

INFORMATION DOCUMENT
ON THE 2016-2019 SPECIAL AWARD

pursuant to art. 114-bis CLF

(Information document approved by the Board of Directors
at the meeting on 12 April 2016 – available on the website www.telecomitalia.com)



Introduction

With this information document (the “Information Document”), Telecom Italia S.p.A. (with registered office in Milan, in Via Gaetano Negri no. 1, tax code and registration number in the Milan Business Register 00488410010, registration number in the R.A.E.E. (Register of Manufacturers of Electric and Electronic Equipment) IT0802000000799, also referred to as “Telecom Italia”, the “Company” and the “Issuer”) fulfils the requirements for remuneration plans involving the award of financial instruments with reference to the 2016-2019 special award plan (the “Special Award”).

The Special Award provides an extraordinary bonus for over-performance against the 2016/2018 Industrial Plan (using for 2019 the same targets as the plan for 2018) with reference to three parameters (EBITDA, reduction in Opex, Net Financial Position) considered priorities for the company turnaround.

If approved by the Shareholders’ Meeting pursuant to article 114-bis of D.Lgs. n. 58/1998 (Consolidated Law on Finance or “CLF”), at the end of the incentive period, the bonus, which accrues annually based on the results achieved in the year of reference, will be paid all at once, 80% by the free allocation of ordinary shares and for the remaining 20% in cash.

The initiative applies to the Managing Director and Chief Executive Officer of the Company, Flavio Cattaneo, and the management that the latter will identify as strategic to exceed the plan targets.

Definitions

Chief Executive Officer - the Chief Executive Officer of Telecom Italia S.p.A.

Share/Shares - the ordinary shares of the Company, without par value, listed on the MTA electronic share market organised and managed by Borsa Italiana.

Beneficiary/ies - the Chief Executive Officer, Flavio Cattaneo, and the beneficiaries of the Special Award as identified by the Chief Executive Office.

Telecom Italia Group or the Group - Telecom Italia and the companies it controls directly and indirectly.

Performance Parameters - the consolidated targets for EBITDA, Opex reduction and Net Financial Position (with weights of 50%, 25% and 25% respectively), as defined in the 2016-2018 Industrial Plan, and using for 2019 the same values as the plan for the 2018 financial year.

Incentive Period - the financial years 2016 to 2019 inclusive.

2016-2018 Industrial Plan - The 2016-2018 Industrial Plan approved by the Board of Directors of Telecom Italia on 15 February 2016.

Annual Bonus - the amount of the Special Award accrued in each of the years included in the Incentive Period.

Issuers’ Regulations the regulation adopted by Consob under resolution No. 11971 of 14 May 1999, as subsequently amended

1. Beneficiaries

1.1 Names of individuals who are beneficiaries by virtue of their being members of the board of directors or management board of the issuer or the issuer’s controlling companies or companies that the issuer controls, directly or indirectly.

The first Beneficiary of the Special Award is the Chief Executive Officer, Flavio Cattaneo.

Of the remaining Beneficiaries - as identified at due time by the Chief Executive Officer, in case subject to the necessary resolutions of the competent bodies - others may hold offices in the corporate bodies of the Issuer or of companies controlled by the Issuer.

The names of the Beneficiaries and the other information specified in paragraph 1 of Chart 7 of Appendix 3A of the Issuers’ Regulations will be provided in the ways set out in the Issuers’ Regulations.

The provision is not applicable to the corporate bodies of companies which control the Issuer since the Issuer is not subject to control.

1.2 Categories of employees or collaborators of the Issuer or the Issuer's controlling companies or subsidiaries of the Issuer

The Beneficiaries shall be the Chief Executive Officer and the managers of the Group identified from time to time by the Chief Executive Officer, in case subject to the necessary resolutions of the competent bodies.

The categories to which the Beneficiaries belong and the other information specified in paragraph 1 of Chart 7 of Appendix 3A of the Issuers' Regulations will be provided in the ways set out in the Issuers' Regulations.

