



REPORT ON CORPORATE GOVERNANCE AND SHARE OWNERSHIP OF TELECOM ITALIA MEDIA S.P.A. FOR 2012

Pursuant to Article 123-*bis* of Consolidated Financial Law (TUF)

(Report approved by the Board of Directors
at the meeting held on March 4, 2013)

Telecom Italia Media S.p.A.

Registered Offices in Rome, via della Pineta Sacchetti 229

Fully paid-up share capital Euro 212,188,324.10

Tax code and Rome Register of Companies No. 12213600153

Certified Email address (PEC): adminpec@timedia.telecompost.it

Contents

1. INTRODUCTION	5
2. INFORMATION ON SHARE OWNERSHIP (PURSUANT TO ARTICLE 123-BIS OF TUF) ...	6
a) <i>Share capital structure</i>	6
b) <i>Restrictions on transfer of securities.....</i>	6
c) <i>Significant shareholdings</i>	6
d) <i>Securities that confer special rights of control</i>	6
e) <i>Employee shareholdings: mechanism for exercising voting rights.....</i>	6
f) <i>Restrictions on voting rights.....</i>	6
g) <i>Shareholders' agreements.....</i>	6
h) <i>Change of control clauses</i>	7
i) <i>Authorization to increase share capital and buy-back of own shares.....</i>	7
j) <i>Management and coordination</i>	7
3. COMPLIANCE	8
4. BOARD OF DIRECTORS	8
4.1 <i>APPOINTMENT AND REPLACEMENT OF DIRECTORS.....</i>	8
4.2 <i>COMPOSITION OF THE BOARD OF DIRECTORS</i>	9
4.3 <i>ROLE OF THE BOARD OF DIRECTORS</i>	10
4.4 <i>DELEGATED BODIES</i>	13
4.5 <i>OTHER EXECUTIVE DIRECTORS</i>	14
4.6 <i>INDEPENDENT DIRECTORS</i>	14
4.7 <i>LEAD INDEPENDENT DIRECTOR</i>	15
5. HANDLING OF CORPORATE INFORMATION	15
6. BOARD COMMITTEES	16
7. NOMINATION AND REMUNERATION COMMITTEE	16
8. REMUNERATION OF DIRECTORS, GENERAL MANAGERS AND KEY MANAGEMENT PERSONNEL	17
9. CONTROL AND RISK COMMITTEE	17
10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	18

<i>10.1 EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROL SYSTEM.....</i>	23
<i>10.2 MANAGER IN CHARGE OF THE AUDIT DEPARTMENT</i>	23
<i>10.3 ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE No. 231/2001</i>	25
<i>10.4 INDEPENDENT AUDITORS</i>	26
<i>10.5 EXECUTIVE IN CHARGE OF THE COMPANY'S FINANCIAL REPORTS</i>	27
<i>10.6 COORDINATION OF BODIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM</i>	27
11. INTERESTS OF DIRECTORS AND RELATED PARTY TRANSACTIONS	28
12. APPOINTMENT OF AUDITORS.....	30
13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS	32
14. RELATIONS WITH SHAREHOLDERS	33
15. GENERAL SHAREHOLDERS' MEETINGS	33
16. FURTHER CORPORATE GOVERNANCE PRACTICES	34
17. CHANGES SINCE THE END OF THE REPORTING YEAR.....	35

TABLES

TABLE 1 – SHARE CAPITAL STRUCTURE AS OF DECEMBER 31, 2012	36
TABLE 2 – COMPOSITION OF THE BOARD OF DIRECTORS, COMMITTEES AND OTHER OFFICES HELD	37
TABLE 3 – COMPOSITION OF THE BOARD OF STATUTORY AUDITORS	39

REPORT ON CORPORATE GOVERNANCE AND SHARE OWNERSHIP OF TELECOM ITALIA MEDIA S.P.A.

1. INTRODUCTION

This Report is intended to provide an up-to-date general picture of the system of corporate governance in force in Telecom Italia Media (hereafter also “Ti Media” or the “Company”) in 2012.

Telecom Italia Media's system of corporate governance, structured according to the traditional model, is in line with the principles contained in the Corporate Governance Code (December 2011 edition) drawn up by the Corporate Governance Committee of Borsa Italiana (available at the website www.borsaitaliana.it) to which the Company adheres.

During 2012, internal governance structures were brought into line with the changes introduced by the aforementioned Code in December 2011. In addition, the Board of Directors acknowledged the launch of an initiative aimed at an overall update of the Telecom Italia Group's Compliance Program, with a focus on the Code of Ethics and Conduct and Organizational Model pursuant to Legislative Decree No. 231/2001.

With respect to the Code of Ethics, a process of subsequent steps was laid out, beginning with the supplementation of the current text through a few targeted amendments, followed by a general review of the document in 2013.

The Company's Board of Directors also adopted the anti-corruption policy recently approved by the Parent Company as the systematic framework of reference governing the prohibition of corruptive practices by the Telecom Italia Group, setting forth the principles to be deployed in the various internal procedures in accordance with international standards. The document's scope of application is corruption of and by public and private entities in relation to the following areas at risk: gifts, travel and entertainment expenses, events, sponsorships, donations, association/non-profit dues, joint ventures, acquisitions and disposals, consulting, intermediation and dealings with suppliers and business partners. The operational dissemination of the rules set forth in the policy via the adoption and amendment of the procedures set forth in the 231 Organizational Model began in early 2013. The section “Organizational Model Pursuant to Legislative Decree No. 231/2001” of the chapter “Internal Control and Risk Management System” provides a concise overview of the related changes.

Both documents are available on the corporate website www.telecomitaliamedia.it, *Governance* section, Principles and Codes.

In December 2012, the Company's Board of Directors brought its internal rules into line with the Corporate Governance Code adopted by Borsa Italiana's Corporate Governance Committee, repealing the Company's internal code, deemed obsolete due to the evolution of primary, secondary and self-regulatory sources. In reiterating its adherence to the Borsa Italiana Code (December 2011 edition), the

Company adopted brief Corporate Governance Principles that depart from and/or supplement the applicable framework of rules in reference to the duties and functioning of the Company's bodies, while referring to the principles and criteria of the Borsa Italiana Code for the remainder.

The Corporate Governance Principles is available on the Company's website www.telecomitaliamedia.it, *Governance* section, Principles and Codes.

2. INFORMATION ON SHARE OWNERSHIP **(pursuant to Article 123-bis, paragraph 1, of TUF)**

as of December 31, 2012

a) Share capital structure

The subscribed and fully paid-up share capital is equal to Euro 212,188,324.10, divided into No. 1,451,814,847 shares with no par value, of which No. 1,446,317,896 ordinary shares and No. 5,496,951 savings shares (see Table 1).

The characteristics of the savings shares are set forth in Article 6 of the Bylaws (available on the website www.telecomitaliamedia.it, *Governance section*).

No other financial instruments with the right to subscribe newly issued shares have been issued.

b) Restrictions on transfer of securities

There are no restrictions on the transfer of securities.

c) Significant shareholdings

Based on the entries in the Register of Shareholders, and the communications made to CONSOB and to the Company pursuant to Article 120 of Legislative Decree No. 58 of February 24, 1998, and other information available, the significant shareholdings of the ordinary share capital of TI Media are shown in Table 1.

d) Securities that confer special rights of control

No securities that confer special rights of control over TI Media have been issued.

e) Employee shareholdings: mechanism for exercising voting rights

No program for employee shareholdings currently exists.

f) Restrictions on voting rights

There are no restrictions on voting rights of shares constituting the ordinary share capital of TI Media. Savings shares are not granted the right to vote at ordinary session of Shareholders' Meetings.

g) Shareholders' agreements

No agreements between the Shareholders of the company are known to exist. The main shareholder of the parent company Telecom Italia S.p.A. (hereafter "Telecom Italia") is Telco S.p.A., which is currently owned by: Intesa Sanpaolo S.p.A. (11.62%), Mediobanca S.p.A. (11.62%), companies of the Generali Group (30.58%) and Telefónica S.A. (46.18%).

h) Change of control clauses

In several agreements to which TI Media is party, provision is made for the obligation to give notice of any change of control.

The licenses that authorize the TI Media Group companies to operate radio, television and network broadcasting, as well as electronic communication services, also require it to give notice of corporate changes. Regarding these activities, change of control must be authorized in advance by the competent authorities.

TI Media is also party to agreements in which a change of control might cause the termination of the relationship. Some of the agreements, however, are subject to confidentiality constraints, such that the disclosure of the presence of this clause would be seriously detrimental to the Company, which therefore exercises the right not to make a disclosure on this point, pursuant to Article 123-*bis* of TUF, paragraph 1, letter 1), part 2. In other cases, the agreement is not considered significant.

The following cases remain, all of which relate to financing agreements:

- *Loan agreement entered into in light of the loan granted by the European Investment Bank (EIB) to finance the investments in the Digital Terrestrial network (Euro 100,000,000).*

The agreement was signed by TI Media and Telecom Italia on December 20, 2006 (disbursed on December 21, 2006), with maturity on December 21, 2013. If Telecom Italia should cease to hold, directly or indirectly, more than 50% of the voting rights in the ordinary Shareholders' Meeting of TI Media, or otherwise a number of shares such as to represent more than 50% of the share capital of the Company, the Loan must be repaid in advance, at the request of Telecom Italia. Said advance repayment must include (i) all the accrued interest; (ii) any sum owed in relation to the sum paid back in advance, and (iii) any other sum owed at the date of advance repayment in accordance with any provisions of the Agreement or the Loan Agreement signed by the EIB and Telecom Italia, excepting any sum that might be payable to the EIB for matters that are ascribable solely to Telecom Italia.

i) Authorizations to increase share capital and buy-back of own shares

At present there have been no resolutions of the General Shareholders' Meeting authorizing the Board of Directors to increase the share capital, or to buy back company's own shares pursuant to Article 2357 *et seq.* of the Italian Civil Code.

j) Management and coordination

The Company is subject to the management and coordination activities of Telecom Italia S.p.A. pursuant to Article 2497 *et seq.* of the Italian Civil Code.

