budgeted during the examination of the financial reports.

The Board of Directors assesses the adequacy of the organizational, administrative and accounting structure of the Company on the basis of information made available by the management and, with specific reference to the internal control system, in light of the results of the investigations carried out by the Internal Control and Corporate Governance Committee. In performing its function as the body primarily responsible for the internal control system, the Board of Directors also avails itself of:

- the person responsible for internal control, chosen from within the internal auditing function, which is entrusted to the consortium company Telecom Italia Audit & Compliance Services;
- with reference to internal controls in relation to financial reporting, the manager responsible for preparing the Company's financial reports.

Pursuant to the Self-Regulatory Code, related-party transactions carried out by the Company, directly or via subsidiaries, including intragroup transactions, must comply with criteria of substantial and procedural correctness. The Board of Directors monitors this compliance through the Internal Control and Corporate Governance Committee.

In its meeting on March 6, 2008 the Board of Directors adopted a set guidelines (consultable in the Governance section of the Company's website www.telecomitalia.it), which – on the basis of predefined qualitative and quantitative criteria – assign the preliminary verification of such transactions directly to the management, a special management committee or the Internal Control and Corporate Governance Committee.

The annual board assessment has shown directors to be generally satisfied, but with some matters indicated for analysis and discussion with a view to putting forward constructive suggestions. As regards the composition of the Board of Directors, the assessment saw the expression of an opinion in favour of an increase in the number of independent directors (currently 5 out of 15). The recommendation is directed towards the shareholders and confirms the belief in the positive contribution that such directors can make to discussions within the Board and to the latter's external credibility. As to the functioning of the Board of Directors, some suggestions were made for improvement, essentially in connection with the preparation of meetings. In this respect all the directors considered the information received before meetings to be adequate, but, although noting an improvement, several directors recommended that the documents in question should be distributed earlier.

**Bodies with delegated powers**

The authority to grant delegated powers to directors and revoke such mandates is reserved to the Board of Directors, which also establishes their objects, limits, manner of exercise and the intervals – of not more than three months – at which persons with delegated powers must report on their activity, the general results of operations, and the transactions of greatest economic, financial and balance sheet significance.

On April 15, 2008 the Board of Directors appointed Gabriele Galateri di Genola Chairman of the Board and Franco Bernabè Managing Director.

In addition to legal representation of the Company, the Chairman was assigned the following powers:

- supervision of the preparation of strategic, business and financial plans and their development and implementation;
- supervision of the design of organizational structures;
- supervision of the economic and financial performance;
- responsibility for overseeing the examination and definition of the strategic guidelines for the internal control system;

The Managing Director – in addition to legal representation of the Company and all the powers, to be exercised with a single signature, needed to carry out all the acts involved in the Company’s various activities, without any exceptions – was assigned responsibility for the overall governance of the Company and the Group and, in particular with:

- responsibility for drawing up, submitting to the Board of Directors and subsequently developing and implementing the strategic, business and financial plans;
- responsibility for defining the organizational arrangements;
- all the organizational responsibilities involved in ensuring the operation and growth of the business, by coordinating the organizational aspects not entrusted to the Chairman.

**Executive Committee**

Number of meetings in 2008: 4  
Average length of meetings: 2 hours and 45 minutes  
Attendance rate: 93% (100% for the independent directors)  
Number of meetings planned for 2009: 4

In its meeting on April 15, 2008 the Board of Directors created an Executive Committee made up of the executive directors (who ensure coordination with the management of the Group) and the non-executive directors. The Committee is chaired by the Chairman of the Board and its members are shown in Table 5.

The Committee is charged with monitoring the performance of operations at Company and Group level, approving the executive directors’ proposals for macro organizational arrangements, submitting opinions to the Board on the budget and the strategic, business and financial plans of the Company and the Group and performing any other tasks delegated by the Board of Directors. The Committee reports to the Board of Directors on the activity it has performed in the most suitable manner and in any case on the occasion of the next meeting of the Board.

**Independent directors**

Telecom Italia has adopted the criteria established by Borsa Italiana’s Corporate Governance Code for determining whether directors qualify as independent.

In its meeting on February 27, 2009 the Board of Directors verified that the individual directors indicated in Table 3 satisfied the independence requirements of Article 147-ter, paragraph 4, of Legislative Decree 58/1998 and that the Board as a whole satisfied the composition requirements (at least two directors satisfying the independence requirements laid down by law for the members of the Board of Statutory Auditors).

**Lead Independent Director**

The Lead Independent Director is currently the Chairman of the Internal Control and Corporate Governance Committee and member of the Supervision Panel set up under Legislative Decree 231/2001.

The Lead Independent Director is intended to provide a point of reference and coordination for the needs and inputs of the independent directors. In performing this function, he may use the Company’s structures and call special meetings of the independent directors (Independent Directors’ Executive Sessions) to discuss issues related to the working of the Board of Directors or the management of the business. In 2008 two such sessions were held.

As laid down in the Company’s Self-Regulatory Code, the Chairman of the Board of Directors also avails himself of the collaboration of the Lead Independent Director to improve the working of the Board (including the choice of matters to be discussed in collegial meetings).