1.3 Indication of the names of the subjects who will benefit from the plan in the groups indicated in point 1.3, letters a), b) and c) of Appendix 3A, Chart 7, of the Issuers' Regulations

At the date of this Information Document, no named Beneficiaries belonging to the groups indicated in point 1.3, letters a) b) and c) of Appendix 3A, Chart 7 of the Issuers' Regulations have been identified.

See paragraphs 1.1 and 1.2, above, for the arrangements for identifying the Beneficiaries.

The names of the Beneficiaries and the other information specified in paragraph 1 of Chart 7 of Appendix 3A of the Issuers' Regulations will be provided in the ways set out in the Issuers' Regulations.

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

At the date of this Information Document, no named Beneficiaries belonging to the groups indicated in point 1.4, letters a) b) c) and d) of Appendix 3A, Chart 7 of the Issuers' Regulations have been identified.

See paragraphs 1.1 and 1.2, above, for the arrangements for identifying the Beneficiaries.

The categories to which the Beneficiaries belong and the other information specified in paragraph 1 of Chart 7 of Appendix 3A of the Issuers' Regulations will be provided in the ways set out in the Issuers' Regulations.

2. Reasons for adoption of the Special Award

2.1 Objectives that are intended to be achieved by application of the Plan

The Special Award is intended to promote the alignment of the interests of the Beneficiaries with those of the shareholders with reference to the turnaround of the company, represented, in brief, in terms of exceeding the targets set out in the 2016-2018 Industrial Plan for some indicators deemed to be priorities. At the same time, it also provides the Chief Executive Officer with a management lever that is immediately perceived, and immediately effective, which allows him to reward, annually, those resources who have made a particular contribution to achieving these results, hence providing an incentive for the management team and rewarding loyalty.

2.2 Key variables, including performance indicators, considered for the purpose of the application of the plan

Payment of the Special Award is conditional on retention of office / continuation of employment with Telecom Italia Group companies for the entire Incentive Period, without prejudice to the provisions for early termination set out in paragraph 4.8. After the approval of the 2019 financial reports by the board, the Special Award accrued over the whole Incentive Period will be paid:

- 80% through the free allocation of Shares, calculated at the share price at the time the single Annual Bonuses were ascertained;
- 20% in cash.

The performance condition of the Special Award shall be understood to be over-performance, separately, in each of the 2016, 2017, 2018 and 2019 financial years on the targets for EBITDA, Opex reduction and Net Financial Position, as defined in the 2016-2018 Industrial Plan, using for 2019 the same values as the plan for the 2018 financial year

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

The Special Award provides that, against over-performance, separately, in each of the 2016, 2017, 2018 and 2019 financial years on the targets for EBITDA, Opex reduction and Net Financial Position

(with weights of 50%, 25% and 25%, respectively), as defined in the 2016-2018 Industrial Plan, using for 2019 the same values as the plan for the 2018 financial year, an Annual Bonus will be allocated - on the date the related financial statements for each year of reference are approved - that will total a maximum of 5.5% of the difference between the result achieved and the result forecast in the plan, to be calculated - on the same corporate perimeter, and applying the same accounting, fiscal, tax, economic and financial criteria in force at the time the 2016-2018 Industrial Plan was approved - net of payments that could not be foreseen deriving from the management prior to 30 March 2016 (the date of appointment of Mr Cattaneo as Chief Executive Officer) or of changes to the share capital that affect the results of the calculation parameters. 4% of the aforementioned difference will be reserved for the remuneration of the Chief Executive Officer, while the remaining maximum 1.5% will be destined to benefit other Company managers, to be identified by the Chief Executive Officer, who will also define the amount of the bonus attributed to each.

Each Annual Bonus will be made up of equity for 80% (the number of Shares will be determined by dividing 80% of the Annual Bonus by the normal value of the Shares on the date of determination of the Annual Bonus) and cash for the remaining 20%.

