



ENERGY IS OUR RESPONSIBILITY

2020

REPORT ON THE REMUNERATION POLICY  
AND REMUNERATION PAID

*Rome, 10 March 2020*

Terna S.p.A. and Terna Group

 **Terna**



# Report on the Remuneration Policy and Remuneration Paid Terna S.p.A. and Terna Group

Traditional management  
and control model

This is a translation of the original Italian text. For any difference in the meaning between the original Italian text and its translation, the Italian text prevails.

Issuer: «Terna - Rete Elettrica Nazionale Società per Azioni»  
(in abbreviated form Terna S.p.A.)

Website: [www.terna.it](http://www.terna.it)

Date of approval of the Report: 10 March 2020

# Statement from the Chairman

## of the Remuneration Committee

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Dear Shareholders,

As Chairman of the Remuneration Committee, it gives me great pleasure to present you with the Report on the remuneration policy for 2020 and on remuneration paid in 2019. The Report follows the basis of presentation required by art. 123-ter of the Consolidated Law on Finance ("CLF") and was approved by the Board of Directors on 10 March 2020.

I should like to take this opportunity to thank Committee members for their tremendous efforts over the three years we have been in office and for their constant commitment to improving the Company's remuneration strategy.

In particular, based on the feedback received from stakeholders over time, we have made changes to pay schemes to bring them into line with best market practices, seeking to create value for shareholders and make processes more efficient. Key aspects have included:

- a review of the structure of incentive schemes and the setting of more challenging objectives linked to such schemes;
- a review of the pay mix, giving greater weight to long-term incentives in order to more closely align the risk profiles of senior management and of the Company's shareholders;
- increased use of indicators relating to "Environmental, Social and Corporate Governance" ("ESG") aspects in both short and long-term incentive schemes;
- the inclusion of clawback provisions in all the individual incentive schemes introduced.

With specific regard to the Committee's activities in 2019, we continued with the work of applying the provisions of the so-called Shareholder Rights Directive II which, after having been approved in 2017, has been transposed into Italian law by Legislative Decree 49 of 2019. This Decree has introduced a number of amendments to art. 123-ter of the CLF, including the requirement for the Annual General Meeting of shareholders to hold a binding vote on Section I of the Report dealing with the remuneration policy, and the introduction of a non-binding vote on Section II of the Report on remuneration paid.

With a view to implementing these amendments to art. 123-ter in the relevant secondary legislation, on 31 October 2019, the CONSOB published a consultation document that also contained proposed changes to art. 84-quater of the Regulations for Issuers and the related Annex 3A, Form 7-bis (the "Consultation Document"). At the date of approval of this Report, the amended version of the relevant secondary legislation has yet to be published. As a result, our activities in 2019 primarily focused on:

- continuing the process of aligning Terna's remuneration with best practices, the expectations of shareholders and other stakeholders and national and European legislation, as far as possible taking into account the indications contained in the Consultation Document and, at the same time, ensuring that any changes are consistent with the Company's Strategic Plan;

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- ensuring that management actions are constantly aligned with the creation of long-term value, through the launch of a new Long-term Incentive Plan based on Performance Shares for 2020-2023 (the “Performance Share Plan 2020-2023”), which reflects requests from our shareholders and other stakeholders for a plan that is entirely equity-based, linked to operating performance, the share price and sustainability and containing a lock-up provision applicable to the shares awarded;
  - guaranteeing continuous review of the objectives relating to short- and long-term incentive plans.

Finally, I should like to note that, partly in view of the indications in the Consultation Document, this Report contains additional disclosures, such as for example a list of companies in the peer group used to benchmark the pay of Key Management Personnel, and continues to provide information on the pay ratio.

The Remuneration Policy has been endorsed by the Board of Directors, which at its meeting on 10 March 2020 approved this Report, prepared on the basis required by art. 123-*ter* of the CLF.

We are confident that, as shareholders of Terna, you will find all the information you need on the Company’s remuneration policy and pay in this Report, and we trust that we will be able to count on your positive support during the Annual General Meeting.

Best regards,

Fabio Corsico  
**Chairman of the Remuneration  
Committee**





# Introduction

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This Report summarises the principles and guidelines followed by Terna S.p.A. (hereinafter, for the sake of brevity, also “Terna”, the “Company” or the “Group”) in designing and reviewing the remuneration policy and its implementation, with particular reference to members of the Management and Control Bodies, the General Manager and Key Management Personnel (“KMP”).

The document is divided into two sections:

- **Section I - Report on the remuneration policy for 2020** - describing the policy adopted by Terna for 2020 in respect of the remuneration of Directors, the General Manager, Key Management Personnel and members of Oversight Bodies, specifying the overall purposes pursued, the bodies involved and the procedures used in its adoption and implementation;
- **Section II - Report on remuneration paid in 2019** - setting out details of the remuneration paid in 2019, by name in the case of Directors, Statutory Auditors and the General Manager and, in aggregate form, in the case of Key Management Personnel.

This Report has been prepared in accordance with statutory requirements<sup>1</sup> and is consistent with the regulations established by the CONSOB<sup>2</sup>.

The Policy described in Section I was also prepared in line with the recommendations on the subject of remuneration in the Corporate Governance Code for listed companies (the “Corporate Governance Code”), in its latest version<sup>3</sup>, applied by Terna.

On 10 March 2020, Terna’s Board of Directors, on the recommendation of the Remuneration Committee, approved Sections I and II of this Report. Section I, containing the “Report on the remuneration policy”, is subject to a binding vote at the Annual General Meeting, whilst Section II, containing the “Report on remuneration paid” and providing detailed information on pay in 2019, is subject to a non-binding vote at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2019.

The term of the Board of Directors in office at the date of approval of this Report will expire at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2019. The new Board of Directors will be responsible for deciding on the pay of Directors with delegated powers and the fees payable to non-executive Directors for their participation in Board Committees.

The text of this Report will be made available to the public at the registered office and in the Governance-Remuneration section of the Company’s website at [www.terna.it](http://www.terna.it), at least twenty days prior to the date of the Annual General Meeting called to approve the financial statements for the year ended 31 December 2019, as required by the legislation in force.

After the date of approval of this Report, and in view of the current health emergency linked to the COVID-19 epidemic and the legislation introduced in order to contain the outbreak, the Company has announced a new date for TERNA S.p.A.’s Annual General Meeting, at first called on 27 April 2020 and now scheduled for 18 May 2020.

The Information Circulars relating to existing equity-based incentive plans are available in the Governance-Remuneration section of the Company’s website.

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<sup>1</sup> Art. 123-ter of Legislative Decree 58 of 24 February 1998 (the “Consolidated Law on Finance” or “CLF”, as amended by Legislative Decree 49 of 10 May 2019), which states that “at least twenty-one days before the date of the Annual General Meeting of shareholder [...], listed companies must provide the public with a report of the company’s remuneration policy and remuneration paid, filing such report at their registered offices, on their websites and using the other methods established in CONSOB Regulations”. The same art. 123-ter, paragraph 3-bis of the CLF states that “companies shall put their remuneration policy to a shareholder vote [...] at least every three years or when changes are made to the policy”. Paragraph 3-ter states that “the result of the vote required by paragraph 3-bis is binding” (with reference to Section I of this document), adding that “if the Annual General Meeting fails to approve the remuneration policy put to a vote in accordance with paragraph 3-bis, the company shall continue to pay remuneration in compliance with the most recent remuneration policy approved by shareholders or, failing that, may continue to pay remuneration in compliance with current practices”.

<sup>2</sup> Resolution 18049 of 23 December 2011, which amended art. 84-quater of the Regulations for Issuers issued by the CONSOB in implementation of the CLF (see note 1). As noted in the Statement from the Chairman, on 31 October 2019, the CONSOB has published a “Consultation Document” setting out proposed changes to secondary legislation regarding the transparency of remuneration, providing for amendments to the Regulations for Issuers. At the date of approval of this Report, the amended secondary legislation has yet to be published.

<sup>3</sup> The new Corporate Governance Code was published in January 2020. Companies are required to apply the Code from the annual reporting period beginning after 31 December 2020, informing the market of such application in the corporate governance reports to be published in 2022.









## Executive Summary

# Executive summary

A summary of the remuneration policy for 2020, drawn up in continuity with the decisions taken by the Board of Directors in office for the period 2017-2019, is provided below. It is the prerogative of the new Board of Directors, due to take up office at the upcoming Annual General Meeting called to approve the financial statements for the year ended 31 December 2019, to decide on the pay of Directors with delegated powers and the fees payable to non-executive Directors for their participation in Board Committees in accordance with this policy, provided it is approved by the Annual General Meeting.