3. COMPLIANCE

Telecom Italia Media is a joint-stock company with registered office in Italy, subject to Italian and European Community law.

As indicated in the Introduction, Telecom Italia Media adheres to the Corporate Governance Code of Borsa Italiana and adapts its own system of corporate governance to Italian and international best practices.

TI Media and its subsidiaries with strategic importance are not subject to non-Italian legal provisions that influence the corporate governance structure of the Issuer.

4. BOARD OF DIRECTORS

4.1. Appointment and replacement of directors

In accordance with Article 13 of the Bylaws, the Board of Directors (composed of a minimum of 7 to a maximum of 21 Directors, as determined by the Shareholders' Meeting) is appointed on the basis of lists submitted by persons entitled to vote holding a total of at least 0.5% of the ordinary share capital or different proportion as required by CONSOB. By Resolution No. 18452 of January 30, 2013, CONSOB fixed this percentage for Telecom Italia Media at 2.5%. Lists that contain a number of candidates greater than or equal to three must ensure that both genders are present, in such a way that candidates of the less represented gender are at least one third of the total, rounding any fractions up to the next whole number.

Four fifths of the Directors shall be drawn, in accordance with the sequential order in which they appear on the list, from the list that has obtained the largest number of votes (so called Majority List). If this results in a fraction, the number shall be rounded down to the previous nearest unit. The remaining directors shall be taken from the other lists. To this end, the votes obtained by the lists are to be divided successively by progressive whole numbers from one to the number of Directors to be chosen; the quotients thus obtained shall be assigned to the candidates on each list in the order specified thereon. On the basis of the quotients assigned, the candidates on the various lists shall be arranged in a single decreasing ranking. Those who have obtained the highest quotients shall be elected.

If more than one candidate obtains the same quotient, the candidate from the list that has not yet elected any director or that has elected the smallest number of directors shall be elected.

If more than one candidate obtains the same quotient, the candidate from the list that has not yet elected any director or that has elected the smallest number of directors shall be elected.

If none of the lists has elected a Director or all the lists have elected the same number of Directors, the candidate obtaining the higher number of votes among those lists shall be elected. If the different lists have received the same number of votes and their candidates have been assigned the same quotients, a new vote shall be held by the entire Shareholders' Meeting and the candidate obtaining the simple majority of the votes shall be elected.

For the appointment of Directors, in case they have not been appointed pursuant to the procedure described above, the Shareholders' Meeting passes the resolutions with the legal majority.

If the composition of the resulting Board does not reflect gender balance, taking into account their ranking order on the list, the necessary number of the last candidates of the more represented gender elected from the Majority List shall forfeit their post to ensure compliance with this requirement, and shall be replaced by the first candidates not elected from the same list who are of the less represented gender. In the absence of candidates of the less represented gender on the Majority List in sufficient number to proceed with the replacement, the Shareholders' Meeting shall supplement the board with the majorities required by law, thus ensuring that the requirement is met.

At the first renewal of the Board of Directors after the Shareholders' Meeting of April 24, 2012, the number of Board seats to be assigned to the less represented gender is limited to one fifth of the total; in the event of a fractional number, it shall be rounded up to the nearest whole number.

4.2. Composition of the Board of Directors

The Shareholders' Meeting of April 8, 2011 appointed the current Board of Directors, setting the number of its members at 13 and a term of office of three financial years (until the General Shareholders' Meeting called to approve the Financial Statements for the year ending December 31, 2013). The Directors were also authorized to continue their activities as indicated in their *résumés*, releasing them from the non-competition clause contained in Article 2390 of the Italian Civil Code. With regard to the election of the Board of Directors, Telecom Italia was the only shareholder to submit a list, obtaining 99.99% of votes of the voting stock.

Therefore, the Directors appointed were chosen from the list submitted by Telecom Italia: Severino Salvemini, Giovanni Stella, Irene Bignardi, Adriano De Maio, Candido Fois, Mauro Giusto, Lorenzo Gorgoni, Andrea Mangoni, Alessandro Ovi, Davide Rampello, Sergio Ristuccia, Fabio Alberto Roversi Monaco and Mario Zanone Poma.

In 2012, Directors Alessandro Ovi, Mario Zanone Poma, Andrea Mangoni and Giovanni Stella resigned (see point 4.4 below for all the effects of the resignation of Giovanni Stella on operating powers). During its meeting of October 5, 2012, the Board of Directors resolved to co-opt Piergiorgio Peluso to replace Andrea Mangoni; no action was taken to replace the other three Directors. On February 27, 2013, Director Mauro Giusto resigned as well.

It should be noted that, notwithstanding the resignations of the aforementioned Directors, the majority of the Board's members still fulfills the requirements of independence, pursuant to Article 37 of the CONSOB Market Regulations – majority of independence directors (see: point 4.6 below).

The *résumés* of the members of the Board of Directors are available on the website www.telecomitaliamedia.it.

Table 2 provides information on the composition of the Board of Directors as of December 31, 2012, and the changes that have occurred.

According to TI Media's Corporate Governance Principles, acting as a director of Telecom Italia Media is not considered compatible with being a director or auditor in more than five companies other than those subject to the control and coordination of Telecom Italia S.p.A. or its subsidiaries or affiliates, which are:

- listed in the FTSE/MIB index, and/or
- operating primarily in the financial sector for the general public and/or that carry out banking or insurance activities.

In the case of executive directors in companies with the characteristics listed above, the limit is reduced to three. The Board of Directors may, however, make a different assessment (which would be published in the annual report on corporate governance), including by departing from the stated criteria. If a Director fills positions with multiple companies belonging to a single group, only one position filled within that group is taken into account when calculating the number of engagements.

4.3 Role of the Board of Directors

During 2012, eight meetings of the Board of Directors were held; documentation was sent to the Directors, as promptly as compatible with the circumstances of the case, to enable informed participation in the meetings. When required by the items discussed, representatives of the Company management or external consultants were invited to take part, who ensured the necessary technical and professional support.

The average duration of meetings was approximately 3 hours. The percentage of attendance was 90% (85% for independent Directors). In 2013, the Board of Directors has held five meetings. Other three meetings have been scheduled.

Telecom Italia Media's Corporate Governance Principles reserve an active role for the Board of Directors in the strategic guidance of the Company and in the control of operations, giving the full Board powers for strategic guidance and responsibilities to intervene directly in decisions having a major impact on the activities of the Company and the Group. In particular, the Board of Directors has full responsibility with regard to the internal control and risk management system, including the determination of the nature and level of risk in accordance with the specific strategic needs of the company.

Given the increasing level of detail of the Borsa Italiana's Code, when amending internal rules it was decided not to make changes to the internal Corporate Governance Code previously adopted by TI Media (the "Internal Code"), which was repealed, but rather merely to "codify" Telecom Italia Media's — few — peculiarities or specific choices; for all other matters, Telecom Italia Media adheres to the "principles" and "application criteria" set forth in the Borsa Italian Code (December 2011 edition).

Turning to the essential content, with respect to the previous Internal Code:

- (i) obligations to abstain from purchasing financial instruments ("black-out period") for Directors, Statutory Auditors and Key Management Personnel and (ii) limits on Directors' simultaneous engagements, with specification of the criteria for identifying key managers subject to insider rules, have been confirmed;
- the Board of Directors' current responsibilities are reiterated, with a greater focus on the internal control and risk management system, introducing the subject of the definition of the enterprise's risk appetite;
- the list of strategic transactions subject to prior approval by the Board of Directors is simplified, specifying that the list is illustrative in nature;
- the principles of the Board of Directors' functioning are all confirmed, introducing the principle of scheduling long-term agendas;
- the Board of Directors must present one Lead Independent Director and two internal Committees: the Nomination and Remuneration Committee and the Control and Risk Committee (which replaces the Internal Control and Corporate Governance Committee, extending its assignments);
- in the definition of the competencies of the internal Committees, the responsibility of the Control and Risk Committee is extended to include supervision in the area of corporate social responsibility.

The subject of the annual assessment of the Board of Directors (pursuant to the Code of Borsa Italiana) was transferred from the Internal Control and Corporate Governance Committee (the previous name of the current Control and Risk Committee) to the Nomination and Remuneration Committee.

The internal control and risk management system has been fully updated.

The articles regarding the handling of corporate information, related party transactions, Shareholders' Meetings and relations with investors and shareholders were deleted for they were considered obsolete.

In detail, the following have a significant impact on the activity of the Company and Group, and thus are subject to approval by the Board of Directors:

- a) agreements with competitors that may have a lasting impact on the freedom to make strategic entrepreneurial decisions (for example, partnerships, joint ventures, etc.) due to the subject matter, obligations, restrictions and limits that may arise from such agreements;
- b) investments and divestments exceeding Euro 20 million, as well as purchases and disposals of equity investments or companies or business units that are of strategic importance to overall

- business operations; transactions that, while being carried out or upon completion, result in commitments and/or purchases and/or disposals of the same nature and amount;
- c) obtaining loans exceeding Euro 20 million, as well as granting loans or providing guarantees to companies in which the Company does not have a controlling interest for amounts exceeding Euro 20 million; transactions that, while being carried out or upon completion, result in commitments and/or purchases and/or disposals of the same nature and amount;
 - d) the listing and de-listing of financial instruments issued by the Company or Group companies on European or non-European regulated markets;
 - e) initiatives and transactions that: (i) result in the entry into (or exit from) product markets; (ii) exceed the total amount of the budgeted industrial investments by more than 25% (twenty-five per cent);
 - f) the above transactions, to be performed by Group subsidiary companies.