After approval by the Board of the 2019 financial statements, the amount of Annual Bonuses accrued over the whole Incentive Period, with a maximum gross sum (for the whole four year period of reference, and relative to the 5.5%) of 55,000,000 euros, will be paid in the measure of 80% by the free allocation of Shares, calculated according to the mechanism described above, at the time the single Annual Bonuses were ascertained.

- 2.4 Reasons for any decision to attribute compensation plans based on financial instruments not issued by the issuer, such as financial instruments issued by companies that control, or are controlled by the issuer, or by companies that are not part of its group; if the aforementioned instruments are not traded on regulated markets, information on the criteria used for the determination of the value attributable to them.**

Not applicable: the Special Award is based on the allocation of Shares issued by the Issuer.

- 2.5 Evaluation of significant tax and accounting implications that have influenced the definition of the Special Award**

No significant accounting or tax implications have influenced the definition of the Special Award.

- 2.6 Any support for the Special Award from the Special Incentive Fund for encouraging employee ownership of firms pursuant to Art. 4, subsection 112, of Law No. 350 of 24 December 2003**

The Special Award does not receive support from the special Fund for encouraging employee ownership of firms, pursuant to Article 4, subsection 112 of Law no. 350 of 24 December 2003.

3. Approval process and timetable for allocation of the instruments

- 3.1 Scope of the powers and functions delegated by the Shareholders' Meeting to the Board of Directors for implementing the Special Award**

The Special Award is subject to the approval of the Shareholders' Meeting called for 25 May 2016 (single call) ex article 114-bis of D.Lgs. no. 58/1998, regarding its partial payment in Shares.

The Shareholders' Meeting will also be asked to grant the Board of Directors all the powers necessary or appropriate to implement the Special Award, making any amendment and/or supplement that might be necessary, also in order to comply with all applicable legal provisions. In particular, but not limited to, powers are to be granted in order to: (i) establish all terms and conditions for implementing the Special Award; (ii) draw up and approve the contractual documentation regulating the initiative, as well as amend and/or supplement it; (iii) make any amendments necessary to the terms and conditions of the Special Award if the applicable law should change, or if extraordinary events that might influence the Special Award itself should occur.

- 3.2 Information on the persons in charge of administering the Special Award and their functions and duties**

The Board of Directors is assigned responsibility for the administration of the Special Award, through the corporate functions for those aspects within their competence, and also through delegation of relevant powers to the Chief Executive Officer or other Directors.

The identification of the Beneficiaries other than the Chief Executive Officer, and the quantification of the Annual Bonus assigned to each, within the maximum amount indicated above, are assigned to the

discretionary assessment of the Chief Executive Office (in case subject to the necessary resolutions of the competent bodies).

3.3 Any procedures in place for revising the Special Award, including with regard to any changes in the underlying objectives

The assessment of the achievement of the targets on which the Special Award is dependent must be carried out: (i) according to the accounting, fiscal, tax, economic and financial criteria in force at the time the 2016-2018 Industrial Plan was approved and at the date of this Information Document; (ii) on the same corporate perimeter and, in case it has changed, with re-proportioning of the values of the aforementioned parameters to the changed perimeter; and (iii) net of taxes, sanctions, fines and other payments that could not be foreseen, deriving from the management prior to 30 March 2016 (the date of appointment of Mr Cattaneo as Chief Executive Officer) or of changes to the share capital that affect the results of the calculation parameters for the Special Award; always maintaining the maximum possible coherence with the company policies on so-called "sterilisation criteria", also relating to the arrangements for dealing with significant, non-recurring and non-foreseeable transactions and events.

It remains possible for the Board of Directors to make any amendments to the terms and conditions of the initiative if the applicable law should change, or if there should be extraordinary events that might influence it, while respecting the contractual commitments given to the Beneficiaries.

3.4 Description of how the availability and allocation of the financial instruments on which the Special Award is based are to be established

To service the Special Award, the Company's treasury shares may be used, it remaining possible in full or part to be satisfied by equivalent, at the discretion of the Board of Directors, based on the normal value of the Share at the time the bonus is paid.