**Treatment of corporate information**

Telecom Italia has special procedures for classifying and handling information from the point of view of its confidentiality. It has also adopted a procedure for the internal management and external disclosure of documents and information concerning the Company, with special reference to inside information (consultable in the Governance section of the Company's website [www.telecomitalia.it](http://www.telecomitalia.it)). The procedure governs the management of inside information concerning Telecom Italia, its unlisted subsidiaries and listed
financial instruments of the Group and is addressed to all the members of the governing bodies, employees and outside collaborators of Group companies who have access to potentially inside information. It also gives instructions to all subsidiaries for the purpose of promptly obtaining the information needed for timely and correct compliance with public disclosure requirements. The procedure also governs the register of persons with access to inside information referred to in Article 152-bis et seq. of Consob Regulation 11971/1999 on Issuers.

**Board Committees**

In addition to the Executive Committee referred to above, the following committees consisting of members of the Board of Directors have been established: the Internal Control and Corporate Governance Committee and the Appointment and Remuneration Committee; their functions are governed by the Company’s Self-Regulatory Code.

**Appointment and Remuneration Committee**

Number of meetings in 2008: 10 (of which 6 subsequent to the election of the new board by the shareholders’ meeting on April 14, 2008)
Average length of meetings: 2 hours
Attendance rate (subsequent to the election of the new board): 100%

As of 2000 there has been a committee charged with putting forward proposals for the remuneration of the directors who hold particular offices and criteria for the remuneration of the Company's senior management. In its meeting on April 15, 2008 the Board of Directors decided to morph this committee into an Appointment and Remuneration Committee.

In its present configuration the committee continues to be charged with advisory functions and the formulation of proposals:
- concerning the remuneration of the directors who hold particular offices in order to ensure alignment with the objective of creating shareholder value over time;
- concerning the periodic evaluation of the criteria for the remuneration of the Company's senior management and the adoption, acting on a proposal from the Managing Director, of stock option or share award plans;
- concerning the monitoring of the application of the decisions adopted and Company policies in relation to the compensation of top management.

These tasks have been supplemented by that of proposing candidates for appointment to the Board of Directors in the event of the replacement of an independent director during the Board’s term of office.

The members of the Appointment and Remuneration Committee must all be non-executive directors, a majority of whom must be independent and at least one must have been chosen from a minority slate. For the committee’s composition, see Table 5.

The activity performed in 2008 concerned the system of remuneration applicable to the Company's executive directors (Chairman and Managing Director), among other things with a view to the renewal of the Board of Directors.

In addition, with reference to the system of remuneration applicable to the Company's management, the committee examined the terms and conditions and beneficiaries of the Performance Share Granting plan for the award of ordinary shares to the management, launched in August.

**Directors’ Remuneration**

The compensation received in 2008 by directors and general managers is shown in Note 44 to Telecom Italia’s annual financial statements.

Following the shareholders’ meeting held on April 14, 2008 the Board of Directors divided the total compensation of euro 2.2 million approved by the shareholders for the three years 2008-10 as shown below:
- euro 110,000 to be paid to each director in office;
an additional euro 35,000 to be paid to each member of the Executive Committee;
an additional euro 45,000 to be paid to each member of the Internal Control and Corporate Governance Committee;
an additional euro 20,000 to be paid to each member of the Appointment and Remuneration Committee;
an additional euro 20,000 to be paid to the director appointed to the Supervision Panel set up under Legislative Decree 231/2001.

The Chairman and the Managing Director have been awarded a fixed component of compensation for the position – on top of that paid under Article 2389, first paragraph, of the Civil Code – amounting respectively to euro 1,300,000 and euro 1,400,000. In addition the Managing Director benefits from a payment for retirement benefits equal to 10% of his fixed compensation and is entitled to a short-term variable component based on the Company’s economic results and a series of operational objectives. The value of this incentive ranges from 50% to 200% of the fixed component and is linked to the achievement of predetermined objectives. Each objective is measured on a scale that goes from 50 percentage points, corresponding to the minimum level of achievement of the objective, to 100 points, corresponding to the target level of achievement, to 200 points, corresponding to the maximum level of achievement; the intermediate levels of achievement are measured on a straight line basis.

The objectives are as follows:

- Return on Investment (30% share of the variable compensation);
- Net Cash Flow before Dividends (30% share of the variable compensation);
- Customer Satisfaction (weighted average of the fixed/mobile indices calculated using the American Customer Satisfaction Index (ACSI) methodology; 30% share of the variable compensation);
- Innovative Revenues (percentage ratio of VAS Mobile turnover to total turnover of mobile and ICT and fixed Internet; 10% share of the variable compensation).

Gabriele Galateri di Genola and Franco Bernabè have also been awarded respectively 3,000,000 and 8,400,000 stock options under the plan approved by the shareholders’ meeting held on April 14, 2008. The plan is described in detail in the information document published pursuant to Article 84-bis of Consob’s Regulation on Issuers (consultable in the Governance section of the Company’s website www.telecomitalia.it).

The non-executive directors receive the compensation resulting from the division of the total retribution approved by the shareholders’ meeting held on April 14, 2008, as specified earlier. Accordingly, their compensation is not linked to the Company’s economic results.