The completeness of information available to non-executive Directors and the Board of Statutory Auditors represents an essential condition to the proper exercise of duties and responsibilities in the areas of management, guidance and control of the activities of the Company and Group. Operating performance is evaluated on the basis of constant information streams towards non-executive Directors and Statutory Auditors, coordinated by the Chairman of the Board of Directors, who, where necessary, draws on the Secretary of the Company's Board of Directors. It is performed from time to time during various meetings, and more specifically, by thoroughly comparing the results achieved against budgeted targets, when reviewing financial statements and progressive monthly data.

The Board of Directors has assessed the adequacy of the overall organizational, administrative and accounting structure of the Company on the basis of information from management and, with specific reference to the adequacy of the internal control system, based on the preparatory work conducted by the Control and Risk Committee.

The Board of Directors has examined the proposals of the Nomination and Remuneration Committee and consulted the Board of Auditors, and has determined the remuneration of the Chairman, the Executive Vice Chairman and the Managing Director, as well as the division of the total remuneration, approved by the Shareholders' Meeting, due to the members of the Board of Directors: see the Remuneration Report approved on March 4, 2013.

In 2012, as every year since 2007, a self-assessment process was carried out on dimension, composition and functioning of the Board of Directors and its Committees. The Control and Risk Committee, together with the offices of the Company, has coordinated the board review by distributing a specific questionnaire.

The self-assessment found that with reference to the aspects surveyed, the dimension, composition and functioning of the Board and its internal Committees were on the whole positive.

The conducting of meetings was deemed effective, assuring each Director the opportunity to express his or her opinion, while respecting the timeframe of the agenda, in an atmosphere considered positive. The minutes of the meetings are deemed complete and highly valued.

The established practice of interaction between the Board of Directors and the Group's top management, which takes an active part in meetings of the Board of Directors, allowing it to receive support in the decision-making process, including in matters of great complexity, is highly appreciated.

The need for ongoing reporting on television programming and production, as well as the advisability of assigning one of the Directors the role of "discussant" in certain circumstances, has been outlined.

The Board generally holds the opinion that, despite the increased activity performed during the year, in which the Company engaged in important corporate restructuring, there was a continuing commitment to improve the body's way of conducting its business, and some of the objectives suggested in the previous self-assessment processes were achieved.

During 2012, the Directors, as provided for in Article 2.C.2 of the Borsa Italiana Corporate Governance Code, participated in meetings, including meetings with TI Media's management, aimed at providing them an adequate understanding of the sector of activity in which the Company operates, company dynamics and their evolution, as well as the regulatory framework of reference.

4.4. Delegated bodies

The assignment (and revocation) of powers to Directors is reserved to the Board of Directors, which defines the purpose, limits and methods of exercising the assigned powers.

On April 8, 2011, following the renewal approved by the Shareholders' Meeting on the same day, the Board of Directors appointed Severino Salvemini Chairman, granting him with legal representation of the Company, and Giovanni Stella Vice Chairman and Managing Director, vesting him with the responsibility for the overall management of the Company and the Group, in addition to legal representation.

On May 9, 2012, TI Media's Board of Directors, pursuant to the decisions made by the parent company, Telecom Italia, concerning the commencement of the process of disposing of assets in the media sector, launched a significant corporate restructuring process for the Group. Accordingly, La7 S.r.l. was

incorporated on May 23, 2012. A business unit responsible for the television operations of the channels La7 and La7d, as well as the 51% interest held by the Company in MTV Italia S.r.l., were then contributed to La7 S.r.l. effective September 1, 2012.

In its meeting of June 28, 2012, the Board of Directors reviewed the status of the process of organizational and corporate transformation of the Group and made several decisions bearing on the reorganization of the management structure and corporate governance.

In the interest of the best possible management and rationalization of the Group's activities, Giovanni Stella decided to resign from the positions of Vice Chairman and Managing Director of the Group, while retaining his position of Director and making himself available to focus particularly on managing television operations, in part with the aim of incrementally developing this asset.

In light of the foregoing, the structure of delegated powers has been revised; the Board of Director has thus vested:

- Chairman Severino Salvemini with the responsibility for the strategic management and overall governance of the TI Media Group, as well as the management of extraordinary transactions and the definition of the internal control system, in execution of the guidelines established by the Board of Directors;

- Director Giovanni Stella with the responsibility for operating management of the Group's television operations;

- General Manager Marco Ghigliani with the task of ensuring the execution of the Group's strategic guidelines, overall guidance and control of the business areas and subsidiaries, management and coordination of the Network Operator and transversal support activities.

During the meeting of the Board of Directors held on December 13, 2012, Giovanni Stella tendered his resignations from his position as TI Media's Director and La7 S.r.l.'s Chairman.

The Board of Directors of TI Media appointed Severino Salvemini Chairman of La7 and, for the operating management, Marco Ghigliani Managing Director of the same company.

4.5 Other executive Directors

There are no other Directors who qualify as executive directors on the Board of TI Media.

4.6 Independent directors

Telecom Italia Media has adopted the criteria established by the Corporate Governance Code of Borsa Italiana for the qualification of the independence of Directors.

The Board of Directors, at its meeting of March 4, 2013, verified the independence requirements of its members, noting that the requirements of the composition of the administrative body (the presence of at least two Independent Directors according to the criteria established by law for Auditors) had been complied with. The Board of Statutory Auditors monitored the verification of the requirements and the correct application of the criteria of independence.

In the light of the assessments made, the majority of the Directors (6 out of 9) currently qualify as independent: Irene Bignardi, Adriano De Maio, Lorenzo Gorgoni, Davide Rampello, Sergio Ristuccia, and Fabio Alberto Roversi Monaco.

4.7 Lead Independent Director

The Lead Independent Director is Director Adriano De Maio.

He is the point of reference and coordination for the issues and contributions of the independent Directors. He is granted the right to use corporate structures to perform the tasks entrusted to him and to convene Independent Directors' Executive Sessions to discuss issues regarding the functioning of the Board of Directors or the management of the business. In 2013, one meeting has been held.

Pursuant to the Corporate Governance Code, the Chairman of the Board of Directors is assisted by the Lead Independent Director in improving the functioning of the administrative body (including the identification of issues to be examined by the entire Board).

5. HANDLING OF CORPORATE INFORMATION

Telecom Italia Media has suitable procedures for classifying and managing information in terms of confidentiality.

Moreover, a procedure has been adopted for the internal handling and external disclosure of documents and information concerning the Company, with specific reference to sensitive information (available at www.telecomitaliamedia.it, *Governance* section). The procedure regulates the management of sensitive information relating to TI Media, its unlisted subsidiaries and listed financial instruments of the Group; this procedure is addressed to all members of corporate bodies, as well as employees and external collaborators who have access to information that is likely to evolve into market sensitive information. The same also applies as an instruction imparted to all subsidiaries, with a view to ensuring the prompt forwarding of the information and data necessary for timely and proper compliance with public disclosure obligations.

The procedure in question, finally, regulates the establishment of the register of persons having access to sensitive information (Article 152-bis *et seq.* of the Rules for Issuers).

CONSOB Resolution No. 18079/2012 introduced an opt-out regime in relation to disclosure documents to be prepared in cases of material¹ transactions involving mergers, de-mergers, capital increases by contribution in kind, acquisitions and disposals, inasmuch as these are disclosure obligations not provided for by other European Union Member States. During its meeting of January 15, 2013, the Board of Directors resolved to exercise the option afforded by Articles 70, paragraph 8, and 71, paragraph 1-*bis*, of CONSOB Regulation No. 11971/99 to depart from the obligations to publish such disclosure documents.

6. BOARD COMMITTEES

Within the Board of Directors, a Nomination and Remuneration Committee (formerly, Remuneration Committee) and a Control and Risk Committee (formerly, Internal Control and Corporate Governance Committee) were set up; their functions are illustrated in the Corporate Governance Principles. On October 29, 2012, the Board of Directors has instituted an internal Advisory Committee, which is tasked with aiding the full Board of Directors of Telecom Italia Media in adopting decisions regarding the process of disposal of operations.

7. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is composed of three independent non-executive directors who have in various ways acquired adequate knowledge and experience in accounting, finance and remuneration policies. Its current composition can be found in Table 2. The Chairman of the Board of Statutory Auditors (or, if he or she is unable to participate, another Statutory Auditor designated by the Chairman) takes part in meetings of the Committee, which draws on departments of the Company or external consultants of its choosing in discharging its duties.

In addition to the tasks it is assigned by the Corporate Governance Code of Borsa Italiana, the Committee shall:

- define how and when the annual assessment of the Board of Directors must be carried out ²;
- propose the criteria for apportioning the total annual compensation established by the Shareholders' Meeting for the entire Board of Directors;
- perform the additional tasks assigned to it by the Board of Directors.

¹ Preparation of the disclosure document is required where specific materiality thresholds (indicated by CONSOB in an annex to the Rules for Issuers) amount to no less than 25%. For mergers and demergers, such thresholds relate to total assets, profitability, equity and liabilities, whereas for acquisitions and disposals they relate to the issuer's value/capitalization and assets.