	FIXED REMUNERATION	SHORT-TERM INCENTIVES (MBO)	LONG-TERM INCENTIVES (LTI)
	<i>To recognise the level of expertise, experience and commitment required for the role.</i>	<i>To incentivise the achievement of the annual operating and financial performance targets set in the budget, and further non-financial annual targets.</i>	<i>To ensure the long-term alignment of management actions with shareholders' interests and achievement of the Strategic Plan objectives.</i>
CHAIRWOMAN	<b>Amount</b>		
	€238,000 gross per year, of which: • €50,000 pursuant to para. 1, art. 2389 of the Italian Civil Code; • €188,000 pursuant to para. 3, art. 2389 of the Italian Civil Code	--	--
	<b>Conditions for implementation</b>		
	Determined on the basis of market benchmarks for a peer group selected on the basis of predefined criteria.	--	--
CHIEF EXECUTIVE OFFICER	<b>Amount</b>		
	€235,000 gross per year, of which: • €35,000 pursuant to para. 1, art. 2389 of the Italian Civil Code • €200,000 pursuant to para. 3, art. 2389 of the Italian Civil Code.	€200,000 gross (ON/OFF) on achieving all objectives	--
	<b>Conditions for implementation</b>		
	Determined on the basis of market benchmarks for a peer group selected on the basis of predefined criteria.	Objectives for 2020: • Net profit for 2020 • IoT for the Grid (Sicily and Abruzzo) In the event of failure to achieve only one of the two objectives, nothing is due. Clawback provisions apply.	--
GENERAL MANAGER	<b>Amount</b>		
	€850,000 gross per year.	€300,000 gross if the weighted average of the scores For each objective is at target (100%); €450,000 gross if the scores for all the objectives are at the maximum level (150%).	Award of Performance Shares equal to 123.6% of gross annual pay (GAP), based on the total amount for the three-year period of the Performance Share Plan 2020-2023, if the weighted average of the scores for the individual objectives are at target (100%) and if the value of Terna's shares is equal to the value at the grant date.
	<b>Conditions for implementation</b>		
	Determined on the basis of market benchmarks for a peer group selected on the basis of predefined strategic criteria.	<ul style="list-style-type: none"> <li>• Weight 30%: EBITDA 2020</li> <li>• Weight 30%: Capex (40%) and Assets Entering Service (60%)</li> <li>• Weight 15%: Quality of Service</li> <li>• Weight 25%: Workplace Safety: Terna Group personnel (70%) and contractors (30%)</li> </ul> Clawback provisions apply.	Performance Share Plan 2020-2023 objectives: <ul style="list-style-type: none"> <li>• Cumulative EBITDA over three-year period versus Cumulative EBITDA over three years of Strategic Plan (weighting 50%);</li> <li>• Relative TSR: Terna's ranking in benchmark peer group (weighting 30%);</li> <li>• Dow Jones Sustainability Index (DJSI): Terna's ranking in the three-year period (weighting 20%).</li> </ul> Clawback provisions apply.



	FIXED REMUNERATION	SHORT-TERM INCENTIVES (MBO)	LONG-TERM INCENTIVES (LTI)
	<i>To recognise the level of expertise, experience and commitment required for the role.</i>	<i>To incentivise the achievement of the annual operating and financial performance targets set in the budget, and further non-financial annual targets.</i>	<i>To ensure the long-term alignment of management actions with shareholders' interests and achievement of the Strategic Plan objectives.</i>
KEY MANAGEMENT PERSONNEL	Amount		
	Fixed remuneration is linked to the role held and the responsibilities assigned and the manager's experience and strategic importance.	Incentives equal to up to 50% of gross annual pay (GAP) for results at target (100%) and up to 75% for results at the maximum level (150%).	Award of Performance Shares equal to up to 60% of gross annual pay (GAP), based on the total amount for the three-year period of the Performance Share Plan 2020-2023, if the weighted average of the scores for the individual objectives is at target (100%) and based on the value of Terna's shares with respect to the grant date.
	Conditions for implementation		
	Determined on the basis of market benchmarks for a peer group selected on the basis of predefined criteria.	The annual incentive is linked to: <ul style="list-style-type: none"><li>• achieving the Performance Gate (curve EBITDA budget);</li><li>• the Group's objectives (weighting 30%-40%);</li><li>• shared cross-cutting objectives common to several departments (weighting 20%-30%);</li><li>• individual objectives linked to organizational role held (weighting 20%-30%);</li><li>• qualitative objectives linked to management expertise (weighting 10%).</li></ul> Clawback provisions apply.	Performance Share Plan 2020-2023 objectives: <ul style="list-style-type: none"><li>• Cumulative EBITDA over three-year period versus Cumulative EBITDA over three years of Strategic Plan (weighting 50%);</li><li>• Relative TSR: Terna's ranking in benchmark peer group (weighting 30%);</li><li>• Dow Jones Sustainability Index (DJSI): Terna's ranking in the three-year period (weighting 20%).</li></ul> Clawback provisions apply.
BENEFITS		SEVERANCE	
	<i>Complete remuneration packages and primarily regard aspects relating to welfare and pensions.</i>		<i>A severance payment designed to protect the Company's interests by preventing potential disputes.</i>
CHAIRWOMAN	Description		
	• Occupational and non-occupational accident insurance in relation to the role held.	A severance payment on completing the term of office, equal to 1/12 of remuneration paid for each year in office.	
	Conditions for implementation		
	On completing the term of office		
CHIEF EXECUTIVE OFFICER	Description		
	• Occupational and non-occupational accident insurance in relation to the role held.	Description	
	Conditions for implementation	In line with the Board of Directors' resolution of 9 May 2017 and without prejudice to the prerogatives of the new Board of Directors, except in the event of dismissal for disciplinary reasons and resignations without just cause, on termination of the employment relationship linked to the end of the term of office, the following applies (i) as General Manager, a severance payment equal to 24 months' pay; (ii) as Chief Executive Officer, a termination payment due at the end of the term in office (TFM) equal to 1/12 of remuneration paid for each year in office as CEO.	
GENERAL MANAGER	Description		
	• Supplementary pension; • Supplementary medical insurance; • Life, permanent disability and accident insurance; • Company car for personal use.	Conditions for implementation	
	Conditions for implementation	At Terna, the CEO's position as a Director and the GM's employment relationship are connected, so that when one is terminated so is the other.	
KEY MANAGEMENT PERSONNEL	Description		
	• Supplementary pension; • Supplementary medical insurance; • Life, permanent disability and accident insurance; • Company car for personal use.	Except in the event of dismissal for disciplinary reasons and resignations without just cause, in the event of early termination of the employment relationship by the Company, a severance payment may be due within the limits set by this Policy.	
	Conditions for implementation	Early termination of the employment relationship by the Company.	
	Determined in accordance with the provisions of the related National Collective Employment Contract, and with the policies and company practices applicable to all management personnel.		









## Section I: Report on the remuneration policy for 2020

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# 1. Summary

## of the main changes in this Report

Without impacting on the substantial **continuity** and **consolidation** of the approach with respect to last year's Policy, this Report contains a number of changes in response to developments in the related legislation and in best market practices. In particular, the following have been introduced:

### Changes as a result of the amendments to art. 123-ter of the CLF introduced by Legislative Decree 49/2019:

- the name of the document has been changed ("Report on the remuneration policy and remuneration paid");
- the Report now specifies that the Annual General Meeting of shareholders is called on to hold a bonding vote on Section I of the Report and a non-binding vote on Section II;
- Section I includes a description of the Remuneration Policy for oversight bodies (i.e. the Board of Statutory Auditors), previously described in the Report prior to application in the tables in Section II;
- the description of the Remuneration Policy's contribution to the Company's strategy, the pursuit of its long-term interests and the Company's sustainability has been enlarged;
- the components of the Remuneration Policy where exceptions are permitted and the related procedures have been defined;
- the Directors' preparation of Section II of the Report has been reviewed, at the same time as the publication, by the Independent Auditors of the financial statements.

It should be noted in advance that the Report to be published in 2021 will include a description of how the outcome of the Annual General Meeting's vote on Section II of this Report has been taken into account.

### Other changes put forward by the Company:

- a description of the new long-term incentive plan, the "Performance Share Plan 2020-2023", has been included. The Plan envisages the grant, on a rolling basis, of the right to receive a given number of Terna S.p.A.'s ordinary shares free of charge at the end of a three-year vesting period and on the achievement of the performance objectives to which the Plan is linked. One part, equal to 30%, of the shares awarded is subject to a lock-up period of one year. The Plan was approved by the Board of Directors on 10 March 2020, in the form of a specific Information Circular, which will be submitted to the Annual General Meeting of shareholders for approval. In line with previous long-term incentive plans, the "Performance Share Plan 2020-2023" also aims to strengthen the link between shareholders' interests and the performance of management. To do this, the Plan is linked to objectives connected with the Strategic Plan and payment of the incentive is in the form of Terna S.p.A.'s ordinary shares.
- a list has been provided of the companies included in the benchmark peer group for the remuneration of Key Management Personnel, in addition to the list of members of the peer group for the Chief Executive Officer and General Manager, in order to ensure fuller disclosure to the market;
- the disclosures relating to a number of other aspects have also been improved (e.g. shareholder engagement; initiatives involving the entire workforce), despite the fact that Terna already provided extensive disclosure.