The compensation of managers with strategic responsibilities has a variable component linked to the Company’s economic results and/or to the achievement of specific objectives set within an MBO framework.

In its meeting on August 8, the Board of Directors also decided to implement the Performance Share Granting plan for the award of ordinary shares to the management, which the shareholders’ meeting had approved in April 2007. The aim of the plan is to provide incentives, enhance the loyalty and foster the retention of top management by means of remuneration in the form of equity, which rewards the creation of shareholder value (measured with reference to Total Shareholder Return), thereby aligning the interests of shareholders and the beneficiaries of the plan. The plan consists in the assignment to the beneficiaries (identified among the managers of Telecom Italia and its subsidiaries with a strategic role) of the right to receive a number of ordinary shares of the Company up to a predetermined maximum and dependent on the period of participation in the plan and the degree to which specific share performance objectives are achieved.

The information document prepared for when the plan was launched can be consulted in the Governance section of the Company’s website www.telecomitalia.it.

In its meeting on February 27, 2009 the Board of Directors took note of the new group of managers with strategic responsibilities (known as executive officers and key managers), following the implementation of the customer-centric organization, with effect from January 2009.

The Managing Director has identified these persons in the light of the strategic priorities of the 2009-11 business plan as those who pro tempore are: the Chief Financial Officer, the Heads of Domestic Market Operations, Technology & Operations, Disposals, Human Resources and Organization, Purchasing, General Counsel & Corporate and Legal Affairs, and the President of Tim Brasil, supplemented by the Chairman of the Board of Directors and the Managing Director.
The total compensation disbursed in 2008 to managers recognized as having strategic responsibilities is given in aggregate form in Note 44 to Telecom Italia's annual financial statements.

Internal Control and Corporate Governance Committee

Number of meetings in 2008: 8 (of which 5 subsequent to the election of the new board by the shareholders’ meeting on April 14, 2008 and 4 held jointly with the Board of Statutory Auditors)
Average length of meetings: 2 hours and 30 minutes
Attendance rate (subsequent to the election of the new board): 95%
(100% for the independent directors)

Set up in 2000, the Internal Control and Corporate Governance Committee is charged with advisory functions and the formulation of proposals. In particular, it:
• assists the Board of Directors and, at his request, the Managing Director in the performance of tasks in matters concerning the Company's internal control system;
• evaluates the work plan prepared by the person responsible for internal control, who is required to send the Committee periodic reports (on a quarterly basis);
• assesses – together with the persons in charge of administrative affairs, the manager responsible for preparing the Company's financial reports and the external auditors – the correct use of accounting standards and their uniform application within the Group for the purpose of preparing the consolidated financial statements;
• evaluates the proposals made by the external auditors in order to be awarded the appointment, the audit plan and the results set out in their report and any letter of suggestions;
• reports to the Board of Directors on the activity it has performed in the first suitable meeting and in any case on the adequacy of the internal control system on the occasion of the meetings held to approve the annual financial statements and the half-yearly report;

The Committee also:
• supervises the effectiveness of the audit process, compliance with the standards for carrying out related-party transactions (with generalized ex post monitoring and ex ante examination of some important transactions), and compliance with the rules of corporate governance and their periodic updating;
• expresses its opinion on the proposals for appointing, removing and assigning duties to the person responsible for internal control and the manager responsible for preparing the Company's financial reports;
• defines the procedures and time limits for conducting the "board performance evaluation";
• performs the additional tasks that may be assigned to it by the Board of Directors.

With reference to the oversight of internal controls, in 2008 the Committee again undertook to oversee the matters involving the former head of the Security Function, Giuliano Tavaroli, including in court proceedings. Among other things this activity involved careful oversight of the initiatives and measures adopted with regard to compliance with the rules on privacy and the handling of traffic data.

The Committee also closely followed the work of maintaining and updating the so-called 231 Organizational Model (see below).

The members of the Internal Control and Corporate Governance Committee must all be non-executive directors, a majority of whom must be independent and at least one must have been chosen from a minority slate. For the committee’s composition, see Table 5. All the members have had accounting and financial experience.

Internal control system

The internal control system is a process made up of rules, procedures and organizational structures and designed to pursue substantial and procedural correctness, transparency and accountability, values that are considered fundamental for Telecom Italia’s business dealings, as
laid down in the Group Code of Ethics and the Company’s Self-Regulatory Code (both of which are consultable in the Governance section of the Company’s website [www.telecomitalia.it](http://www.telecomitalia.it)). The aim of the process is to ensure that the management of the business is efficient and can be known and verified, that accounting and operational data are reliable, that applicable laws and regulations are complied with, and that the assets of the business are safeguarded, not least with a view to preventing fraud against the Company and financial markets.

As the body responsible for the internal control system, the Board of Directors lays down the guidelines for the system and verifies its adequacy, efficacy and proper functioning, while making sure that the main operational, compliance, economic and financial risks are appropriately identified and managed. In performing this responsibility, the Board, in addition to the Internal Control and Corporate Governance Committee, uses a person endowed with an appropriate degree of independence and adequate means to be responsible for the internal control function (as explained in earlier Corporate Governance Reports, the Chairman of Telecom Italia Audit & Compliance Services).