² As pointed out in point 4.3, the task was previously assigned to the Internal Control and Corporate Governance Committee (currently, Control and Risk Committee), which carried out the self-assessment process in 2012.

During 2012, the Committee examined the level of achievement of the performance objectives assigned to the Vice Chairman and Managing Director on the basis of the preliminary 2011 financial statement figures.

It formulated proposals for the Board of Directors regarding the incentive plan associated with the sale of La7 S.r.l., directly or following the disposal of the holding company TI Media, compensation for the office of Chairman approved by the Board of Directors on July 27, 2012, as well as Director Giovanni Stella's termination agreement.

The Board of Directors was kept informed of these various activities at each first available meeting.

The Committee had access to the necessary information and corporate departments for performing its tasks. The Committee was not assigned financial resources of a predetermined amount, but was able autonomously to bring in external consultants.

In 2012, there were four meetings. At the meetings (average length: approximately one hour), from time to time, the managers responsible for the issues under discussion were invited to offer support. The percentage of attendance by the Directors was 100%.

In 2013, two meetings have already taken place.

8. REMUNERATION OF DIRECTORS, THE GENERAL MANAGER AND KEY MANAGEMENT PERSONNEL

The information in this section and that required by Article 123-*bis*, paragraph 1, letter i), regarding the agreements between the Company and the Directors, which provides for compensation in the case of resignation or dismissal without just cause or in the event that their employment ceases following a public purchase offer, is made available in the Remuneration Report published in compliance with Article 123-*ter* of TUF.

9. CONTROL AND RISK COMMITTEE

At its meeting of December 13, 2012, the Board of Directors identified the previous Internal Control and Corporate Governance Committee, included in the Company's governance structure since 2001, as the Control and Risk Committee provided for in the Borsa Italiana's Corporate Governance Code, in line with the amendments to the Borsa Italiana's Code of December 2011.

Within the current organizational structure, the Committee maintains its consultative and advisory functions

The Control and Risk Committee is made of non-executive and independent Directors; at least one member of the Committee has adequate knowledge and experience in accounting, finance and risk management. Its current composition can be found in Table 2.

In addition to the task it is assigned by the Corporate Governance Code of Borsa Italiana and the Company's regulations, the Committee shall:

- perform a function of high-level supervision in the area of corporate social responsibility, overseeing the consistency of the actions taken with the principles established in the Group's Code of Ethics and with the values with which the Group identifies;
- monitor compliance with company corporate governance rules and the development of laws and regulations and best practices in the field of controls, corporate governance and corporate social responsibility, including for the purposes of proposing updates to the rules and internal practices of the Company and Group;
- perform the additional tasks assigned to it by the Board of Directors;
- express preventive opinions on (i) transactions with related parties that fall within the Board of Directors' purview according to the law, Bylaws or Corporate Governance Code; (ii) ordinary transactions at standard or market conditions not pre-defined or defined as a result of a tender procedure with a value in excess of Euro 2 million; and (iii) non-ordinary transactions with a value in excess of Euro 500,000.

During 2012, the Committee examined the annual impairment testing procedure proposed by the management and presented the definitive version of the document to the Board of Directors for its approval. The Committee conducted its customary monitoring of the progress of auditing, compliance and IT Risk & Security Compliance activities, launched the customary preparatory activity in view of the approval of the financial statements, received reports from the Group Compliance Officer and heads of Audit and IT Risk & Security Compliance, conducted specific inquiries and generally engaged in constant dialog with the management, and shared the criteria and objectives for planning such activities for the 2012-2014 period, which were then submitted to the full Board of Directors. The Committee also monitored the activities of maintaining and updating the so-called Organizational Model 231 (see below), and those connected with adapting the Bylaws in order to guarantee the respect of gender composition of the Board of Directors and the Board of Statutory Auditors. The Committee monitored the Company's process of achieving compliance with the new Borsa Italiana Corporate Governance Code of December 2011. The Board of Directors was informed of all of the above, from time to time, at each first available meeting.

During 2012, the Committee held six meetings, in joint form with the Board of Statutory Auditors, supported by specialized contributions from company management, representatives of the independent auditors and external consultants. The average duration of meetings was approximately 1.3 hours and the percentage of attendance was 100%.

In 2013, the Control and Risk Committee has already met twice.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system is structured and applied in accordance with the principles and criteria established in the Corporate Governance Code of Borsa Italiana. It is an integral

part of the general organizational structure of the Company and Group and contemplates a range of actors who act in a coordinated manner as a function of their respective responsibilities in the areas of guidance and strategic supervision for the Board of Directors, oversight and management for the Executive Directors and management, monitoring and support of the Board of Directors for the Control and Risk Committee and Head of the Audit Department, and supervision for the Board of Statutory Auditors. The internal control and risk management system is a set of rules, procedures and organizational structures that, through a process of identifying, measuring, managing and monitoring the main risks, allows the sound and fair operation of the company in line with the pre-established objectives. As such this process is aimed at pursuing the values of both procedural and substantial fairness, transparency and accountability, which are considered key factors for managing Telecom Italia's business, in compliance with the Code of Ethics and Conduct of the Group and the Company's Corporate Governance Principles (both of which are available on the website www.telecomitaliamedia.it, *Governance* section, Principles and Codes). This process, constantly monitored with a view to progressive improvement, is intended to ensure, in particular, the efficiency of company operations and entrepreneurial conduct, its transparency and verifiability, the reliability of information and management and accounting data, and compliance with applicable laws and regulations, as well as the safeguarding of company integrity and its assets, in order to prevent fraud against the Company and the financial markets.

The Board of Directors, insofar as it is responsible for the internal control and risk management system, sets the guidelines, verifying its adequacy, effectiveness and proper functioning, so that the main company risks (operational, compliance-related, economic and financial) are properly identified and managed over time.

In order to ensure a global approach to risk management, the Telecom Italia Group has implemented and is finalizing an integrated process inspired by Enterprise Risk Management (ERM), which envisages a top-down approach through which risks are identified, assessed and managed. Compliance risks are excluded from the scope of that process.

The process of managing risks (defined as “possible events, the occurrence of which may prevent the company from achieving its strategic objectives”) is overseen by a Group managerial committee (so called Group Risk Management Committee), chaired and coordinated by the Head of the Administration, Finance and Control function. That Committee reports to the Chairman of the Board of Directors and periodically informs the Control and Risk Committee and Board of Statutory Auditors of the results of its activity.

The ERM process is based on self-assessment of the risk profile by the management and is aimed at defining:

- the mapping of risks, assessed by level of impact and probability of occurrence, focusing attention on the so called top risks;
- the degree of maturity of the management process at the Entity and Top Risk level through an analysis based on an evaluation of the components Governance, Assessment, Quantification & Aggregation, Monitoring and Risk & Control Optimization. A Risk Maturity Index (RMI) that may be tracked over time is identified for each Top Risk and for the Risk Management system at the Entity level;
- the handling of the risk by the risk-owner company departments through the definition and implementation of specific action plans aimed at reducing the residual risk level and increasing the RMI.

The Group Risk Management Committee receives periodic information concerning the results of oversight of compliance risks by the Group Compliance Officer and Head of the IT & Security Compliance function.

Telecom Italia Media is aware that financial reporting plays a central role in establishing and maintaining positive relations between the company and its stakeholders and, together with business performance, helps to create value for shareholders.

The system of internal control over Financial Reporting aims to ensure the reliability³, accuracy⁴clarity⁵ and timeliness⁶ of the financial reporting.

In this context, Telecom Italia Media relies upon a regulatory/documentary system consisting of the Group's accounting principles, administrative and accounting procedures, guidelines, operating instructions, accounting manuals and account plan aimed at ensuring efficient coordination and exchange of information between Telecom Italia Media, its subsidiaries and the Parent Company, as well as the proper preparation of the Separate and Consolidated Financial Statements.

Telecom Italia Media, also in order to ensure Compliance with Italian (Law No. 262/2005) and United States legislation (Section 404 of the Sarbanes Oxley Act) — since it provides financial data and information to the parent company Telecom Italia listed on the NYSE — runs a structured and documented model for recording and monitoring risks related to financial reporting, based on the CoSO (Committee of Sponsoring Organizations of the Treadway Commission) framework.

Main features of the existing risk and internal control and risk management systems in relation to the financial reporting process

Phases of the existing internal control and risk management systems in relation to the financial reporting process

³ Reliability (of information): information which is fair and complaint with generally accepted accounting principles, as well as presents all requirements set forth by applicable laws and regulations.

⁴ Accuracy (of information): information which is objective and accurate. Information is deemed objective if it is free from misrepresentations aimed at influencing the decision-making process of its users in order to achieve a predetermined result.

⁵ Trustworthiness(of information): information which is clear and complete, so that it leads to informed investment decisions by investors. Information is is deemed clear if it facilitates the understanding of complex aspects of business, without however resulting excessive and redundant.

⁶ Timeliness (of information): information which complies with deadlines established for its disclosure.

Telecom Italia Media's internal control and risk management system in relation to financial reporting is a structured, constantly operating process, for which periodic assessment phases are envisaged, aimed at documenting and assessing its planning and operational efficacy.

The process begins with the identification and assessment of risks⁷ relating to financial reporting. In this context, Telecom Italia Media, for both Group purposes and the purposes of independent certifications, defines criteria for identifying both the scope of "material" entities and processes in terms of potential impact on financial reporting (understood as all information contained in accounting statements and notes) and the risks arising from possible failure to achieve general control objectives⁸ due to potential unintentional errors⁹ or fraud¹⁰ where these may have a material impact on financial reporting.