## 2. Engagement process and remuneration policies

### 2.1 Outcome of votes and feedback from shareholders

Terna gives great importance to dialogue and continuous interaction during the year with the main beneficiaries and users of its Remuneration Policy, in order to ensure constant improvement in the adoption of best market practices and to incorporate suggestions received above all from shareholders and proxy advisors.

Terna proceeded to engage with shareholders in 2019 and in early 2020, holding a series of meetings and/or conference calls with a number of institutional investors and the most important proxy advisors. This was done to expand on the views expressed by these parties on key aspects of the Remuneration Report submitted to the Annual General Meeting on 8 May 2019.

This dialogue provided the departments responsible for Terna's remuneration policies and the Remuneration Committee with precious feedback on the views of shareholders and, more generally, on those of the market regarding the nature of the Remuneration Policy adopted by Terna.

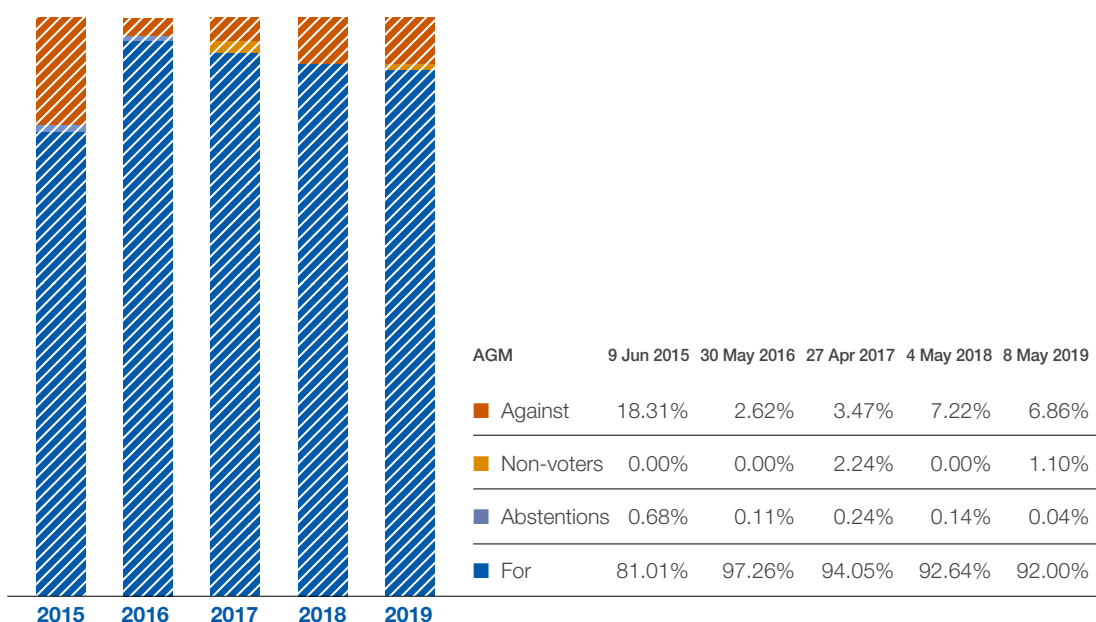
This feedback, and the outcome of the Annual General Meeting's vote on the Remuneration Report, was taken into account when making changes to the Remuneration Policy. These included the launch of a long-term incentive scheme based on real shares and including a lock-up period of one year, the introduction of changes to the text in order to provide greater levels of disclosure and increased alignment of Terna's Remuneration Policy with best market practices.

Following publication of this Report, Terna will also be available to continue this process of engagement with stakeholders, organising a new series of meetings with any interested key investors and proxy advisors, with the aim of helping them to fully understand all aspects of the Remuneration Policy for 2020.

Full disclosure regarding the remuneration of Directors and Management is also provided in the constantly updated "Remuneration" page in the "Governance" section of the Company's website.

The outcomes of shareholder votes on Remuneration Reports between 2015 and 2019 are shown below. In evaluating the difference in the percentage of votes for the Report between 2018 (92.64%) and 2019 (92.00%), the reduction in votes against (from 7.22% to 6.86%) should be considered within the context of an increase in the quorum for voting, which rose from 64.75% to 65.76% of the share capital.

#### OUTCOMES OF SHAREHOLDER VOTES ON THE ANNUAL REMUNERATION REPORT (2015-2019)



## 2.2 The Terna Group's Total Shareholder Return and operating performance

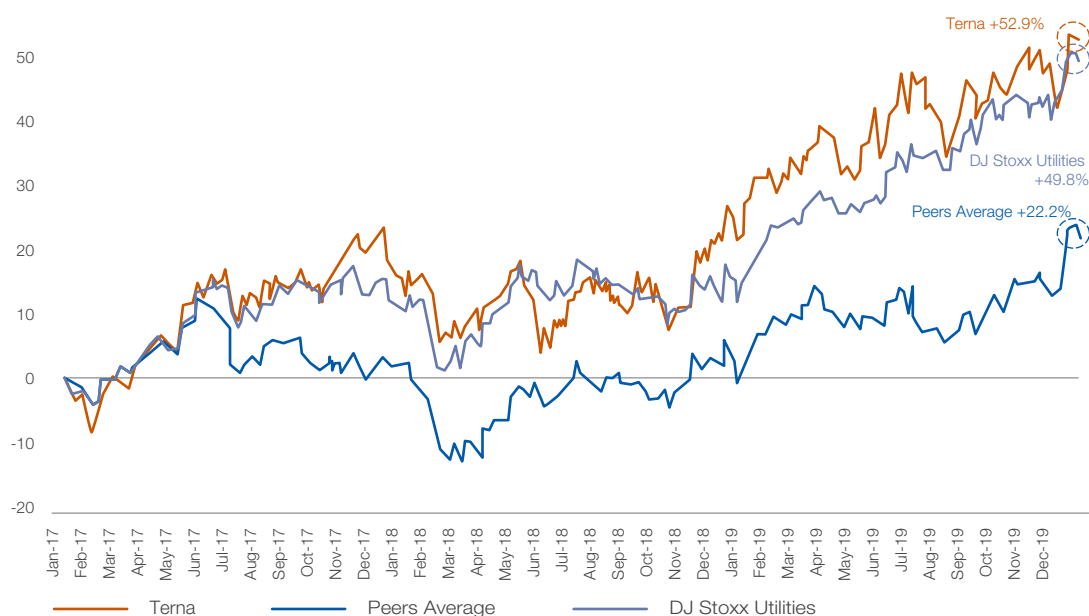
The Terna Group's TSR, compared with its peers and the relevant European sector index (DJ Stoxx Utilities), in the three-year period 2017-2019 is described below.

Over the three years from 2017 to 2019, Terna delivered a Total Shareholder Return ("TSR") of 52.9%, whilst the DJ Stoxx Utilities index recorded a lower TSR of 49.8%.

In the same period, Terna's shareholders enjoyed a return on their investment ahead of the average delivered by the peer group<sup>4</sup> selected for the purposes of the LTI Plan, which stands at 22.2%.

Performance of the Total Shareholder Return between January 2017 and December 2019

### PERFORMANCE OF THE TOTAL SHAREHOLDER RETURN BETWEEN JANUARY 2017 AND DECEMBER 2019



### Operating performance between 2016 and 2019

(€m)	2016	2019	Change 2019 vs 2016
Revenue	2,103.2	2,295.1	9%
EBITDA	1,544.7	1,741.2	13%
EBIT	1,036.0	1,155.1	11%
Net profit	633.1	757.3	20%

<sup>4</sup> The "Peers Average" includes Snam, Red Electrica de Espana, Enagas, National Grid, United Utilities and Severn Trent. Source: Bloomberg



## 2.3 Remuneration benchmarking

### Chief Executive Officer and General Manager

The Remuneration Committee was advised by the consulting firm, Willis Towers Watson, which carried out a comparative assessment of the total remuneration of the Chief Executive Officer and General Manager with reference to a peer group of 14 Italian and European companies.

In keeping with the peer groups used in previous years, the group of companies deemed comparable with Terna was selected on the basis of the following criteria:

- companies listed in regulated markets;
- business sector;
- financial size;
- size of the organisation;
- market capitalisation;
- organisational and business complexity.