The Company reserves the right to define further arrangements to acquire the availability of the Shares to service the Special Award, during the Incentive Period.

3.5 Role played by each director in determining the features of the Special Award; any conflict of interest involving the directors concerned

In defining the proposed Special Award to submit to the Shareholders' Meeting called for 25 May 2016 (single call), the Board of Directors based their examination on the work of the Company's Nomination and Remuneration Committee.

At the date of this Document, the members of the Board of Directors of Telecom Italia were: Giuseppe Recchi (Chairman), Flavio Cattaneo (Chief Executive Officer), Tarak Ben Ammar, Davide Benello, Lucia Calvosa, Laura Cioli, Francesca Cornelli, Arnaud Roy de Puyfontaine, Jean Paul Fitoussi, Giordina Gallo, Félicité Herzog, Denise Kingsmill, Luca Marzotto, Hervé Philippe, Stéphane Roussel, and Giorgio Valerio. The members of the Nomination and Remuneration Committee are Davide Benello (Chairman), Arnaud Roy de Puyfontaine, Denise Kingsmill, Luca Marzotto and Stéphane Roussel.

The resolutions identifying the Beneficiaries will be adopted in accordance with the provisions of art. 2391 of the Italian Civil Code, and, if need arises, of art. 2389 of the Italian Civil Code.

3.6 For the purpose of the requirements set out in art. 84-bis, subsection 1, of the Issuers' Regulations the date of the decision taken by the body competent to propose the approval of the Special Award to the shareholders' meeting and of any proposal of any nomination and remuneration committee

The Nomination and Remuneration Committee completed the process of defining the terms and conditions for implementing the Special Award as part of the definition of the compensation package of the Chief Executive Officer at its meeting on 29 March 2016, resolving to submit it for approval by the Board of Directors of the Issuer the next day.

The Board of Directors of the Issuer, on 30 March 2016, when appointing Flavio Cattaneo as Chief Executive Officer, approved the Special Award to be granted him (subject - with regard to the share of the Special Award to be allocated in equity - to the approval of this Plan by the Shareholders' Meeting), and subsequently resolved upon the proposal for the Shareholders' Meeting at its meeting on 12 April 2016.

The Shareholders' Meeting to which the approval of the Special Award is submitted is called for 25 May 2016 (single call).

3.7 For the purposes of the provisions of art. 84-bis, subsection 5, lett. a), of the Issuers' Regulations the date of the decision taken by the competent body concerning allocation of the financial instruments and any proposal made to such body by any remuneration committee

See paragraph 3.6.

3.8 Market price on the above-mentioned dates of the financial instruments on which the Special Awards is based, if traded on regulated markets

The official price of the Shares on the Borsa Italiana S.p.A. Electronic Share Market on 29 March, 30 March and 12 April 2016 was 0.9558, 0,968 and 0,8905 euros, respectively.

3.9 In the case of plans based on financial instruments traded on regulated markets, the terms and procedures considered by the issuer with regard to establishing the schedule for allocation of the financial instruments in implementing the Special Award and the potential coincidence in time between (i) such allocation or any decisions taken in this respect by the nomination and remuneration committee and (ii) the dissemination of any relevant information pursuant to article 114, subsection 1 of the CLF

On 30 March 2016 Telecom Italia issued a press release on the appointment of Mr Flavio Cattaneo as Chief Executive Officer. The participation of the Chief Executive Officer in the Special Award is an integral and essential component of his compensation package, as described in the Company Report on Remuneration.

The Beneficiaries other than the Chief Executive Officer will be identified by the latter, during the Incentive Period.

The bonus provided by the Special Award, including the part in equity, will not be paid immediately, but only at the end of the Incentive Period, and only if the relevant performance targets are reached. Consequently, the Company does not consider it necessary any particular provision in relation to the situations referred to in paragraph 3.9 of the Chart. In fact, any dissemination of sensitive information on the date of determination of the Annual Bonuses will be irrelevant for Beneficiaries, since at that moment they will not be in a position to receive the corresponding Shares.