In detail, the annual process begins with the identification of the financial statement accounts and disclosures deemed material both on the basis of qualitative assessments¹¹ and in regard to updated materiality parameters. The reporting units that contribute significantly to the composition of the previously selected items are then identified both by using quantitative parameters and on the basis of specific qualitative assessments.

In parallel, the processes¹² associated with the selected line items and disclosures are identified and specific inherent risks are assessed for each process, contextualizing the risk of failure to achieve general control objectives step by step. The frequency of this assessment, no less than annual, permits account to be taken of new risks inherent in financial reporting arising from the evolution of external or internal factors such as market and competition, internal organization and information systems.

Inherent risks referring to the components¹³ of the CoSO Model are assessed in a manner consistent with their allocation in the framework of reference.

Telecom Italia Media represents its internal control system in relation to financial reporting consistently with the *CoSO Report*, documenting processes, controls and assessment activities in an organized manner¹⁴ within a specific application, with precise assignment of responsibilities, in accordance with the principle of accountability.

⁷Risk: a potential event the occurrence of which may compromise the achievement of objectives related to the financial reporting control system (the "System"), namely the accuracy, trustworthiness, reliability and timeliness of financial reporting.

⁸Control objectives: set of objectives that the System aims to achieve in order to ensure truthful and accurate representation in financial reporting. These objectives consist of "financial statements assertions" (existence and occurrence, completeness, rights and obligations, valuation and recording, presentation and disclosure) and "other control objectives" such as for example "compliance with authorization limits, segregation of incompatible duties, controls over the physical security and existence of assets, etc.

⁹Error: within the System, any unintentional act or omission that results in a misstatement in the reporting.

¹⁰Fraud: within the System, any intentional act or omission that results in a misstatement in the reporting.

¹¹In accordance with Standard 5 of the PCAOB (Public Company Accounting Oversight Board).

¹²The standard processes identified are: Sales, Procurement, Investments, Financial Reporting, Finance, Taxation, Personnel, Legal and Litigation, and Warehousing.

¹³The components (Control Environment, Risk Assessment, Control Activity, Information and Communication, and Monitoring Activity) identify which is required by the internal control system to achieve the objectives pursued by the company (specifically, the reliability of financial reporting).

¹⁴For example, the company processes of each reporting unit are organized according to a conventional hierarchy, which consists of standard documents, identical for the entire Group (Real Process; Sub-Process; Activity; Control Objective) and open documents, the content of which reflects the specific nature of the controls performed by the management and the resulting assessment activities (Control, Test Design and Efficacy Test). The Control Objective is a key document in Telecom Italia Media's control model. It defines and describes the requirements and controls that management is to present in order to mitigate specific inherent risks.

The process continues with a more operational phase relating to the identification of controls in relation to the risks identified, during which Telecom Italia Media updates and documents the controls performed within the company capable of mitigating previously identified risks. Controls are classified, according to their various degrees of assurance, as primary controls and secondary controls. The set of key controls, meaning those deemed necessary to ensure that material financial reporting errors are prevented or identified in a timely manner with a reasonable degree of certainty, is identified among primary controls, according to top-down risk-based criteria.

Telecom Italia Media uses various types of controls in its model with the aim of assessing all five of the components of the control system relating to the objective of the reliability of financial reporting. Entity Level Controls are defined at the level of the Group/Company/Organizational Unit and have a pervasive impact on the efficacy of the controls defined at the level of process, transaction or application. The set of these controls therefore provides a representation of the organization's awareness of subjects such as corporate governance, risk management, responsibilities relating to the internal control system and the assignment of powers and responsibilities. IT General Controls are controls that apply to all systems, processes and data of IT organizations and respond to specific objectives¹⁵. Process Controls are controls safeguarding company processes and are performed through human intervention and/or directly by IT applications that implement and support it.

This is followed by a phase involving the evaluation of controls on the basis of the risks identified, which is conducted through specific testing activity, managed by a methodological guide and strategy updated on an annual basis. According to a top-down risk-based scheme, testing activities are differentiated by timing, frequency and depth, in relation to the type, classification and other characteristics of controls. Testing activities are aimed at verifying both the efficacy of the design and operational effectiveness of the control. If the result of the test is negative due to a lack of efficacy in design and/or operation of a control, the risk of an error is assessed in terms of probability and impact. Risk is then managed by designating a formal control deficiency and then planning, scheduling and assigning responsibility for specific recovery plans.

Telecom Italia's Group Compliance Officer periodically informs Telecom Italia Media's Control and Risk Committee and Board of Statutory Auditors of the results of the assessment process described above (and, in particular, any control deficiencies deemed significant/material in terms of potential error/fraud impact on financial reporting) and presents a summary of the activities performed to date at each meeting of the Control and Risk Committee and Board of Statutory Auditors.

Roles and functions involved

¹⁵ These include the integrity of programs, files and data, the proper development and production of applications and the proper management of changes to applications.

The certification process is guided by a specific Group organizational procedure that identifies roles and responsibilities in relation to the various phases of execution. In cases of autonomous certifications pursuant to Italian national legislation, the Executive in charge of Company's financial reports of Telecom Italia Media retains final responsibility for the entire process and has direct responsibility in the periodic definition of the scope of application of the legislation of reference, the final and overall assessment of the internal control system in relation to financial reporting and the management of the relationship with the Independent Auditors. With the support of resources who coordinate the activities planned in the certification calendar within each company/company function, the management is responsible for identifying and assessing controls in relation to the risks identified, and therefore for assessing and managing control deficiencies, as well as implementing the recovery plans required to eliminate such deficiencies. The offices of Telecom Italia's Group Compliance Officer are responsible for defining and updating methodology and end-to-end monitoring of the process. Along with the Telecom Italia's IT & Security Compliance function (for the IT area), they are responsible for assurance activities (independent tests and follow-ups for assessing the elimination of control deficiencies) aimed at enhancing management certification and provide support to the management and the Executive in charge of Company's financial reports throughout all phases of the process.

10.1 Executive director in charge of the internal control and risk management system

The institution and maintenance of the internal control system are entrusted to the Executive Directors (at present, Executive Chairman Severino Salvemini; previously Vice Chairman and Managing Director Giovanni Stella, through to June 28, 2012, and Executive Chairman Severino Salvemini and Delegated Director, through to December 13, 2012) and to the Executive in charge of Company's financial reports for the areas within their purview, so as to ensure the overall adequacy and concrete functionality of the system, from a risk-based perspective, which is also considered when defining the agenda for the meetings of the Board of Directors.

With respect to the areas of operation within the purview of the powers entrusted to them, the responsible Directors have overseen the identification of top company risks (strategic, operational, financial and compliance), taking account of the characteristics of the activities performed by the Company and its subsidiaries.

The responsible Directors execute the guidelines set by the Board of Directors and are charged with planning, implementing and managing the internal control and risk management system, as well as constantly verifying its adequacy and efficacy. They may also request that the Audit Department conduct audits of specific areas of operation and compliance with internal rules and procedures in the execution of company operations, simultaneously informing the Chairmen of the Board of Directors, Control and Risk Committee and Board of Statutory Auditors thereof.

10.2 Audit Manager

In accordance with the Company's Corporate Governance Principles, in the exercise of its responsibility for the internal control and risk management system the Board makes use not only of the Control and Risk Committee, but also of the Audit Manager, who is given an adequate level of independence and suitable means for performing his function. With reference to a service agreement, the Audit Manager is responsible for supporting the management and control boards in assessing the adequacy, efficiency and effectiveness of the control and risk management system, and consequently for proposing corrective measures in case of irregularities, deficiencies and malfunctions.

In particular, with respect to the provisions set forth in the Corporate Governance Code of Borsa Italiana, the Manager in charge of the Audit Department shall:

- a) verify, both on an ongoing basis and in relation to specific needs, and in accordance with international standards, the operativity and suitability of the internal control and risk management system through an audit plan approved by the Board of Directors and based on a structured process of analysis and prioritization of top risks;
- b) not be deemed responsible for operating areas and hierarchically report to the Board of Directors;
- c) be provided direct access to all the information that may be necessary or useful for the proper performance of its mandate;
- d) draft periodic reports containing information concerning its activity, the methods whereby risk management is conducted and observance of the plans defined to contain risks. Periodic reports shall contain an assessment of the suitability of the internal control and risk management system;
- e) prepare reports concerning events of particular significance in a timely manner;
- f) submit the reports mentioned in points d) and e) above to the Chairmen of the Board of Statutory Auditors, Control and Risk Committee and the Board of Directors;
- g) verify, in its audit plan, the reliability of the information systems, including accounting recognition systems, and report on its actions to the Director appointed for this purpose, the Control and Risk Committee and, through the latter, to the Board of Directors and Board of Statutory Auditors. In particular, the Manager reports on how risk is managed, as well as on compliance with established plans for risk containment, and expresses assessments on the suitability of the internal control system for achieving an acceptable overall risk profile.

Moreover, the Manager in charge of the Audit Department has a role in ensuring respect for the principles and values expressed in the Code of Ethics and Conduct, by handling reports from employees, collaborators, consultants, employers and third parties in business relationships with the Group on violations of laws or regulations, the Code itself, and internal procedures, as well as irregularities or negligence (including accounting), and promoting the most appropriate resulting initiatives, including the proposal to impose sanctions.

In particular, the oversight role of the Audit Manager is directed towards expressing an assessment in terms of reasonable certainty about the capacity of the internal control and risk management system to impact on the actual achievement of the objectives assigned to individual company structures (effectiveness profile), taking account of the rational use of resources for their realization (efficiency profile) in the light of the (qualitative/quantitative) risk factors present and the probability of their influencing the achievement of those objectives.