A list of the companies included in the peer group for benchmarking the remuneration of the Chief Executive Officer and General Manager is shown below:

<i>Atlantia</i>	<i>Prysmian</i>
<i>Enagas</i>	<i>Red Electrica</i>
<i>Enel</i>	<i>Saipem</i>
<i>Italgas</i>	<i>Severn Trent</i>
<i>Leonardo</i>	<i>Snam</i>
<i>Maire Tecnimont</i>	<i>TIM</i>
<i>National Grid</i>	<i>United Utilities Group</i>

The analysis conducted showed that at the Terna Group, total remuneration (Total Direct Compensation = the fixed component + MBO<sup>5</sup> + LTI<sup>6</sup>) for the CEO and GM is in line with the identified peer group.

<sup>5</sup> Short-term incentive scheme - MBO (Management by Objectives), see the Glossary.

<sup>6</sup> Long-term incentive scheme - LTI (Long-Term Incentives), see the Glossary.

## Key Management Personnel

In the case of Key Management Personnel, the Remuneration Committee was again advised by Willis Towers Watson, which conducted a comparative assessment of the total remuneration for similar roles in a peer group of 16 major Italian companies, deemed comparable to Terna in terms of business model, leading shareholder and market capitalisation.

The choice of peer group was carried out in order to obtain the best possible match with the characteristics of the Italian labour market.

The peer group used in the assessment was broadly in keeping with the group used in previous years. Any changes or additions have been made from year to year with regard to companies deemed comparable to Terna on the basis of the relevant criteria.

A list of the companies included in the peer group for benchmarking the remuneration of Key Management Personnel is shown below:

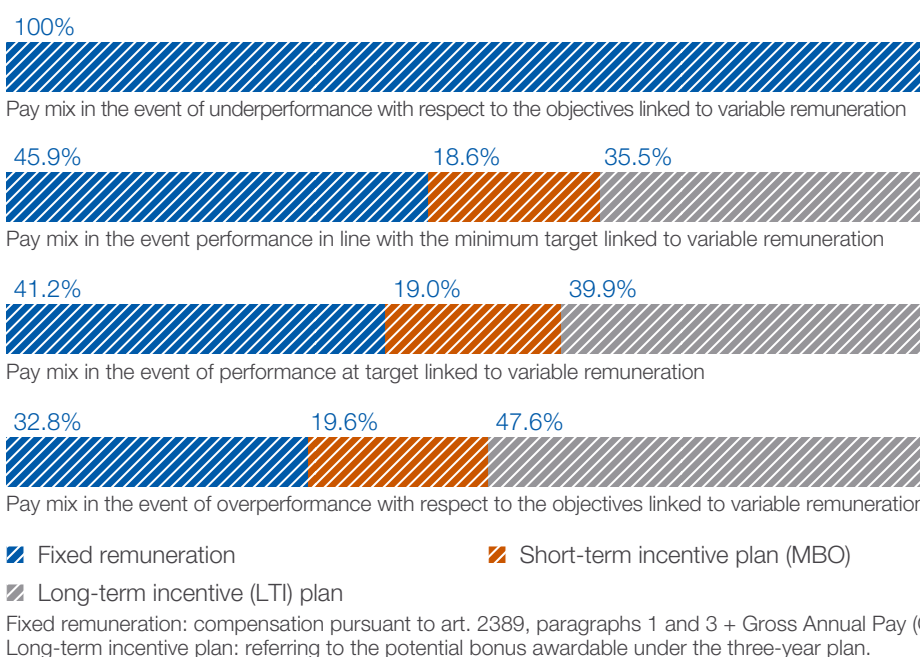
<i>Atlantia</i>	<i>Gruppo Gavio</i>
<i>Brembo</i>	<i>Italgas</i>
<i>CNH Industrial</i>	<i>Maire Tecnimont</i>
<i>Enel</i>	<i>Poste Italiane</i>
<i>ENI</i>	<i>Prysmian</i>
<i>ERG</i>	<i>Saipem</i>
<i>Ferrari</i>	<i>Snam</i>
<i>Fincantieri</i>	<i>Vodafone</i>

The benchmark shows that the total remuneration of Key management Personnel is overall in line with the market median.

## 2.4 Pay mix

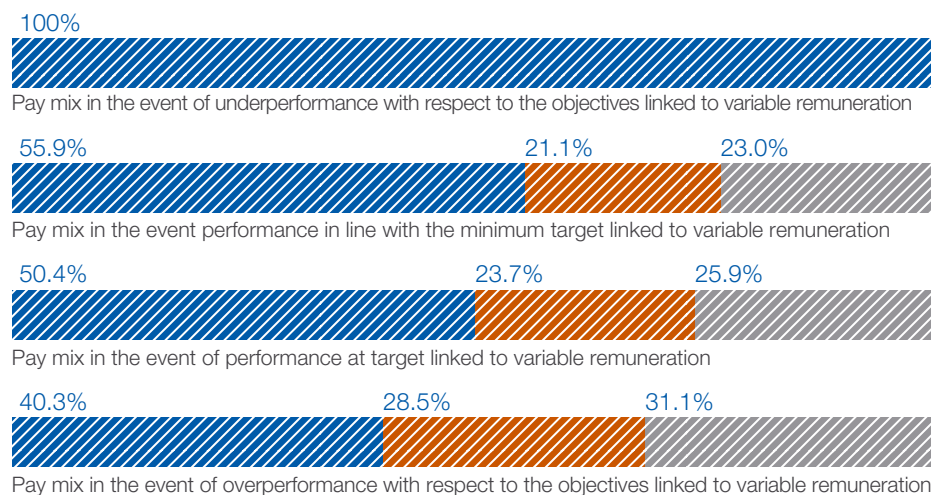
### Chief Executive Officer and General Manager

The pay mix for the Chief Executive Officer and General Manager in 2020 represents the various components of remuneration in the potential performance scenarios, and is broadly structured in line with the term of office for 2017-2019, subject to the right of the Annual General Meeting and the Board of Directors to determine remuneration in the light of the legislation in force (art. 2389, paragraphs 1 and 3 of the Italian Civil Code) and in accordance with this Policy (if approved by the Annual General Meeting).





## Key Management Personnel



■ Fixed remuneration

■ Short-term incentive plan (MBO)

■ Long-term incentive (LTI) plan

Fixed remuneration: Gross Annual Pay (GAP).

Long-term incentive plan: referring to the potential bonus awardable under the three-year plan.

It should be noted that for both the Chief Executive Officer and General Manager and for KMP, in all the potential performance scenarios, the relative weighting of the long-term incentive plan is higher than the weighting assigned to the short-term incentive plan.

# 3. Governance of the remuneration process

## 3.1 Bodies and parties involved

The Remuneration Policy for the members of Terna's Board of Directors is defined in compliance with statutory requirements and the Articles of Association, according to which:

- the Annual General Meeting of shareholders determines the remuneration payable to the Chairwoman and members of the Board of Directors at the time of their election and through their term of office;
- the Board of Directors determines the remuneration of Directors with delegated powers in compliance with the Articles of Association and the fees for participation in Board Committees, in consultation with the Board of Statutory Auditors.

In accordance with Terna's governance model, the Board of Directors is also responsible for setting the objectives and approving the corporate results for the performance-related plans to which determination of the variable remuneration of the Chief Executive Officer and General Manager is connected, in addition to defining the general criteria for the remuneration of Key Management Personnel.

In line with the recommendations contained in the Corporate Governance Code, the Board of Directors is supported, with regard to matters relating to remuneration, by a Remuneration Committee whose members are independent, non-executive Directors and who are tasked with making recommendations and providing advice on such matters. The following table shows a summary of the related advisory and decision-making bodies and support providers for each person covered by the Policy.

### BODIES AND PERSONS INVOLVED

Individual to be remunerated	Advisory body	Decision-making body	Support provider	Consultants or independent experts
<b>Chairwoman</b>	<ul style="list-style-type: none"> <li>• Shareholders</li> <li>• Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>• AGM</li> <li>• Board of Directors</li> </ul>	Corporate Affairs/ HR, Organisation and General Affairs	<i>Independent Consultant</i>
<b>Chief Executive Officer</b>	<ul style="list-style-type: none"> <li>• Shareholders</li> <li>• Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>• AGM</li> <li>• Board of Directors</li> </ul>		
<b>Directors</b>	<ul style="list-style-type: none"> <li>• Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• AGM</li> </ul>		
<b>General Manager</b>	<ul style="list-style-type: none"> <li>• Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Board of Directors</li> </ul>		
<b>Key Management Personnel</b>	<ul style="list-style-type: none"> <li>• Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Executive Officer</li> </ul>		

## Annual General Meeting of shareholders

In accordance with statutory requirements and the articles of association - limited to matters pertaining to this Report -, the Annual General Meeting ("AGM") is responsible for:

- electing and terminating Directors and the Chair of the Board of Directors, electing Statutory Auditors and alternates and the Chair of the Board of Statutory Auditors;
- determining the remuneration of Directors and Statutory Auditors;
- approving equity-based or performance-related incentive plans linked to the performance of the Company's shares;
- expressing an opinion on the Report on the remuneration policy and remuneration paid, with a binding vote on Section I and a non-binding vote on Section II.