It is also emphasised that the number of Shares to be assigned to the Beneficiaries at the end of the Incentive Period will be determined by dividing 80% of the Annual Bonus by the normal value of the Shares at the date of determination of the Annual Bonus, namely, a moment in time that is well before the date on which said Shares will be allocated to the Beneficiaries.

4. Characteristics of the financial instruments allocated

4.1 Description of how the Special Award is structured

The Special Award envisages that, against the sum of the respective Annual Bonuses, after the approval of the 2019 financial reports by the board, the Beneficiaries will receive:

- the allocation, for the 80% of the bonus, of a number of Shares calculated by dividing said sum by the normal value of the Share at the time each Annual Bonus was ascertained;
- payment in cash of the remaining 20% of the bonus.

4.2 Indication of the period of actual implementation of the Special Award with reference also to any different cycles envisaged

Provision will be made annually for the Annual Bonuses of which the Special Award is composed, in case the board acknowledges over-performance on the targets in the 2016-2018 Industrial Plan (using for 2019 the same values as the plan for the 2018 financial year) for EBITDA, Opex reduction and Net Financial Position. The bonus will be settled in a single payment after the approval of the 2019 financial statements by the board.

4.3 Term of the Special Award

See section 4.2

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

At the moment the number of Shares required to service the Special Award cannot be specified, since this will depend on the measure of the over-performance (without prejudice to the maximum of 55,000,000 euros, 80% of which to be settled in Shares) and the value of the Share at the time the single Annual Bonuses are finalised.

4.5 Special Award implementing procedures and clauses, specifying whether actual allocation of the financial instruments is subject to the fulfilment of conditions or to the achievement of specific results, including performance results

As set out in paragraph 2.2, at the end of the Incentive Period, subject to the confirmation of the payment conditions, the Beneficiaries shall be allocated, free of charge, a number of Shares, the value of which corresponds to 80% of each of the Annual Bonuses accrued, calculated by dividing said sum by the normal value of the Share at the time each Annual Bonus was ascertained (board approval of the consolidated financial statements for the corresponding year).

This bonus, in total, for each year of the Incentive Period will be equal to a maximum of 5.5% of the difference between the result achieved (as set out in the consolidated financial statements of Telecom Italia approved by the Board of Directors) and the consolidated targets envisaged in the 2016-2018 Industrial Plan for EBITDA, Opex reduction and Net Financial Position (with weights of 50%, 25% and 25%, respectively), using for 2019 the same values as the plan for the 2018 financial year, to be calculated as set out in paragraph 3.3.

The total Special Award is subject to a maximum for the four year period of 55,000,000 euros.

Payment of the Special Award is also conditional on retention of office / continuation of employment with Telecom Italia Group companies for the entire Incentive Period, without prejudice to the provisions for early termination set out in paragraph 4.8.

4.6 Indication of any availability restrictions on the financial instruments allocated, with particular reference to the terms within which it is permitted or prohibited to subsequently transfer them to the company itself or to third parties.

The Shares allocated through the Special Award shall carry full rights at the moment they are allocated, and shall not be subject to any availability restrictions.

The ex-post correction mechanisms shall be applicable to both the cash and equity components of the bonus actually paid (including any claw-back mechanisms) in force at the time.

4.7 Description of any resolatory conditions in relation to the application of the Special Award in the event that the Beneficiaries should perform hedging operations enabling the neutralisation of any bans on the sale of the financial instruments allocated, including those in the form of options, or financial instruments deriving from the exercise of such options

Not applicable/not envisaged.

4.8 Description of the effects arising from termination of employment

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

Similar rules may be established in favour of the other Beneficiaries by the competent bodies, as disciplined in the contractual documentation applicable to them,

4.9 Indication of any other grounds for cancellation of the Special Award

Not applicable/not envisaged.