Such oversight is ensured through:

- direct performance of assurance services (audit and complementary activities — “level-three” controls — aimed at assessing governance, risk management and control processes) and consulting services;
- control of the implementation of improvement plans through constant monitoring work and the performance of specific follow-ups in cases of the complexity and relevance of the originally analyzed subject matter.

10.3 Organizational model pursuant to Legislative Decree No. 231/2001

The internal control system is complemented by the so-called "Organizational Model 231", i.e., a model of organization and management adopted pursuant to Legislative Decree No. 231/2001, aimed at preventing offences that can result in liability for the Company. This Organizational Model is comprised of:

- the Code of Ethics and Conduct of the Telecom Italia Group, where the general principles (transparency, fairness, loyalty) that guide the Company in the organization and conduct of business are indicated;
- the "general principles of internal control", tools aimed to provide a guarantee with regard to the objectives of efficiency and operational effectiveness, reliability of financial and management information, compliance with laws and regulations, safeguarding of assets against possible fraud;
- the "principles of conduct", which consist of specific rules for relations with representatives of Public Administration and for all fulfillments and activities of a corporate nature; and
- the "internal control checklists" that describe business processes at risk of crime, any crimes committed in relation to them, and the preventive control activities aimed at avoiding the related risks.

The internal control checklists have been compiled in accordance with the following basic principles: (i) the separation of roles in undertaking the principal activities involved in business processes; (ii) the traceability of decisions, to allow for identification of specific points of responsibility and the motivations for the decisions themselves; and (iii) the objectification of the decision-making processes, so that decisions are not to be purely subjective considerations, but based on pre-established criteria.

The Organizational Model is a dynamic instrument, which affects the corporate operation, which in turn must be constantly checked and updated in the light of feedback, as well as the evolution of the regulatory framework. During 2012, the model was therefore subject to updating and refinement; in particular, in light of the inclusion of the “employment of illegally staying third-country nationals” among criminal offences pursuant to Legislative Decree No. 109 of July 16, 2012, effective August 9, 2012, the internal control checklist “Personnel recruitment and hiring” was introduced.

A special Supervisory Board oversees the operation and observance of the Organizational Model and reports on it to the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors.

The members of the Supervisory Board are: Michela Zeme (member of the Board of Statutory Auditors, Chair of the Supervisory Board), Sergio Ristuccia (Independent Director), Francesca Coppi (external member identified by the Board of Directors in 2010), Federico Maurizio d’Andrea (Audit Manager of Telecom Italia S.p.A.) and Francesca Petralia (Group Compliance Officer), who resigned on February 18, 2013 having been assigned a new position within the Group; meanwhile Valerio Cavallo was appointed Group Compliance Officer.

The Board of Directors has decided not to proceed with integration, having positively assessed the opportunity afforded by Law No. 183 of November 12, 2011 for the Board of Statutory Auditors to perform the functions of Supervisory Board pursuant to Article 6 of Legislative Decree No. 231 of June 8, 2001, which are thus to be entrusted to the Board of Statutory Auditors that the Shareholders’ Meeting of April 5, 2013 is to appoint.

10.4 Independent Auditors

The Shareholders' Meeting held on April 8, 2010, on the basis of the justified proposal put forward by the Board of Statutory Auditors, conferred the mandate as Independent Auditors (Financial Statements of Telecom Italia Media S.p.A., Annual Consolidated Financial Statements, Condensed Half-yearly Consolidated Financial Statements) to PricewaterhouseCoopers S.p.A. for the period 2010 – 2018.

The selection of the auditing firm was carried out after a comparative analysis performed under the supervision of the Board of Statutory Auditors, which was supported by the corporate Functions, in collaboration with the Board of Statutory Auditors of the parent company Telecom Italia. The offers received from the various audit firms contacted for the purpose were examined with particular reference to (i) their skills and specific auditing experience, (ii) the adequacy of the technical structure in relation to the size and complexity of the Company and the Group it heads; (iii) its independent and unbiased judgment with respect to the Company and the Group, and (iv) the consistency of the compensation requested in relation to the time and level of professionalism considered.

The investigation prior to the conferment (or subsequent modifications) of the assignment to audit the financial statements of Telecom Italia is coordinated by the Executive in charge of Company's financial reports, under the supervision of the Board of Statutory Auditors, which relies on the Manager responsible for internal control to check the independence profiles (even for monitoring purposes during the term of appointment of the Statutory Auditors).

In order to protect the independence of the appointed auditor, the Guidelines of the Telecom Italia Group establish the principle under which the appointment of further assignments (when allowed by the reference standard) is limited to the services and activities closely related to the audit of the financial statements.

10.5 Executive in charge of Company's financial reports

The position of Executive in charge of Company's financial reports is held by the Administration and Control Manager, Luigino Giannini, who was appointed by the Board at the meeting of March 20, 2012 to replace Paolo Serra.

As per the Bylaws (Article 18), it is in fact the Board of Directors which appoints the Executive in charge of Company's financial reports, after hearing the opinion of the Board of Statutory Auditors and — for the corporate governance principles — the Internal Control and Corporate Governance Committee (now Control and Risk Committee). When the Executive is appointed, his scope of action and powers are defined. These are covered in the specific Regulations, available at the website www.telecomitaliamedia.it, *Governance* section.

Insofar as, by law, the Executive is responsible for the preparation of suitable administrative and accounting procedures to prepare the annual accounts and consolidated financial statements, as well as any other financial reports, the Regulations acknowledge this position has a functional responsibility (organizational and by topic) with regard to the internal controls for financial reporting, specifying that, in relation to this field, it is supported by the Executive Directors, as well as by the Management of the Company.

The Executive refers to the Board of Directors, the Control and Risk Committee (formerly, internal control and Corporate Governance Committee) and — with reference to its responsibilities — the Board of Statutory Auditors.

10.6 Coordination of bodies involved in the internal control and risk management system

The main bodies involved in the functioning of the internal control system are:

1. the Board of Directors, with the role of guidance and periodic (annual) assessment of the system;
2. Executive Directors (at present: the Chairman), as directors charged with instituting and maintaining the system, in accordance with the guidelines defined by the full Board of Directors (cf. previous paragraph 10.1);

3. the Control and Risk Committee, with a preliminary supporting role to the Board of Directors in relation to the latter's duties in the area of internal control and risk management (cf. the previous Title 9);
4. the Head of the Audit Department (the sole owner of level-three controls), who supports the Board of Directors and whose mission, in short, is verifying the functioning and adequacy of the system (cf. the previous paragraph 10.2);
5. the Executive in charge of Company's financial reports, appointed by the Board of Directors, with the legal powers and faculties outlined in a specific internal regulation (cf. the previous paragraph 10.5);
6. the Board of Statutory Auditors, which, reflecting the expression of the Borsa Italiana Code, represents the apex of the supervisory system. By internal self-regulatory choice, the legal powers entrusted to the next Board of Statutory Auditors will be expanded to include those of supervisory board pursuant to Legislative Decree No. 231/2001.

The powers of the foregoing bodies correspond to those recommended by the Borsa Italiana Code, to which Telecom Italia Media adheres without exceptions in this respect.

11. INTERESTS OF DIRECTORS AND RELATED PARTY TRANSACTIONS

The company procedure for effecting transactions with related parties (the "Procedure"), drawn up in compliance with CONSOB Regulation No. 17221 of March 12, 2010, was adopted in November 2010 and amended by the Board of Directors in its meeting on May 4, 2011 — after hearing the favorable opinion of the former Internal Control and Corporate Governance Committee — considering those infragroup transactions concluded at arms-length or standard market terms not relevant for the purpose of the application of the CONSOB Regulation (as permitted by the Regulation itself). Oversight of such transactions has, however, been maintained as self-regulation through the Managerial Committee set up as part of the implementation of this procedure and consisting of the Group Compliance Officer, the Secretary of the Board of Directors and the Chief Financial Officer of the Company, as well as the Telecom Italia Media manager at the top of the relevant hierarchical line for the transaction.

The Procedure classifies the transactions into different categories and, according to this classification table, different assessment and approval plans are applied, when these transactions are to be carried out with related parties. There are two main differences:

- a qualitative distinction, by subject, between ordinary transactions and non-ordinary transactions;
and
- qualitative-quantitative distinction, by significance, between significant transactions, to which the CONSOB Regulation is applied, and non-significant transactions, to which the CONSOB Regulation is not applied, but which are governed by the self-regulatory procedure.

According to the definition provided by CONSOB, ordinary transactions are those included in the ordinary business and related financial activities; in short, (i) all the main activities related to Company revenues, and (ii) all the other management activities, as long as they are not classified as investment or financing activities. As regards the nature of transactions with related parties, the Telecom Italia Media procedure provides that:

- it does not apply to transactions amounting to less than Euro 50,000;
- the following fall within management's responsibilities and do not require preventive ad hoc opinions:
 - ✓ ordinary transactions under conditions predetermined by independent authorities, that cannot be modified or that are defined after a tender, without amount limits;
 - ✓ ordinary transactions carried out at arms-length or standard market terms, not predetermined or defined after a tender, up to Euro 500,000;
 - ✓ infragroup transactions concluded at arms-length or standard market terms, including infragroup loans at arms-length, without amount limits;
- the following require the authorization of a Managerial Committee (comprised, as stated above, of the Group Compliance Officer, the Secretary of the Board of Directors, the Chief Financial Officer and the Telecom Italia Media Manager at the top of the relevant hierarchical line);
 - ✓ ordinary transactions concluded at arm-length or standard market terms, according to terms not predetermined by independent authorities or that cannot be modified or defined after a tender, amounting to between Euro 500,000 and up to Euro 2 million;
 - ✓ non-ordinary transactions up to Euro 500,000;
- the following are considered significant and require the preventive opinion of the Internal Control and Corporate Governance Committee (or the Committee of all independent directors, if they are qualified as "highly significant": see below)
 - ✓ all transactions entrusted to the Board pursuant to the law, Bylaws or Corporate Governance Code;
 - ✓ ordinary transactions carried out at arms-length or standard market terms, not predetermined or defined after a tender, amounting to over Euro 2 million;
 - ✓ non-ordinary transactions exceeding Euro 500,000.