## Board of Directors

The Board of Directors of Terna S.p.A. in office at the date of approval of this Report (term of office 2017-2019) has 9 members.















The term of the current Board of Directors will expire with the Annual General Meeting to be held on 27 April 2020, which was later cancelled and rescheduled for 18 May 2020, in order to approve the financial statements for the year ended 31 December 2019.

The composition of the Board of Directors in office for the period 2017-2019 is shown below:

### DIRECTORS WITH DELEGATED POWERS (TERM OF OFFICE 2017-2019)

 <b>Catia Bastioli</b> B	 <b>Luigi Ferraris</b> B
<b>Chairwoman</b> 	<b>Chief Executive Officer and General Manager</b> 

### DIRECTORS WITHOUT DELEGATED POWERS (TERM OF OFFICE 2017-2019)

 <b>Fabio Corsico</b> B, R	 <b>Paolo Calcagnini</b> B	 <b>Paola Giannotti</b> B	 <b>Marco Giorgino</b> B	 <b>Yunpeng He</b> B																
<b>Chairman of Remuneration Committee</b> 																				
 <b>Gabriella Porcelli</b> B, R	 <b>Elena Vasco</b> B, R	<table><tr><th>Name and Surname</th><th>Other positions held</th></tr><tr><td><b>Fabio Corsico</b></td><td><ul style="list-style-type: none"><li>Member of the Nominations Committee</li></ul></td></tr><tr><td><b>Paolo Calcagnini</b></td><td></td></tr><tr><td><b>Paola Giannotti</b></td><td><ul style="list-style-type: none"><li>Chairwoman of the Audit, Risk, Corporate Governance and Sustainability Committee</li><li>Member of the Related Party Transactions Committee</li></ul></td></tr><tr><td><b>Marco Giorgino</b></td><td><ul style="list-style-type: none"><li>Member of the Related Party Transactions Committee</li><li>Member of the Audit, Risk, Corporate Governance and Sustainability Committee</li></ul></td></tr><tr><td><b>Yunpeng He</b></td><td><ul style="list-style-type: none"><li>Member of the Nominations Committee</li></ul></td></tr><tr><td><b>Gabriella Porcelli</b></td><td><ul style="list-style-type: none"><li>Chairwoman of the Nominations Committee</li><li>Member of the Audit, Risk, Corporate Governance and Sustainability Committee</li></ul></td></tr><tr><td><b>Elena Vasco</b></td><td><ul style="list-style-type: none"><li>Chairwoman of the Related Party Transactions Committee</li></ul></td></tr></table>			Name and Surname	Other positions held	<b>Fabio Corsico</b>	<ul style="list-style-type: none"><li>Member of the Nominations Committee</li></ul>	<b>Paolo Calcagnini</b>		<b>Paola Giannotti</b>	<ul style="list-style-type: none"><li>Chairwoman of the Audit, Risk, Corporate Governance and Sustainability Committee</li><li>Member of the Related Party Transactions Committee</li></ul>	<b>Marco Giorgino</b>	<ul style="list-style-type: none"><li>Member of the Related Party Transactions Committee</li><li>Member of the Audit, Risk, Corporate Governance and Sustainability Committee</li></ul>	<b>Yunpeng He</b>	<ul style="list-style-type: none"><li>Member of the Nominations Committee</li></ul>	<b>Gabriella Porcelli</b>	<ul style="list-style-type: none"><li>Chairwoman of the Nominations Committee</li><li>Member of the Audit, Risk, Corporate Governance and Sustainability Committee</li></ul>	<b>Elena Vasco</b>	<ul style="list-style-type: none"><li>Chairwoman of the Related Party Transactions Committee</li></ul>
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<b>Elena Vasco</b>	<ul style="list-style-type: none"><li>Chairwoman of the Related Party Transactions Committee</li></ul>																			
																				

B = Board of Directors; R = Remuneration Committee

The composition of the Remuneration Committee is dealt with in the following paragraph.

In accordance with statutory requirements and the articles of association, the Board of Directors is vested with the following responsibilities with regard to the Remuneration Policy:

- determining the remuneration of Directors with delegated powers in compliance with the Articles of Association, in consultation with Board of Statutory Auditors;
- setting the objectives and approving the corporate results for the performance-related plans to which determination of the variable remuneration of Directors with delegated powers is connected;
- approving the general criteria for the remuneration of Key Management Personnel;
- approving the Report on the remuneration policy and remuneration paid, to be put to a vote at the Annual General Meeting, which is binding in the case of Section I and non-binding in the case of Section II.

The Board may also delegate its authority to an Executive Committee consisting of a number of Board members or one or more of its members, including the Chairwoman, determining the content, limits and procedures for exercising the delegated authority in compliance with art. 2381 of the Italian Civil Code and determining the related fees in consultation with the Board of Statutory Auditors.

All persons (including the Chief Executive Officer and General Manager) abstain during discussion of or voting on their own remuneration.

In exceptional circumstances, Terna may temporarily derogate from its remuneration policies, as permitted by art.123-ter, paragraph 3-bis of the CLF, as amended in 2019. Exceptional circumstances shall be understood to mean situations in which derogation from the Remuneration Policy is necessary in order to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to compete in the market.

Should such exceptional circumstances occur, the Board of Directors, on the recommendation of the Remuneration Committee and having previously activated the Procedure for Related Transactions adopted by the Company, may approve specific temporary derogations from the Remuneration Policy described in this Report, subject to the limitations set out in paragraph 4.4 “Elements of the Remuneration Policy”.

## Remuneration Committee

### *Composition*

Terna's Remuneration Committee was set up in 2004. At the date of approval of this Report, it is made up entirely of non-executive, independent Directors - in compliance with existing statutory requirements and in line with the Corporate Governance Code - whilst one member was elected from the slates submitted by non-controlling shareholders. Moreover, in line with the Corporate Governance Code, at least one member of the Committee has suitable knowledge and experience in financial matters or remuneration policies, as assessed by the Board of Directors at the time of appointment.

Composition of the Remuneration Committee (at the date of approval of this Report):

**Fabio Corsico**  
(Chairman)

**Gabriella Porcelli**  
(Member)

**Elena Vasco**  
(Member)



### *Objectives, functions and activities*

It is the Committee's role to ensure that the remuneration policies for Directors and Key Management Personnel are designed in such a way as to avoid conflicts of interest and to comply with the provisions of the Corporate Governance Code. To this end, the Committee has consultative and advisory functions. The authority to determine the remuneration of Directors with delegated powers remains, in any case, with the Board of Directors, after consultation with the Board of Statutory Auditors (in compliance with Article 2389, paragraph 3 of the Italian Civil Code), in compliance with the Remuneration Policy adopted by the Company and approved by the Annual General Meeting.

By invitation of the Chair, Committee meetings may be attended by members of the Audit, Risk, Corporate Governance and Sustainability Committee and/or other members of the Board of Directors, or the Chair of the Board of Statutory Auditors (who may designate another Statutory Auditor to participate in their place) and other Statutory Auditors. Meetings may also be attended, with the assistance of the Secretary to the Board of Directors, by other members of Terna's organisation or by other people whose presence may be helpful to the Committee in carrying out its duties.

All persons (including the Chief Executive Officer and General Manager) abstain during discussion of or voting on their own remuneration.

### *Role of the Remuneration Committee:*

To periodically assess the adequacy, overall coherence and effective application of the remuneration policy for Directors, the General Manager and Key Management Personnel and, with reference to the latter, using information provided by the Chief Executive Officer; to make recommendations regarding such matters to the Board of Directors.

To make recommendations and provide opinions to the Board of Directors concerning the remuneration of executive Directors and of the other Directors with delegated powers, and to determine the performance objectives linked to the variable component of their remuneration.

To monitor application of the decisions taken by the Board of Directors, confirm effective achievement of the performance objectives and the degree to which variable incentive schemes have been implemented.

To draw up and submit to the Board of Directors, and monitor the application of short- and long-term incentive schemes for KMP and management personnel in general. Such schemes are intended as a means for attracting, retaining, and motivating personnel with suitable experience and expertise, by fostering loyalty and ensuring a constant focus on the creation of value over time.

Information on the Committee's activities during the year is also included in the Report on Corporate Governance and Ownership Structures, published by the Company together with the Annual Financial Report prepared pursuant to article 154-*ter* of the Consolidated Law on Finance and available on the Company's website (in the section *Governance-Corporate Governance System*).

The Committee's activities were carried out within a complex and ongoing process leading to definition of the new Remuneration Policy and the related compensation tools, and the preparation of this Report.