The functions assigned to this person are to assist in verifying the adequacy and efficacy of the internal control system and, where anomalies are found, to propose appropriate remedies. The person responsible for internal control reports to the Internal Control and Corporate Governance Committee and to the member of the Board of Directors responsible for the internal control system (at present the Chairman of the Board of Directors).

In 2005 the position of Group Compliance Officer was created with a view to better coordinating the development and maintenance of the internal control system. The Group Compliance Officer performs a role of liaison and coordination among the plans for the improvement of the Group’s internal control system and is responsible for monitoring and facilitating the relationship between management and the internal control system, so as to guarantee, with the assistance of Telecom Italia Audit & Compliance Services, methodological correctness in the management of risk.

The Company’s internal control system is completed by the so-called 231 Organizational Model, which is divided into “general internal control principles”, “behavioural principles” (consisting of a set of rules for relations with representatives of governmental bodies for corporate issues and transactions involving shares and other securities of the Company) and “internal control checklists” specifying the main stages of every process, the offences that may be committed in relation to individual processes and the control activities to prevent the related risks from arising. In 2008 the 231 Organizational Model was updated (in the light of changes in the law) and improved (to reflect the results of the model’s application and the suggestions made by an external consultant).

Monitoring of the functioning and compliance with the model is performed by a Supervisory Panel made up of a member of the Board of Statutory Auditors (Chairman), an independent director on the Internal Control and Corporate Governance Committee and the head of the internal control system in the person of the Chairman of Telecom Italia Audit & Compliance Services. The Panel, reappointed on April 15, 2008 following the renewal of the Board of Directors (by the shareholders’ meeting held on April 14, 2008) reports to the Board of Directors, the Internal Control and Corporate Governance Committee and the Board of Statutory Auditors on the checks performed and their results.

In addition, with the aim of providing operational support to the Supervisory Panels of Group companies a special unit (the Compliance Support Group) has been created within Telecom Italia Audit & Compliance Services to handle reports of violations of the organizational model and conduct compliance audits on the basis of the data received in connection with the information flows that have been put in place within the Group.

With regard to the undertakings approved in December by the Competition Authority, at the closing of the A/375 procedure (claiming abuse of dominant position, created through illegitimate strategies of retention and win back) the Board of Directors has resolved to amend the Group’s Code of Ethics and Conduct to strengthen the concepts of fair and even competition, with particular regard to a commitment for accurate information regarding competitor operations.

**Person responsible for internal control**

The Board of Directors has chosen the consortium company Telecom Italia Audit & Compliance Services (of which Telecom Italia Media is also a partner and which performs internal audit functions for the partners and their subsidiaries) to be responsible for assisting with verifying that the internal control system is always adequate and fully operational.
Telecom Italia Audit & Compliance Services has an adequate level of independence (it is not responsible for any operational areas and does not depend hierarchically on anybody responsible for an operational area) and suitable means for the performance of its functions, which include providing support to the Company’s administrative and control bodies in verifying the adequacy and efficacy of the internal control system and, where anomalies are found, to propose appropriate remedies.

The person responsible for internal control:

- reports to the designated director, the Internal Control and Corporate Governance Committee (and thus the Board of Directors), and the Board of Statutory Auditors;
- carries out checks at the request of the manager responsible for preparing the Company’s financial reports;
- ensures compliance with the principles and values set out in the Code of Ethics of the Telecom Italia Group, investigates reports by employees and third parties of legal and regulatory violations and irregularities (including those of an accounting nature) and promotes suitable remedies, including proposals for punishments.

**External auditor**

Reconta Ernst & Young S.p.A. is charged with auditing the annual financial statements of Telecom Italia S.p.A. and the consolidated annual financial statements of the Telecom Italia Group and with making a limited review of the Telecom Italia company and consolidated half-yearly reports and with auditing the annual report prepared in accordance with US securities laws. The engagement will terminate with the 2009 annual financial statements.

**Manager responsible for preparing the Company’s financial reports**

Following the resignation during 2008 of Enrico Parazzini from the positions of General Manager and Head of the Finance, Administration and Control Function, the new Head of the Finance, Administration and Control Function, Marco Patuano, was appointed “Manager responsible for preparing the Company’s financial reports” (the Manager).

On a self-regulatory basis the Board of Directors has taken it upon itself to fill this position and has specified the related duties and powers in a regulation that can be consulted in the Governance section of the Company’s website www.telecomitalia.it. The Manager is charged by law with putting adequate administrative and accounting procedures in place for the preparation of the company and consolidated annual financial statements and every other communication of a financial nature; the regulation imposes a functional responsibility (organizational and by field) with respect to the internal controls for financial reporting and specifies that in this respect the Manager responsible for preparing the Company’s financial reports is to be supported by the executive directors and the Company’s management.

The Manager reports to the Board of Directors, the Internal Control and Corporate Governance Committee and – for matters for which it is competent – the Board of Statutory Auditors.

**Interests of directors and related-party transactions**

In March 2008 the Board of Directors replaced the existing procedure for related-party transactions with a more comprehensive set of procedures whereby decision-making roles and responsibilities are classified according to the types of activity involved.