The distinction between highly or less significant transactions is made according to the indexes of importance established by CONSOB. For this purpose, TI Media has, for all transactions, adopted a threshold of 2.5%: ratio between transactions value and the net equity (consolidated)/capitalization of the company; ratio between total assets of the entity involved in the transaction and the total (consolidated) assets of the company; ratio between the total liabilities of the entity acquired and the total (consolidated) assets of the company.

In order to perform the highly significant transactions, the procedure always requires the approval of the Board of Directors, subject to the prior opinion of a Committee comprised of all the independent directors in office (“Board Committee”). For less significant transactions, the decision may be made under standard responsibilities: Board of Directors, Vice Chairman and Managing Director or management, according to the cases, that, however, require the previous opinion of the Internal Control and Corporate Governance Committee. The opinions concern the Company’s interests as regards fulfillment of the transactions, as well as suitability and fairness of the relevant conditions. In order to express its opinions, the Committee carries out specific investigations, with which the management must collaborate. The Managerial Committee assures the interrelation between the Committee at the Board level and the company structures. In 2012, no highly significant transactions were carried out by TI Media.

If the opinions on interest and transaction conditions are favorable, the transaction is completed, according to the mentioned responsibilities. If the opinions are negative, in order to be concluded under those conditions, the transaction is analyzed by the Board of Directors. If a double majority is obtained (a “general” one, of all the Directors at the meeting, and a “specific” one, of Independent Directors in non-related positions) the original negative opinion is rendered obsolete. If the transaction is not accepted by the Independent Directors, even if authorized by the Board of Directors, it may only be carried out under certain conditions:

- if it is less significant, with application of an increased regime of disclosure to the public, regulated by the CONSOB Regulations;
- if it is highly significant, it must be discussed further at the Shareholders’ Meeting, where it must obtain the favorable vote of the majority of the non-related shareholders entitled to vote.

The mechanism entailed amendment of the Bylaws by the Shareholders' Meeting of April 8, 2011, providing — as regards transactions not subject to shareholders’ approval by law — for the introduction of special powers of the Shareholders’ Meeting, pursuant to Article 2364, paragraph 1, point 5, of the Italian Civil Code.

Similar rules apply to transactions with parties related to Telecom Italia Media, to be carried out by its subsidiaries. In these cases (provided that the Board of Directors of the Parent Company need not intervene for other reasons), preventive check is always carried out by the Managerial Committee. The Related Party Transaction Procedure is available on the website www.telecomitaliamedia.it, *Governance* section.

12. APPOINTMENT OF STATUTORY STAUDITORS

In accordance with Article 22 of the Bylaws, the Board of Statutory Auditors is made up of three standing auditors, of which at least two shall be chosen from the less represented gender. The

Meeting also appoints two alternate auditors, two for each gender. The Board of Statutory Auditors is appointed in accordance with the laws and applicable regulations on the basis of lists presented by shareholders entitled to vote. Only shareholders who alone or jointly with other shareholders hold a total number of shares representing at least 0.5% of the share capital with voting rights, or the different measure required by CONSOB for presentation of the lists of candidates for the appointment of the Board of Directors (Resolution No. 18452 of January 30, 2013 sets the said percentage at 2.5% for Telecom Italia Media). The lists are divided into two sections: one for candidates for the office of Standing Auditor and the other for candidates for the office of Alternate Auditor. Lists which, in one of the two sections or in both of them, contain a number of candidates greater than or equal to three must ensure that both genders are present in the section, in such a way that candidates of the less represented gender are at least one third of the total, rounding any fractions up to the next whole number. The first candidate in each section shall be selected from among the statutory auditors entered in the appropriate register who have worked on statutory audits for a period of not less than three years.

From the list that has obtained the majority of the votes (so called “Majority List”), two standing auditors and one alternate auditor shall be chosen, whereas the remaining standing alternate auditor shall be chosen from the remaining lists (so called “Minority Lists), without prejudice to the applicable law governing the link to the Majority List.

If the composition of the resulting board or the category of Alternate Auditors does not reflect gender balance, taking into account their ranking order in the respective section, the last candidate of the more represented gender elected from the Majority List shall forfeit his/her post to ensure compliance with this requirement, and shall be replaced by the first candidates not elected from the same list and of the same section of the less represented gender. In the absence of candidates of the less represented gender on the relevant section of the Majority List in sufficient number to proceed with the replacement, the Shareholders’ Meeting shall appoint the Standing or Alternate Auditor with the majorities required by law, thus ensuring that the requirement is met.

If an auditor chosen from either the Majority List or the Minority List ceases to hold office, he/she shall be replaced by the alternate auditor chosen from the Majority List or Minority List. Appointments to fill vacancies on the Board of Statutory Auditors pursuant to Article 2401 of the Italian Civil Code shall be approved by the Shareholders’ Meeting in compliance with the principle of the necessary representation of the minority shareholders, as well as with respect to the statutory principle of gender diversity. Upon termination of a standing auditor, the principle of the necessary representation of the minority shareholders shall be deemed to be complied with in the event of the appointment of the alternate chosen from the Minority List.

13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

The Shareholders' Meeting of April 8, 2010 appointed the Board of Statutory Auditors whose term will expire with approval of the Financial Statements for financial year 2012; it also named the Chairman of the Board of Statutory Auditors and determined the size of the respective remunerations.

In detail, based on the sole list submitted by shareholder Telecom Italia, which obtained 99.99% of votes of the voting stock, and having no minority lists been submitted, the following persons were elected: Salvatore Spinello, Chairman; Alberto De Nigro and Michela Zeme, Standing Auditors; Alberto Lazzaretti and Antonio Mastrapasqua, Alternate Auditors.

In this respect, it should be noted that after the resignation of Alternate Auditor Mastrapasqua the Shareholders' Meeting of April 24, 2012 appointed Luigi Vannini.

Upon proposal by shareholder Telecom Italia, the Shareholders' Meeting has established the annual remunerations of Euro 32,000 for each Standing Auditor and Euro 43,000 for the Chairman of the Board of Statutory Auditors and an additional annual fee of Euro 10,000 for the Auditor serving on the Supervisory Board.

The *résumés* of the members of the Board of Statutory Auditors are available on the website www.telecomitaliamedia.it.

In 2007, the Board of Statutory Auditors approved a procedure governing the receipt, retention and handling of notifications sent to its attention. These notifications may include:

- ✓ “complaints” filed by shareholders concerning reprehensible actions;
- ✓ petitions or notifications filed by any person (not necessarily a shareholder) concerning alleged irregularities or reprehensible actions or, more in general, any issue or matter deemed by the Board of Statutory Auditors to warrant investigation.

A summary of methods and formats for sending notifications to the Board of Statutory Auditors can be consulted online at www.telecomitaliamedia.it, *Governance* section.

During 2012, the Board of Statutory Auditors carried out the usual supervisory activities required under Italian law, by verifying that the key economic, financial and equity transactions made by the Company were in compliance with the law, the Bylaws and the principles of sound management. It also checked compliance with the self-regulatory principles and procedures adopted in related party transactions and their relevance to the Company's interests, supervised the observance of the precepts of sound management, and ensured that the Company's organizational structure was adequate. The Board of Statutory Auditors also monitored the adequacy of the internal control system and the administrative and accounting system and its reliability in fairly representing operating events. Finally, the Board of Statutory Auditors monitored the independence of the auditing firm, checking for both compliance with applicable regulations and the nature and entity of services other than auditing rendered to the Telecom

Italia Media S.p.A. and its subsidiaries by PricewaterhouseCoopers S.p.A. and entities belonging to the same network.

The Board of Statutory Auditors carried out the verification on the requirements of independence of its members, pursuant to Article 148, paragraph 3, of TUF, checking the Auditors still meet the requirements they held when appointed, including requirements of independence according to the criteria provided by the Corporate Governance Code of Borsa Italiana referring to the independence of the Directors.

During 2012, eleven meetings of the Board of Statutory Auditors were held (six of which held together with Internal Control and Corporate Governance Committee). The average duration of meetings was approximately 1 hour. The percentage of attendance was 94%.

In 2013, at the date of publication of this report, four meetings have already been held.

Table 3 presents information on the composition of the Board of Statutory Auditors as of December 31, 2012. For detailed information on the activities performed by the Board of Statutory Auditors, reference is made to the Board of Statutory Auditors' Report to the Shareholders' Meeting prepared pursuant to Article 153 of TUF.

14. RELATIONS WITH SHAREHOLDERS

Telecom Italia Media S.p.A. has set up a specific, prominently displayed and easily accessible section on its website, containing information and data on the Company that are particularly relevant to shareholders, so as to enable the latter to make informed decisions in the exercise of their rights.

Within the corporate structure, Luigino Giannini is the executive appointed to manage relations with the Italian and international financial community and with all the shareholders (Investor Relations Manager).