The Remuneration Committee held 4 meetings in 2019. All the meetings were attended by all members of the Committee and the average duration was approximately one hour.

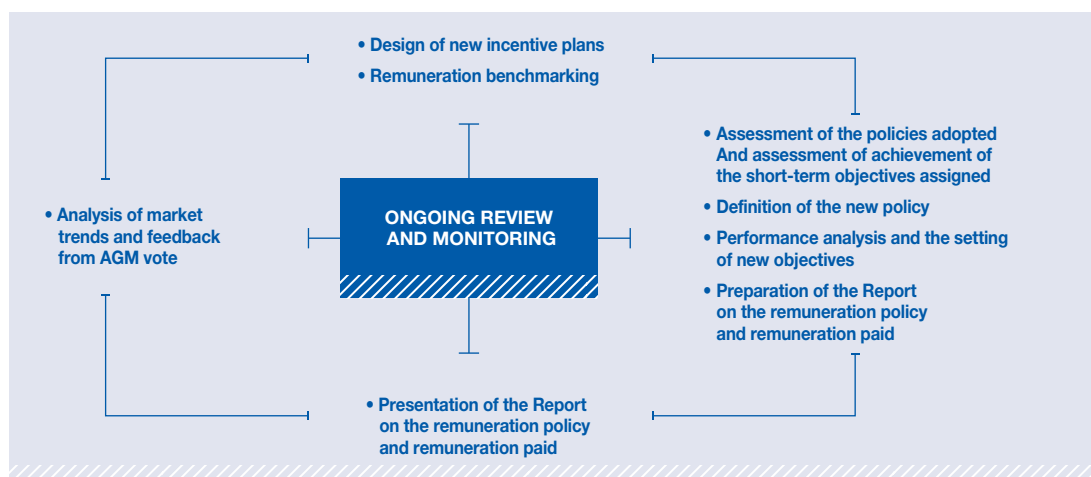
The Committee dealt with the following matters, among others:

- assessment of achievement of the results for 2018 in respect of payment of the annual variable remuneration due to the Chief Executive Officer and General Manager, in his role as both a Director and as a manager employed by the Company, and to Key Management Personnel;
- examination of the objectives for 2019 to which the variable remuneration of the Chief Executive Officer and General Manager, in his role as both a Director and as a manager employed by the Company, and Key Management Personnel is linked;
- examination of the results of the remuneration benchmarking, carried out by Willis Towers Watson, in relation to the Chief Executive Officer and General Manager;
- assessment of achievement of the objectives linked to payments under the LTI Plan 2016-2018;
- preparation, with support from Willis Towers Watson, of the "Annual Remuneration Report" to be submitted for approval by the Board of Directors, which describes the Remuneration Policy adopted by Terna for executive Directors, other Directors with delegated powers, Statutory Auditors, general managers and Key Management Personnel, and to be submitted to the Annual General Meeting in accordance with article 123-*ter* of the CLF;
- examination of the elements involved in implementation of the Phantom Stock Plan approved by the Annual General Meeting held on 4 May 2018 and approval of the Terms and Conditions for the Plan's 2019-2021 Cycle;
- preparation of an initial proposal for a long-term incentive plan based on Performance Shares for 2020-2023, in line with best market practices in Italy and internationally;
- examination of the results of application of the remuneration policy for senior management in 2018 and 2019 and of the guidelines for remuneration in 2019 and 2020.

A summary of the Committee's activities in early 2020 is provided below:

- examination of the results of the remuneration benchmarking, carried out by Willis Towers Watson, in relation to the Chief Executive Officer and General Manager and other members of the Board of Directors;
- preparation of a proposal for the Remuneration Policy for 2020, described in Report on the remuneration policy and remuneration paid, as approved by the Board of Directors, which will be submitted for approval by the Annual General Meeting called to approve the financial statements for the year ended 31 December 2019 in accordance with article 123-ter of the CLF;
- examination of the objectives for 2020 to which the variable remuneration of the Chief Executive Officer, in his role as both a Director and as a manager employed by the Company, and Key Management Personnel is linked;
- assessment of achievement of the results for 2019 in respect of payment of the annual variable remuneration due to the Chief Executive Officer, in his role as both a Director and as a manager employed by the Company, and to Key Management Personnel;
- assessment of achievement of the objectives linked to payments under the LTI Cycle 2017-2019;
- approval of details of the structure of the Performance Share Plan 2020-2023 and the related Information Circular.

#### THE REMUNERATION COMMITTEE'S CYCLE OF ACTIVITY



## 3.2 Policy approval process

In line with the related statutory and regulatory requirements in force and the recommendations in the Corporate Governance Code, the decision-making process leading to implementation of the Remuneration Policy and responsibility for its correct application may be broken down into the following steps involving a number of parties:



1. the Remuneration Committee prepares the Company's Remuneration Policy for Directors, the General Manager, Key Management Personnel and the Board of Statutory Auditors, working closely with the Human Resources, Organisation and General Affairs department and basing its analyses on the information and the work of the departments needed in order to carry out its role;
2. the Remuneration Committee may avail itself of the support of independent experts in such matters;
3. the Remuneration Committee submits the Policy for approval by the Board of Directors, which adopts the content thereof in relation to the Remuneration Policy for Directors, the General Manager and Key Management Personnel and long-term incentive plans. In addition, in deciding on the remuneration of the Chief Executive Officer and Directors with delegated powers, the Board of Directors takes into account the opinion of the Board of Statutory Auditors;
4. the Board of Directors, having examined and approved the Policy, puts it to the vote at the Annual General Meeting, which holds a binding vote on Section I and a non-binding vote on Section II<sup>7</sup>.

Should the Annual General Meeting not approve the Remuneration Policy following the vote held in accordance with paragraph 3-*bis*, Terna may continue to pay remuneration on the basis of the most recent Remuneration Policy approved by Annual General Meeting or, failing this, will continue to pay remuneration in line with current practice. In this case, Terna will put a new Remuneration Policy to a shareholder vote at the latest on the occasion of the next General Meeting of shareholders provided for in article 2364, paragraph 2 of the Italian Civil Code, or of the General Meeting of shareholders provided for in article 2364-*bis*, paragraph 2 of the Code.

<sup>7</sup> It should be noted that the Procedure for Related Party Transactions, adopted by the Board of Directors on 12 November 2010, as subsequently amended (lastly by the Board of Directors on 15 December 2016) excludes the following from the scope of the Procedure: shareholder resolutions pursuant to article 2389, paragraph one of the Italian Civil Code, regarding the remuneration of members of the Board of Directors and the Executive Committee and resolutions on the remuneration for Directors with delegated powers falling within the total amount previously approved by Annual General Meeting in accordance with article 2389, paragraph three of the Italian Civil Code, and shareholder resolutions pursuant to article 2402 of the Italian Civil Code regarding the remuneration of members of the Board of Statutory Auditors. Furthermore, resolutions on the following matters are excluded from the scope of the Procedure for Related Party Transactions:

- 1) equity-based plans approved by Annual General Meeting of Terna's shareholders in accordance with article 114-bis of the CLF, and the related executive actions;
- 2) the remuneration of Directors with delegated powers and key Management Personnel in the event of adoption of a remuneration policy based on the provisions of CONSOB Regulation 17221 of 12 March 2010. At the date of approval of this Report, this Regulation is also in the process of being revised by the CONSOB, in implementation of the amendments to art. 2391-bis of the Italian Civil Code introduced by Legislative Decree 49/2019, which has implemented the EU Shareholder Rights Directive II. It should be noted, therefore, that following adoption of the new text of the Regulation the above exemptions may be subject to change.



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### 3.3 Independent experts and other parties involved

Terna has opted to avail itself of the support provided by the consulting firm, Willis Towers Watson, who provide assistance with regard to the conduct of surveys of remuneration, as well as providing third-party, independent opinions relating to the definition of long-term incentive plans and the Remuneration Policy.

The Human Resources, Organisation and General Affairs department draws up the guidelines, accompanied by all the technical aspects required in order to prepare the Remuneration Policy. This department also acts as an internal technical body supporting the Remuneration Committee, for which it prepares the material for use by the Committee.

The Administration, Finance and Control department contributes to identification and achievement of the operating and financial objectives underlying short- and long-term incentive schemes.

The Heads of other departments are also consulted when defining objectives pertaining to projects or specific issues.

Human Resources, Organisation and General Affairs, External Relations and Sustainability, Legal and Corporate Affairs and Administration, Finance and Control support the process of preparing this Report, which is subsequently submitted to the Remuneration Committee.

# 4. Remuneration Policy

## 4.1 Content, purposes and links with the Group's strategy

The Policy described in this Report focuses exclusively on the pay of members of management bodies, the General Manager, Key Management Personnel and the members of oversight bodies.