4.10 Reasons for any provision made by the Company to "repurchase" the financial instruments underlying the Special Award, as provided for by Article 2357, et seq., of the Italian Civil Code, and related description

No provision is made for the Company to "repurchase" the Shares involved in the Special Award.

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

Not applicable.

4.12 Indication of the cost which the Company is expected to incur at the time of the allocation of the shares, as may be determined based on previously established terms and conditions, as an overall amount and for each financial instrument in the Special Award

Without prejudice to the four year maximum sum of 55,000,000 euros described above, at the date of this Document, it is not possible to indicate the exact amount of the expected cost of the Special Award for the Issuer, for the following reasons:

- said cost is dependent on the degree to which the annual performance parameters for 2016, 2017, 2018 and 2019 are achieved;
- the number of Shares that can be assigned will depend on their normal value at the moment of approval of the 2016, 2017, 2018 and 2019 financial statements;
- the measure to which the Beneficiaries other than the Chief Executive Officer participate in the Special Award will depend on the discretionary determination made by the Chief Executive Officer during the Incentive Period.

The Special Award will be posted in the financial statements according to the international accounting standards of reference (IAS 19 Employee benefits and IFRS 2 Share-based payments).

Telecom Italia will guarantee the administration of the Plan as part of the current activities of its corporate structures, with no additional costs for the Company.

4.13 Indication of any capital dilution effects caused by the Special Award

At present, no increase in capital to service the Special Award has been proposed to the Shareholders' Meeting.

4.14 Any restrictions on the exercise of voting rights and the allocation of property rights

Not envisaged.

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

Not applicable: the Shares are traded on the Electronic Share Market (Mercato Telematico Azionario), organised and operated by Borsa Italiana S.p.A..

Financial instrument Based compensation plans - Table No. 1 of Schedule 7 of Appendix 3A of Regulation No. 11971/1999

Date: 13/04/2016

Name or category	Status	BOX 1						
		Financial instruments other than stock options						
		Section 2						
		Newly allotted instruments based on decision of the Board of Directors for proposal to the shareholders' meeting						
		Date of resolution of shareholder' meeting	Type of financial instrument	Number of financial instruments assigned	Assignment date	Eventual acquisition price for the instruments	Market price at the time of assignment	Vesting period

TELECOM ITALIA - "SPECIAL AWARD"

Flavio Cattaneo	Chief Executive Officer	25/05/2016 (**)	Attribution of a yearly award linked to over-performance against some parameters of the 2016/2018 Industrial Plan to be paid 80% by the free allocation of Telecom Italia ordinary shares and for the remaining 20% in cash	N.A. (***)	NRC 9/03/2016 BoD 30/03/2016 (****)	N.A. (*****)	0,9558 0,968	N.A. (*****)
N.A. (*)	Managers of the company or of the Telecom Italia Group's companies	25/05/2016 (**)	Attribution of a yearly award linked to over-performance against some parameters of the 2016/2018 Industrial Plan to be paid 80% by the free allocation of Telecom Italia ordinary shares and for the remaining 20% in cash	N.A. (***)	NRC 9/03/2016 BoD 30/03/2016 (****)	N.A. (*****)	0,9558 0,968	N.A. (*****)

Notes

(*)The Special Award Plan applies to the Chief Executive Officer and to the management that he later will identify.

(**)The Special Award is subject to the approval of the Shareholders' Meeting called for 25 May 2016.

(***) The number of Shares to be assigned free of charge to each beneficiary will depend on the percentage exceeding the targets of 2016/2018 Industrial Plan, corresponding to 80% of the bonus accrued.

(****) The march 29, 2016 NRC meeting resolved to propose to the BoD the resolution about The Special Award Plan for Chief Executive officer and the other managers that he later will identify. The BoD held march 30, 2016 appointed the Chief Executive Officer and resolved to grant him The Special Award (and during the meeting of the April 12, 2016 resolved to call the Shareholders meeting to approve it).

(*****) The shares shall be allocated free of charge.

(*****) At the end of the incentive period the allotment of shares will be settled in a single solution after the approval of the 2019 financial statements by the board

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