In particular, provision has been made for a distinction between transactions according to whether or not they are deemed to be part of the ordinary course of business and therefore require or not an escalation of the authorization process depending on the manner of determining the conditions of the relationship with the related-party, distinguishing between unalterable “other-directed” conditions and competitive conditions (where the risk of conflicts of interest is excluded in re ipsa) and conditions comparable to market conditions (i.e. at arms length). The matrix for verifying and approving related-party transactions (which is in addition to the usual internal authorization
procedure) is determined on the basis of the importance of the transaction, in terms of duration and value, and entrusted either to a manager, or to a management committee (made up of the Group Compliance Officer, the Chief Financial Officer, the General Counsel and the senior manager reporting directly to the Managing Director competent for the transaction), or to the Internal Control and Corporate Governance Committee. Provision is made for each procedure to be replaced by that of the next level up and for ex post monitoring of the whole process by the Internal Control and Corporate Governance Committee.

To foster compliance with the principles of conduct for transactions with related parties, since July 2008 a computer application has been available that makes it possible in each case to verify the nature of the party’s relationship with Telecom Italia and establish the correct authorization procedure. The application also ensures the traceability of related-party transactions.

**Appointment of statutory auditors**

The Board of Statutory Auditors is made up of 5 statutory auditors. The shareholders’ meeting also appoints four alternates.

The Board of Statutory Auditors is elected in accordance with the applicable laws and regulations on the basis of slates presented by shareholders who alone or together with others hold a total number of shares representing at least 0.5% of the voting ordinary share capital.

The slates are divided into two sections: one for candidates to the position of statutory auditor and the other for candidates to the position of alternate. Three statutory auditors and two alternates are chosen from the slate that obtains the majority of votes cast (the Majority Slate), while the remaining statutory auditors and alternates are chosen from the other slates (the Minority Slates), without prejudice to the provisions of laws and regulations limiting the link with the Majority List.

To that end, the votes obtained by the Minority Slates are divided successively by one and two and the quotients obtained are assigned to the candidates in one or the other section in the order specified. The quotients assigned in this way to the candidates on the various slates are arranged in single decreasing rankings, one for statutory auditors and the other for alternates. In both cases the candidates who have obtained the two highest quotients are elected.

In the event of the termination of the appointment of a statutory auditor chosen from the Majority Slate or one of the Minority Slates, the replacements shall be chosen, according to age, from among the alternates elected respectively from the Majority Slate or the Minority Slates. In the event of the termination of the appointment of a statutory auditor chosen from one of the Minority Slates, the principle of the necessary representation of the minority shareholders is deemed to be complied with in the event of the appointment of an alternate chosen from the Minority Slates.

**Board of statutory Auditors**

Table 7 shows information on the membership of the Board of Statutory Auditors.

The three-year mandate of the Board of Statutory Auditors will expire with the approval of the financial statements for 2008. The shareholders’ meeting is therefore invited to elect a new control body.
Investor relations

A member of the Telecom Italia staff (Ms Elisabetta Ripa) has been appointed investor relations manager to handle dealings with the Italian and international financial communities and with all the Company's shareholders. Institutional and retail investors can obtain any information they may require from the following addresses:

- **Institutional investors:**
  Telecom Italia S.p.A. - Investor Relations
  Piazza degli Affari, 2
  20123 Milano
  Tel.: +39 02 85954131
  E-mail: investor_relations@telecomitalia.it

- **Retail investors:**
  Telecom Italia S.p.A. - Investor Relations
  Piazza degli Affari, 2
  20123 Milano
  Tel.: +39 02 85954131
  E-mail: investitori.individuali@telecomitalia.it

A special section of the Company's website ([www.telecomitalia.it](http://www.telecomitalia.it)) contains information for present and potential shareholders and investors (including bondholders).

Shareholders’ meetings

Under Article 19 of the bylaws, shareholders may attend shareholders’ meetings when the Company has received the communication referred to in the second paragraph of Article 2370 of the Civil Code, at least two days prior to the date set for each meeting. Telecom Italia does not require shareholders to block their shares to be eligible to attend a meeting, instead they must deposit them, i.e. give the intermediary that keeps the relevant accounts instructions to make the communication referred to above. This does not prevent subsequent withdrawal of the shares; although if they are withdrawn, the earlier deposit ceases to be effective for the purpose of entitlement to attend the meeting. Any requests for advance notice to perform the relevant formalities or unavailability of shares to be deposited as a consequence of intermediaries’ market practices may not be imputed in any way to the Company. Ordinary shareholders may vote by mail or be represented by a proxy in the form of a legal or natural person.

In order to facilitate the collection of proxy forms among employees of the Company or its subsidiaries who hold ordinary shares of the Company and belong to shareholder associations satisfying the requirements established by law, special areas are made available where information can be provided and proxy forms collected.