The term of the Board of Directors in office at the date of approval of this Report will expire at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2019. The new Board of Directors will be responsible for deciding on the pay of Directors with delegated powers and the fees payable to non-executive Directors for their participation in Board committees.

### PURPOSES OF THE POLICY AND LINKS WITH THE GROUP'S STRATEGY

The Policy described in this Report has the following purposes:

**Attract, retain and motivate** personnel with the professional skills required in order to **successfully manage the Company**

Facilitate **alignment** of the **interests** of **management** with pursuit of the priority goal of **creating shareholder value** through the use of short- and long-term variable components of pay

Support delivery of the objectives included in the Company's five-year **Strategic Plan**

Terna's Strategic Plan envisages major development of the National Transmission Grid (the "NTG") and the integration of energy from renewable sources, whilst maintaining a constant focus on overall energy efficiency in the electricity system.

The principal guidelines forming the basis for the Group's strategic vision are:

- *Regulated Activities in Italy*: accelerated investment in infrastructure and digitalisation to strengthen its core business in Italy by directly involving local communities and through dialogue with all stakeholders and local people, enabling the Group to play a leading role in the energy transition;
- *Non-regulated Activities in Italy*: the development of new value added services, taking advantage of opportunities related to Terna's core business through both competency-based and asset-based initiatives;
- *International Activities*: oversight of the delivery of EU-sponsored projects and a strengthened role as an energy hub for the Mediterranean area; exploiting new opportunities for overseas expansion by leveraging the >Group's distinctive know-how.

A major part of the Strategic Plan is also dedicated to the sustainability of the business, in terms of developing human capital, stakeholder engagement and controlling environmental impacts, aspects that all help to mitigate ESG (environmental, social, governance) risks and create medium/long-term value. The targets focus on four key areas:



Human resources: with particular attention to promoting an occupational health and safety culture, training initiatives designed to develop digital skills and the implementation of agile working practices;



Stakeholders and local communities: involving and listening to local communities and people in order to arrive at shared infrastructure solutions and participating in social responsibility initiatives;



Integrity, responsibility and transparency: with particular regard to the sustainability of the supply chain and encouraging sustainable behaviours among personnel;



Environment: the most important targets are linked to the impact of transmission infrastructure and thus the new underground or submarine power lines, the removal of obsolete overhead lines (more than 350 km over the period of the Plan) and cuts in CO<sub>2</sub> emissions.

A key role has been assigned to innovation initiatives, which have a major part to play in helping Terna meet the challenges posed by the progressive transition to the production of electricity from non-programmable renewable sources and in developing the potential of its non-regulated business.

The Remuneration Policy, with particular regard to the choice of indicators underlying incentive schemes, has been drawn up with the aim of guiding management towards achievement of the Group's strategic objectives.

In particular, the short-term incentive scheme involves the deployment of objectives to be cascaded down through the organisation as follows:

- for the Chief Executive Officer and General Manager, the principal drivers of the Strategic Plan have been selected and shaped into annual objectives;
- Key Management Personnel have been assigned a number of the objectives set for the Chief Executive Officer and General Manager in the form of Group objectives for all beneficiaries; the other objectives assigned to the Chief Executive Officer and General Manager or, in any event deriving from the Strategic Plan, have been assigned to Key Management Personnel based on their area of responsibility. In addition, where the achievement of particularly important strategic objectives requires the joint involvement of several areas of the Company, objectives have been assigned to Key Management Personnel across various departments;
- all the other beneficiaries have been similarly assigned Group objectives linked to the principal drivers of the Strategic Plan, with the other objectives cascaded down on the basis of the area of responsibility assigned, either individually or across departments, in order to ensure the maximum contribution of everyone to deliver of the overall strategy.

Further information is provided in paragraph 4.7 "Remuneration of Key Management Personnel - short-term variable component (MBO)".

Medium/long-term objectives are set for the long-term incentive scheme so as to ensure the sustainability of the business and align Terna's management with the Company's risk profile, as communicated to shareholders and stakeholders in the Strategic Plan.

Specifically, the following objectives set in relation to short-term incentives have been confirmed:

- in terms of *Regulated Activities in Italy*, “Capital Expenditure and Assets Entering Service” and “Quality of Service”, defined by ARERA, in order to support the major commitment to the National Transmission Grid (NTG) in terms of both capital expenditure and service to the community;
- with regard to human resources and, in general, ESG issues, “Workplace safety” and “Ranking on the Dow Jones Sustainability Index”, so as to ensure Terna’s continued focus on issues relating to sustainability.

Further confirmation of the close link between the Company’s medium/long-term strategic vision and the Remuneration Policy is provided by the fact the Chief Executive Officer and General Manager, as well as Key Management Personnel, the weighting assigned to long-term incentives is greater than the weighting assigned to short-term incentives in relation to overall remuneration.

## 4.2 Guidelines

In drawing up the Policy, the Board of Directors has taken into account the principles and criteria set out in the Corporate Governance Code. Above all, the Board ensured that the Chief Executive Officer and General Manager is the beneficiary of a Policy in which a significant part of remuneration is linked to the achievement of specific performance objectives, including those of a non-financial nature (e.g. sustainability indicators). The same principles underpin the Policy for other Key Management Personnel, as described in more detail below.

## 4.3 Implementation

In implementation of the above principles, it should be noted that:

- the remuneration of Directors without delegated powers is linked to their participation in Board Committees, with differences between the amount paid to Chairs as opposed to the members of each Committee;
- the pay of the Chairwoman of the Board of Directors consists of fixed pay in keeping with the role held;
- the pay of the Chief Executive Officer and, if appointed, the General Manager<sup>8</sup>, is appropriately balanced between:
  - a fixed component, in keeping with the authority and/or responsibilities assigned and sufficient to recognise the service performed should the variable component not be paid due to the failure to achieve the performance objectives indicated by the Board of Directors;
  - a variable component linked to achievement of predetermined, measurable objectives, defined in such a way as to ensure that both short- and long-term performance is rewarded, in keeping with the financial targets in the Company’s Strategic Plan.

A severance payment is also provided for in the event termination of the Chief Executive Officer’s directorship and his employment as General Manager in the event termination of the employment relationship, unless in specific cases.

<sup>8</sup> The Policy is applied to Key Management Personnel in the same way as it is applied to the role of General Manager.



## 4.4 Elements of the remuneration policy

Terna's Remuneration Policy for 2020 consists, in principle, of the following elements:

- a fixed component of remuneration;
- a short-term variable component;
- a long-term variable component;
- benefits;
- severance payments.

A detailed description of each element of the Policy, based on the specific characteristics of each beneficiary, is provided below.

## 4.5 Remuneration of members of the Board of Directors

This section sets out the key aspects of the Remuneration Policy for the following groups of people identified according to internal rules:

- Directors without delegated powers;
- Directors with delegated powers.

### 4.5.1 Remuneration of Directors without delegated powers

#### *Remuneration determined by the Annual General Meeting*

The annual remuneration of Directors without delegated powers consists solely of the fixed component, considered sufficient to attract, retain and motivate Directors who have the professional qualities required to successfully manage the Company. This component is linked to the commitment required of each of them. For the 2017-2019 term of office, this remuneration, as determined by the Annual General Meeting of 27 April 2017, based on the recommendations put forward by shareholders, is €35,000 gross per year.

There is no variable component linked to the operating performance of the Company and the Group. Directors without delegated powers do not participate in the incentive plans and there is no distinction in terms of remuneration between independent and non-independent Directors.

These Directors are also entitled to the reimbursement of expenses incurred while carrying out their duties, in addition to insurance cover for third-party liability. Finally, they have the right to an insurance policy for occupational accidents related to the position held.

The Annual General Meeting to be held in 2020 will determine, for the 2020-2022 term of office, the remuneration payable to Directors without delegated powers.

### *Fees payable for participation in Board Committees*

Additional fees payable to the members of Board Committees are determined by the Board of Directors, in consultation with the Board of Statutory Auditors.

For the 2017-2019 term of office, the annual fee payable to Directors for participation in Board Committees was determined by the Board of Directors on 9 May 2017, in consultation with the Board of Statutory Auditors, elected by the Annual General Meeting held on 27 April 2017. In continuity with the previous Board, the fees are as follows:

Remuneration Committee		Nominations Committee	
Chair	€ 50,000	Chair	€ 50,000
Member	€ 40,000	Member	€ 40,000

Related Party Transactions Committee		Audit, Risk, Corporate Governance and Sustainability Committee	
Coordinator	€ 50,000	Chair	€ 60,000
Member	€ 40,000	Member	€ 40,000

The Board of Directors to be elected for the 2020-2022 term of office will determine the fees payable for participation in Board Committees as the Chair or as a Member.