Contact information for investors within TI Media are:

- Telecom Italia Media S.p.A. - *Investor Relations*

Via della Pineta Sacchetti 229

00168 ROME (Italy)

Telephone: +39 06.35584025

E-mail: investor.relations@telecomitaliamedia.it

15. GENERAL SHAREHOLDERS' MEETINGS

Pursuant to law, the Shareholders entitled to participate in the General Shareholders' Meeting and vote are those for whom the reference intermediary has sent the Company specific communication certifying such right at the record date (seventh trading day prior to first call). Those who are

holders of shares only after such date shall not be entitled to attend the Shareholders' Meeting and vote.

Ordinary shareholders may be represented, by giving a proxy to a physical or legal person, including the representative designated by the Company, if appointed (the decision is to be taken by the Board of Directors, at the time of calling the meeting). The Board of Directors also has the option of allowing electronic voting to take place, specifying the procedure in the notice convening the meeting.

In order to facilitate the collection of proxies among employees who are ordinary shareholders of the Company and its subsidiaries who belong to shareholder associations satisfying the requirements established by law, special areas and instruments are made available for communications and performance of this activity.

The Board of Directors shall use its best endeavors to ensure that Shareholders have adequate information about the elements necessary for taking decisions within the competence of the Shareholders' Meeting, with full knowledge of the facts.

The ordinary Shareholders' Meeting deliberates on the subject matter within its purview according to the law and authorizes transactions with related parties of the Company, in the cases and according to the methods provided for in the specific procedure adopted by the Board of Directors, pursuant to applicable legislation.

The Bylaws also provide that, pursuant to Article 2365, paragraph 2, of the Italian Civil Code, the powers outlined therein are removed from the purview of the Shareholders' Meeting and placed within that of the Board of Directors.

To ensure the regular conduct of Shareholders' Meetings, since 2000 the Company has adopted the Regulation for the Shareholders' Meetings, available at www.telecomitaliamedia.it, *Governance* section.

During the course of the year, no significant variations occurred in the market capitalization of TI Media shares and in the ownership structure of the company.

16. FURTHER CORPORATE GOVERNANCE PRACTICES

On October 29, 2012, the Board of Directors instituted an internal Advisory Committee, the majority of the members of which are Independent Directors, and which is tasked with aiding the full Board of Directors of Telecom Italia Media in adopting decisions regarding the process of disposal of operations. The Advisory Committee is composed of the members of the Control and Risk Committee Adriano De Maio, Lorenzo Gorgoni and Sergio Ristuccia, Chairman Severino Salvemini, Director Piergiorgio Peluso, and the Chief Financial Officer of Telecom Italia

The Committee's activities, which are advisory and preliminary in nature, and are aimed at allowing the Board of Directors to pass informed resolutions in the interest of the Company and all of its shareholders, are coordinated by the Chairman of the Board of Directors in concert with the Lead Independent Director, also Chairman of the Control and Risk Committee, Adriano De Maio.

17. CHANGES SINCE THE END OF THE REPORTING YEAR

As explained in point 4.2 above (Composition of the Board of Directors), on March 27, 2013, Director Mauro Giusto tendered his resignations.

TABLE 1: INFORMATION ON SHARE OWNERSHIP

SHARE CAPITAL STRUCTURE				
	No. of shares	% of share capital	Listed (indicate markets) / not listed	Rights and obligations
Ordinary shares	1,446,317,896	99.62	Listed on Borsa Italiana S.p.A.	Right of vote at Ordinary and Extraordinary Shareholders' Meetings
Shares with limited voting rights	Not applicable	=	=	=
Savings shares	5,496,951	0.38	Listed on Borsa Italiana S.p.A.	Right of vote at Special Meetings Capital privileges contemplated by Article 6 of the Bylaws: preference dividend 5%; biennial carrying over of the right to preference dividend; dividend increased by 2% compared to the ordinary share

OTHER FINANCIAL INSTRUMENTS <i>(attributing the right to subscribe newly issued shares)</i>				
---	--	--	--	--

	Listed (indicate markets) / not listed	No. of outstanding instruments	Category of shares for conversion/year	No. of shares for conversion/year
Convertible bonds	Not applicable	=	=	=
Warrants	Not applicable	=	=	=

SIGNIFICANT SHAREHOLDINGS			
----------------------------------	--	--	--

Declarant	Direct shareholder	% on ordinary capital	% on voting capital
Telecom Italia S.p.A.	Telecom Italia S.p.A.	75.46%	75.46%
	Telecom Italia Finance S.A.	2.26%	2.26%

TABLE 2: STRUCTURE OF BOARD OF DIRECTORS AND COMMITTEES and other officer held

Office	Members	Serving since	Serving until	List (M/m)*	Exec .	Non-exec.	Indep. Ex Italian Civil Code	Indep. Ex TUF	** (%)	No. of other appointments***	Internal Control Committee		Remuneration Committee		
											****	** (%)	****	**	
Chairman	SALVEMINI Severino	04/08/2011	12/31/2013	M	X				100	2					
Director	BIGNARDI Name	04/08/2011	12/31/2013	M			X	X	90	—					
Lead Independent Director	DE MAIO Adriano	11/03/2003	12/31/2013	M			X	X	100	2	X	100			
Director	FOIS Candido	12/11/2001	12/31/2013	M		X			85	3					
Director	GIUSTO Mauro	04/08/2011	02/27/2013	M		X			90	—					
Director	GORGONI Lorenzo	04/10/2008	12/31/2013	M			X	X	85	3	X	100	X	100	
Director	PELUSO Piergiorgio	10/05/2012	04/05/2013	M		X			100	o. of other appointments					
Director	RAMPELLO Davide	04/08/2011	12/31/2013	M			X	X	90	—					
Director	RISTUCCIA Sergio	04/04/2005	12/31/2013	M			X	X	90	—	X	100	X	100	
Director	ROVERSI MONACO Fabio Alberto	04/10/2008	12/31/2013	M			X	X	85	4			X	100	
-----DIRECTORS WHO RESIGNED DURING THE REPORTING YEAR-----															
Director	STELLA Giovanni	04/11/2008	12/13/2012	M	X				100	—					
Director	MANGONI Andrea	02/25/2010	10/05/2012	M		X			85	—					
Director	OVI Alessandro	12/11/2001	06/28/2012	M		X			100	—					
Director	ZANONE POMA Mario	05/10/2001	06/28/2012	M		X			100	—					

Indicate the quorum required to submit lists at last appointment: 2.5%

No. meetings held during the reporting year:

BoD: 8

ICC: 6

RC: 4

NOTES

*This column shows M or m, depending on whether the member was elected from the list voted for by the majority (M) or minority (m).

** This column indicates the percentage participation by the directors in the meetings respectively of the BoD and the committees (No. of attendances/No. of meetings held during the actual period of office of the person concerned).

***This column indicates the number of directorships or auditorships held by the person concerned in other companies listed on regulated markets, including foreign markets, in finance, banking, insurance or other sizeable companies. Attached to the Report is the list of such companies with reference to each director, stating whether the company in which the position is held does or does not form part of the group of the Issuer or of which the Issuer forms part.

****In this column, X indicates that the director is a member of the Committee.

Below is a list of the posts held by the Directors currently in office, in the companies specified in point 3.2 of the Corporate Governance Code of Telecom Italia Media, and in particular, companies included in the S&P/MIB index, or in companies operating predominantly in the financial sector in relation to the public (appearing in the lists in Articles 106 and 107 of Legislative Decree No. 385 of September 1, 1993), or in companies engaged in banking or insurance activities.

Severino Salvemini	Director: Dea Capital S.p.A.; Zegna Baruffa S.p.A.
Irene Bignardi	-----
Adriano De Maio	Director: Saes Getters S.p.A.; TXT e- Solutions S.p.A.
Candido Fois	Chairman of Unicredit Credit Management Bank S.p.A.; member of the Supervisory Board of the Bank of Austria; Director of the ABI (Italian Banking Association)
Lorenzo Gorgoni	Director: Banca Monte dei Paschi di Siena S.p.A.; Invitalia S.p.A.; ABI (Italian Banking Association)
Piergiorgio Peluso	-----
Davide Rampello	-----
Sergio Ristuccia	-----
Fabio Alberto Roversi Monaco	Chairman of Sinloc S.p.A.; Chairman of Mandarin Fund; Director: Alleanza Toro Assicurazioni S.p.A.; Mediobanca S.p.A.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors

Office	Members	Serving since	Serving until	List (M/m)*	Independence ex Italian Civil Code	** (%)	No. of other appointments** *
Chairman	SPINIELLO Salvatore	05/05/2004	12/31/2012	M	X	100	16
Standing Auditor	DE NIGRO Alberto	04/08/2010	12/31/2012	M	X	100	13
Standing Auditor	ZEME Michela	04/08/2010	12/31/2012	M	X	82	21
Alternate Auditor	LAZZARETTI Alberto	04/08/2010	12/31/2012	M	X	=	=
Alternate Auditor	VANNINI Luigi	04/24/2012	12/31/2012	M	X	=	=
-----AUDITORS WHO RESIGNED DURING THE REPORTING YEAR-----							
Alternate Auditor	MASTRAPASQUA Antonio	05/05/2004	01/17/2012	M	X		

Indicate the quorum required to submit lists at last appointment: 2.5%

No. of meetings held during the reporting year: 11

NOTES

*This column shows M or m, depending on whether the member was elected from the list voted for by the majority (M) or minority (m).

** This column indicates the percentage participation by the auditors in the meetings of the Board (No. of attendances/No. of meetings held during the actual period of office of the person concerned).

*** This column indicates the number directorships or auditorships held by the person concerned, considered significant in terms of Article 148-bis of the TUF. The complete list of offices held is published by CONSOB on its website, pursuant to Article 144-quinquiesdecies of the CONSOB's Rules for Issuers.