To ensure the regular conduct of shareholders’ meetings, in 2000 the Company adopted a set of Meeting Regulations that can be consulted in the Governance section of the Company’s website [www.telecomitalia.it](http://www.telecomitalia.it).
Annexes to the Annual Report
### Table 1

**Share capital at December 31, 2008**

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
<th>% of total share capital</th>
<th>Listed (indicate markets)/unlisted</th>
<th>Rights and obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td>13,380,795,473</td>
<td>68.95%</td>
<td>Listed on Borsa Italiana S.p.A.</td>
<td>Right to vote in the Company’s ordinary and extraordinary shareholders’ meetings</td>
</tr>
<tr>
<td>Savings shares</td>
<td>6,026,120,661</td>
<td>31.05%</td>
<td>Listed on Borsa Italiana S.p.A.</td>
<td>Right to vote in special meetings of savings shareholders. Preferential rights as specified in Article 6 of the bylaws: 5% preferred dividend; two-year carryover of right to preferred dividend; dividend 2% of par value higher than that on ordinary shares</td>
</tr>
</tbody>
</table>

### Table 2

**Convertible bonds**

<table>
<thead>
<tr>
<th></th>
<th>Listed (indicate markets)/unlisted</th>
<th>Number of instruments in circulation</th>
<th>Class of underlying shares</th>
<th>Number of underlying shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convertible bonds</td>
<td>Listed on Borsa Italiana S.p.A.</td>
<td>484,836,577</td>
<td>Ordinary shares</td>
<td>228,626,142</td>
</tr>
</tbody>
</table>
### Table 3

#### Membership of the Board of Directors at February 27, 2009

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Held from</th>
<th>Slate</th>
<th>Exec.</th>
<th>Non-exec.</th>
<th>Indep. Consolidated Law on Finance</th>
<th>% Board meetings</th>
<th>Other positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gabriele Galateri di Genola</td>
<td>Chairman</td>
<td>3/12/2007</td>
<td>M</td>
<td>X</td>
<td></td>
<td></td>
<td>100</td>
<td>4</td>
</tr>
<tr>
<td>Franco Bernabè</td>
<td>Managing Director</td>
<td>3/12/2007</td>
<td>M</td>
<td>X</td>
<td></td>
<td></td>
<td>100</td>
<td>=</td>
</tr>
<tr>
<td>Cesar Izuel Alierta</td>
<td>Director</td>
<td>8/11/2007</td>
<td>M</td>
<td>X</td>
<td>X</td>
<td></td>
<td>70</td>
<td>=</td>
</tr>
<tr>
<td>Paolo Baratta</td>
<td>Director</td>
<td>6/5/2004</td>
<td>m</td>
<td>X</td>
<td>X</td>
<td></td>
<td>100</td>
<td>=</td>
</tr>
<tr>
<td>Tarak Ben Ammar</td>
<td>Director</td>
<td>14/4/2008</td>
<td>M</td>
<td>X</td>
<td></td>
<td></td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>Roland Berger</td>
<td>Director</td>
<td>14/4/2008</td>
<td>m</td>
<td>X</td>
<td>X</td>
<td></td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>Elio Catania</td>
<td>Director</td>
<td>14/4/2008</td>
<td>M</td>
<td>X</td>
<td>X</td>
<td></td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>Jean Paul Fitoussi</td>
<td>Director</td>
<td>6/5/2004</td>
<td>M</td>
<td>X</td>
<td>X</td>
<td></td>
<td>100</td>
<td>=</td>
</tr>
<tr>
<td>Bernardino Libonati</td>
<td>Director</td>
<td>14/4/2008</td>
<td>M</td>
<td>X</td>
<td></td>
<td></td>
<td>100</td>
<td>3</td>
</tr>
<tr>
<td>Julio Linares Lopez</td>
<td>Director</td>
<td>8/11/2007</td>
<td>M</td>
<td>X</td>
<td></td>
<td></td>
<td>90</td>
<td>=</td>
</tr>
<tr>
<td>Gaetano Miccichè</td>
<td>Director</td>
<td>24/7/2007</td>
<td>M</td>
<td>X</td>
<td></td>
<td></td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>Aldo Minucci</td>
<td>Director</td>
<td>16/4/2007</td>
<td>M</td>
<td>X</td>
<td></td>
<td></td>
<td>100</td>
<td>9</td>
</tr>
<tr>
<td>Gianni Mion *</td>
<td>Director</td>
<td>7/11/2001</td>
<td>M</td>
<td>X</td>
<td></td>
<td></td>
<td>80</td>
<td>3</td>
</tr>
<tr>
<td>Renato Pagliaro</td>
<td>Director</td>
<td>6/5/2004</td>
<td>M</td>
<td>X</td>
<td></td>
<td></td>
<td>90</td>
<td>3</td>
</tr>
<tr>
<td>Luigi Zingales</td>
<td>Director</td>
<td>16/4/2007</td>
<td>m</td>
<td>X</td>
<td>X</td>
<td></td>
<td>100</td>
<td>=</td>
</tr>
</tbody>
</table>

(*) The Directors Gianni Mion resigned from the office with effect at the end of the Board of Directors’ Meeting held on February 27, 2009; Mr. Stefano Cao was co-opted in substitution by the Board held on the same date.

**Legend**

- **Slate**: “M” indicates that the director was elected from the so-called majority slate; “m” that the director was elected from a minority slate.
- **Indep.**: indicates that the director qualifies as independent according to the criteria laid down in the Company’s Self-Regulatory Code, which embodies the criteria established by Borsa Italiana’s Corporate Governance Code.
- **Indep. Consolidated Law on Finance**: indicates that the director satisfies the independence requirements laid down by Article 148.3 of the Consolidated Law on Finance.
- **% Board meetings**: director’s Board meetings attendance rate during the fiscal year from the time of taking up the position.
- **Other positions**: the total number of positions held in other companies referred to in Article 5 of Telecom Italia’s Self-Regulatory Code and detailed below.

Shown below are the positions held by Telecom Italia’s present directors in other companies included in the S&P/MIB index or operating primarily in the financial sector on a public basis (entered in the registers referred to in Articles 106 and 107 of Legislative Decree 385/1993) or engaged in banking or insurance and falling within the scope of Article 5 of Telecom Italia’s Self-Regulatory Code.

- Franco Bernabè
- Cesar Izuel Alierta
- Paolo Baratta
- Tarak Ben Ammar: Independent Director of Mediobanca S.p.A.
- Roland Berger: Director of FIAT S.p.A.
- Elio Catania: Director of Banca Intesa San Paolo S.p.A.
Jean Paul Fitoussi
Berardino Libonati, Deputy Chairman of Unicredit S.p.A.; Director of Pirelli & C. S.p.A. and RCS Mediagroup S.p.A.
Julio Linares Lopez
Gaetano Miccichè, CEO of Banca IMI S.p.A.
Luigi Zingales

Table 4

Directors whose appointments ended in 2008

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Position held from / to</th>
<th>Slate</th>
<th>Exec.</th>
<th>Non exec.</th>
<th>Indep.</th>
<th>Indep. Consolidated Law on Finance</th>
<th>% Board meetings</th>
<th>Other positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gilberto Benetton</td>
<td>Director</td>
<td>7/11/2001 to 14/4/2008</td>
<td>M</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>100</td>
<td>6</td>
</tr>
<tr>
<td>Stefano Cao</td>
<td>Director</td>
<td>16/4/2007 to 14/4/2008</td>
<td>m</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>Renzo Capra</td>
<td>Director</td>
<td>16/4/2007 to 14/4/2008</td>
<td>m</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>Domenico De Sole</td>
<td>Director</td>
<td>6/5/2004 to 14/4/2008</td>
<td>M</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>100</td>
<td>=</td>
</tr>
<tr>
<td>Luigi Fausti</td>
<td>Director</td>
<td>7/11/2001 to 14/4/2008</td>
<td>M</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>Cesare Giovanni Vecchio</td>
<td>Director</td>
<td>16/4/2007 to 14/4/2008</td>
<td>m</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>100</td>
<td>=</td>
</tr>
</tbody>
</table>

Legend:
- Slate: “M” indicates that the director was elected from the so-called majority slate; “m” that the director was elected from a minority slate.
- Indep.: indicates that the director qualifies as an independent director according to the criteria laid down in the Company’s Self-Regulatory Code, which embodies the criteria established by Borsa Italiana’s Corporate Governance Code.
- Indep. Consolidated Law on Finance: indicates that the director satisfies the independence requirements laid down by Article 148.3 of the Consolidated Law on Finance.
- % Board meetings: director’s Board meetings attendance rate during the fiscal year from the time of taking up the position until the time of leaving the position or of the year.
- Other positions: the total number of positions held in other companies referred to in Article 5 of Telecom Italia’s Self-Regulatory Code and detailed below.
Shown below are the positions held by Telecom Italia’s directors whose directorships ended during the 2007 fiscal year in other companies included in the S&P/MIB index or operating primarily in the financial sector on a public basis (entered in the registers referred to in Articles 106 and 107 of Legislative Decree 385/1993) or engaged in banking or insurance and falling within the scope of Article 5 of Telecom Italia’s Self-Regulatory Code.

Gilberto Benetton

Stefano Cao
General Manager of the Exploration & Production Division of ENI S.p.A.

Renzo Capra
Chairman of the supervisory board of A2A S.p.A.

Domenico De Sole
- - -

Luigi Fausti
Director of Mediaset S.p.A.

Cesare Giovanni Vecchio
- - -

Table 5

Membership of the advisory committees at February 27, 2009

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>A.R.C.</th>
<th>% A.R.C. meetings</th>
<th>I.C.C. % I.C.C. meetings</th>
<th>E.C. % E.C. meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paolo Baratta</td>
<td>Director</td>
<td>C</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franco Bernabè</td>
<td>Managing Director</td>
<td>M</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roland Berger*</td>
<td>Director</td>
<td>M</td>
<td>50</td>
<td>M</td>
<td>100</td>
</tr>
<tr>
<td>Elio Catania**</td>
<td>Director</td>
<td>C</td>
<td>100</td>
<td>M</td>
<td>100</td>
</tr>
<tr>
<td>Jean Paul Fitoussi</td>
<td>Director</td>
<td>M</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gabriele Galateri di Genola</td>
<td>Chairman</td>
<td>C</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Berardino Libonati</td>
<td>Director</td>
<td>M</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Julio Linares Lopez</td>
<td>Director</td>
<td>M</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gaetano Micciche***</td>
<td>Director</td>
<td>M</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aldo Minucci</td>
<td>Director</td>
<td>M</td>
<td>100</td>
<td>M</td>
<td>100</td>
</tr>
<tr>
<td>Gianni Mion</td>
<td>Director</td>
<td>M</td>
<td>75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renato Pagliaro</td>
<td>Director</td>
<td>M</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luigi Zingales</td>
<td>Director</td>
<td>M</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Replaced Elio Catania on the Committee for Internal Control and Corporate Governance from September 25, 2008 onwards.
** Replaced Gaetano Micciche on the Executive Committee from September 25, 2008 onwards.
*** Resigned from the Executive Committee with effect from August 26, 2008.

Legend
A.R.C.: Appointment and Remuneration Committee ("C" stands for chairman "M" for member).
% A.R.C.: director's rate of attendance at Appointment and Remuneration Committee meetings.
I.C.C.: Internal Control and Corporate Governance Committee ("C" stands for chairman "M" for member).
% I.C.C.: director's rate of attendance at Internal Control Committee meetings.
E.C.: Executive Committee ("C" stands for chairman "M" stands for member).
% E.C.: director's rate of attendance at Executive Committee meetings.
### Table 6

**Directors sitting on advisory committees whose appointments ended in 2008**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>R.C.</th>
<th>% R.C.</th>
<th>I.C.C.</th>
<th>% I.C.C.</th>
<th>S.C.</th>
<th>% S.C.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stefano Cao</td>
<td>Director</td>
<td>M</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renzo Capra</td>
<td>Director</td>
<td>M</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domenico De Sole</td>
<td>Director</td>
<td>M</td>
<td>33</td>
<td>M</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luigi Fausti</td>
<td>Director</td>
<td>C</td>
<td>100</td>
<td>M</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cesare Giovanni Vecchio</td>
<td>Director</td>
<td>M</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Legend:**
- **R.C.**: Remuneration Committee ("C" stands for chairman "M" for member).
- **% R.C.**: director’s rate of attendance at Remuneration Committee meetings.
- **I.C.C.**: Internal Control and Corporate Governance Committee ("M" stands for member).
- **% I.C.C.**: director’s rate of attendance at Internal Control Committee meetings.
- **S.C.**: Strategic Committee ("M" stands for member).
- **% S.C.**: director’s rate of attendance at Strategic Committee meetings.

### Table 7

**Membership of the Board of Statutory Auditors at February 27, 2009**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Held from</th>
<th>Slate</th>
<th>Independent according to Code</th>
<th>% Board meetings</th>
<th>Other positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paolo Golia</td>
<td>Chairman</td>
<td>13 April 2006</td>
<td>m</td>
<td>X</td>
<td>100</td>
<td>14</td>
</tr>
<tr>
<td>Enrico Maria Bignami</td>
<td>Statutory auditor</td>
<td>16 April 2007</td>
<td>m</td>
<td>X</td>
<td>100</td>
<td>34</td>
</tr>
<tr>
<td>Salvatore Spiniello</td>
<td>Statutory auditor</td>
<td>13 April 2006</td>
<td>M</td>
<td>X</td>
<td>84</td>
<td>20</td>
</tr>
<tr>
<td>Ferdinando Superti Furga</td>
<td>Statutory auditor</td>
<td>13 April 2006</td>
<td>M</td>
<td>X</td>
<td>88</td>
<td>13</td>
</tr>
<tr>
<td>Gianfranco Zanda</td>
<td>Statutory auditor</td>
<td>13 April 2006</td>
<td>M</td>
<td>X</td>
<td>84</td>
<td>4</td>
</tr>
<tr>
<td>Enrico Laghi</td>
<td>Alternate</td>
<td>13 April 2006</td>
<td>M</td>
<td>X</td>
<td>=</td>
<td>=</td>
</tr>
<tr>
<td>Luigi Gaspari</td>
<td>Alternate</td>
<td>16 April 2007</td>
<td>m</td>
<td>X</td>
<td>=</td>
<td>=</td>
</tr>
</tbody>
</table>

**Legend:**
- **Slate**: "M" indicates that the statutory auditor/alternate was elected from the so-called majority slate; "m" that the statutory auditor/alternate was elected from a minority slate.
- **Independent according to Code**: indicates that the statutory auditor qualifies as independent according to the criteria laid down in Borsa Italiana’s Corporate Governance Code.
- **% Board meetings**: statutory auditor’s rate of attendance at meetings of the Board of Statutory Auditors during the fiscal year from the time of taking up the position.
- **Other positions**: the total number of positions held in companies referred to in Book V, Title V, Chapters V, VI and VII of the Civil Code, as shown in the list annexed, pursuant to Article 144-quinquiesdecies of Consob Regulation 11971/1999, to the report on supervisory activity drawn up by the Statutory Auditors under Article 153.1 of the Consolidated Law on Finance.
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Headquarters and secondary office in Corso d’Italia, 41 - 00198 Rome
Share Capital euro 10,673,803,873.70
Tax Code/Vat no. and Milan Companies register file no. 00488410010
Register A.E.E. no. IT0802000000799

Graphical Design Robilant & Associati, Milano

Text Composition Graphic Idea, Torino

Printed by Lucini, Milano

This book is printed on Cyclus Print - 100% recycled post consumer paper

April 2009