## 4.5.2 Remuneration of Directors with delegated powers

### *Chairwoman of the Board of Directors*

For the 2017-2019 term of office, total remuneration for the role of Chairwoman of the Board of Directors consisted solely of the fixed component, broken down as follows:

<b>Pay*</b> <b>art. 2389, para. 1 of</b> <b>the Italian Civil Code</b>	<b>€ 50,000</b>	<b>Pay**</b> <b>art. 2389, para. 3 of the</b> <b>Italian Civil Code vava</b>	<b>€ 188,000</b>
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\* Annual pay approved by the Annual General Meeting held on 27 April 2017 (and in accordance with article 24.1 of Terna's Articles of Association).

\*\* Annual pay approved by the Board of Directors on 9 May 2017, on the recommendation of the Remuneration Committee and in consultation with the Board of Statutory Auditors.

The Chairwoman of the Board of Directors thus earned fixed remuneration of **€238,000** gross for the 2017-2019 term of office.

Generally, in the case of other Directors with delegated powers and with whom the Company does not have an employment relationship, the Company does not provide severance payments or compensation of an extraordinary nature on termination of the term in office, with the exception of the Chairwoman, who is due a payment on completing her term in office equal to 1/12 of total annual remuneration for each year in office.

The Annual General Meeting to be held in 2020 will determine, for the 2020-2022 term of office, the remuneration payable to the Chair in accordance with art. 2389, paragraph 1 of the Italian Civil Code and the Board of Directors to be elected for the 2020-2022 term of office will determine the remuneration payable to the Chair of the Board of Directors in accordance with art. 2389, paragraph 3 of the Code.

### Chief Executive Officer and General Manager

At Terna, the Chief Executive Officer's position as a Director and the General Manager's employment relationship are connected, so that when one is terminated so is the other.

The General Manager's employment relationship is governed by the existing National Collective Employment Contract for manufacturing and service companies. In addition to the forms of remuneration described below, the policy applied to the General Manager is the same as that applied to management personnel in general.

### Fixed component of remuneration

#### Fixed component of remuneration - Chief Executive Officer

For the 2017-2019 term of office, total fixed remuneration for the role of Chief Executive Officer breaks down as follows:

<b>Pay*</b> <b>art. 2389, para. 1 of</b> <b>the Italian Civil Code</b>	<b>€ 35,000</b>	<b>Pay**</b> <b>art. 2389, para. 3 of</b> <b>the Italian Civil Code</b>	<b>€ 200,000</b>
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\* Annual pay approved by the Annual General Meeting held on 27 April 2017 (and in accordance with article 24.1 of Terna's Articles of Association).

\*\* Annual pay approved by the Board of Directors on 9 May 2017, on the recommendation of the Remuneration Committee and in consultation with the Board of Statutory Auditors.

#### Fixed component of remuneration - General Manager

The General Manager's total fixed remuneration for the 2017-2019 term of office consisted of a gross annual fixed component (gross annual pay or GAP), approved by the Board of Directors on 9 May 2017, totalling **€850,000** gross.

*In total, therefore, the CEO and GM earned total gross annual fixed remuneration of **€1,085,000** for the 2017-2019 term of office.*

The Board of Directors elected for the 2020-2022 term of office will, in accordance with the decision-making process described above, determine the pay of the Chief Executive Officer and General Manager.

### PAY RATIO for the CEO and GM

In order to monitor the ratio between the pay of the Chief Executive Officer and General Manager and the remuneration of the Group's entire workforce, we have again in 2019 calculated the ratio between the gross annual fixed remuneration of the Chief Executive Officer and General Manager and the median fixed remuneration of the Terna Group's Italian workforce, which results in a ratio of 26.

The pay ratio has remained stable since 2016, confirming the fact that the pay structure continues to appropriately reward the level of expertise, experience and contribution required for the various roles, thus bearing in mind the challenges set and the results achieved. The Remuneration Policy for the entire workforce is designed to also take into account the Group's position with respect to the external and internal markets (external competitiveness and internal fairness, respectively).



### Short-term variable component (MBO)

The short-term incentive scheme (MBO) rewards the annual contribution of each beneficiary to Terna's performance and aligns management actions with strategic objectives in line with business priorities.

The Board of Directors, on the recommendation of the Remuneration Committee, sets the MBO objectives for Directors with delegated powers and the General Manager, with the Chief Executive Officer and General Manager abstaining from the process as it applies to his interests.

The short-term incentive scheme is not subject to deferral mechanisms. This decision was taken in view of the following elements:

- the Company's risk profile and the sector in which it operates;
- the presence of a long-term incentive scheme and its relative weighting with respect to the fixed component and the short-term variable component;
- the use of a rolling long-term incentive scheme that takes the form of annual awards, with a three-year vesting period and a one-year lock-up period;
- the existence of clawback provisions.

Finally, it should be noted that, in the last three years, the objectives underlying the short- and long-term incentive schemes for both the Chief Executive Officer and General Manager and Key Management Personnel have become ever more demanding in order to support delivery of the increasingly challenging strategic plans, above all in terms of the objectives linked to investment and operating and financial performance. This trend has been confirmed for 2020, a particularly challenging year, in part due to current developments in the macroeconomic environment.

#### Short-term variable component (MBO) - Chief Executive Officer

The short-term incentive scheme for the Chief Executive Officer, in view of the authority assigned, is determined by the Board of Directors, with the abstention of the Chief Executive Officer and General Manager, on the recommendation of the Remuneration Committee and in consultation with the Board of Statutory Auditors.

Access to the incentive is subject to the achievement of predetermined business objectives of particular importance to the Company, recommended *ex-ante* by the Committee, approved by the Board of Directors and measured *ex-post* by the Committee on an on/off basis.

The following table shows the objectives set for 2020:

#### MBO OBJECTIVES FOR 2020 - CHIEF EXECUTIVE OFFICER

OBJECTIVES	SCORE CURVE
Net profit 2020	ON/OFF (vs Budget)
IoT for The Grid: the construction of infrastructure for collecting data by installing sensors distributed throughout the National Transmission Grid in the regions of Sicily and Abruzzo.	ON/OFF

The annual value of the incentive, approved by the Board of Directors, is **€200,000** gross and is of the **on/off** type. This amount is, therefore, paid only on achievement of **both** the objectives, whilst the failure to achieve just one of the two objectives means that nothing is due.

### Short-term variable component (MBO) - General Manager

Payment of the short-term incentive (MBO) to the General Manager is subject to the achievement of performance objectives assigned annually by the Board of Directors, on the recommendation of the Remuneration Committee, with the Chief Executive Officer and General Manager abstaining from the process as it applies to his interests.

The objectives assigned to the General Manager for 2020 are shown in the following table, with the related score curves.

### MBO OBJECTIVES FOR 2020 - GENERAL MANAGER

OBJECTIVES	WEIGHTING	SCORE CURVE
EBITDA 2020 - TERNA GROUP	30%	Change vs budget
		Score
		< -1%
		0%
		-1% (Minimum)
		80%
CAPEX (WEIGHTING 40%) AND ASSETS ENTERING SERVICE (WEIGHTING 60%)*	30%	Budget (Target)
		100%
		+2% (Maximum)
		150%
		Linear interpolation is applied in the case of intermediate figures
		Change vs budget
Quality of Service (Regulated Energy Not Supplied, RENS)	15%	Score
		ARERA target ** + 300 MWh
		0
		Value equal to the worst performance 2016-2019 (Minimum)
		80%
		ARERA target for 2020 +5% (Target)
Workplace safety 1. Terna Group personnel working in the electricity sector: safety indicator (SI) - weighting 70% 2. Contractors: injuries among contractors in Italy - weighting 30%	25%	100%
		ARERA target for 2020 (Maximum)
		150%
		Linear interpolation is applied in the case of intermediate figures
		1)
		Score
	25%	SI > 1.6
		0%
		SI = 1.6 (Minimum)
		80%
		SI = 1 (Target)
		100%
	25%	SI ≤ 0.65 (Maximum)
		150%
		Linear interpolation is applied in the case of intermediate figures
		2)
		Score
		Number of injuries at contractors 2020 > Number of injuries at contractors in 2019
		0%
		Number of injuries at contractors 2020 < = Number of injuries at contractors in 2019 (Target)
		100%
		Number of injuries at contractors 2020 < = Average number of injuries at contractors in 2019 and 2018 (Maximum)
		150%
		Linear interpolation is applied in the case of intermediate figures

\* Both the indicators that make up the objective refer to the Terna Group's regulated activities. Each of the two indicators contribute to achieving the objective, based on the score curve shown. At the end of the period, the score assigned to the objective will, therefore, be equal to the weighted average of the scores for the two indicators (provided that both scores are ≥ 80%, otherwise the bonus linked to the objective is zero).

\*\* ARERA is the Regulatory Authority for Energy, Networks and the Environment (Autorità di Regolazione per Energia Reti e Ambiente).

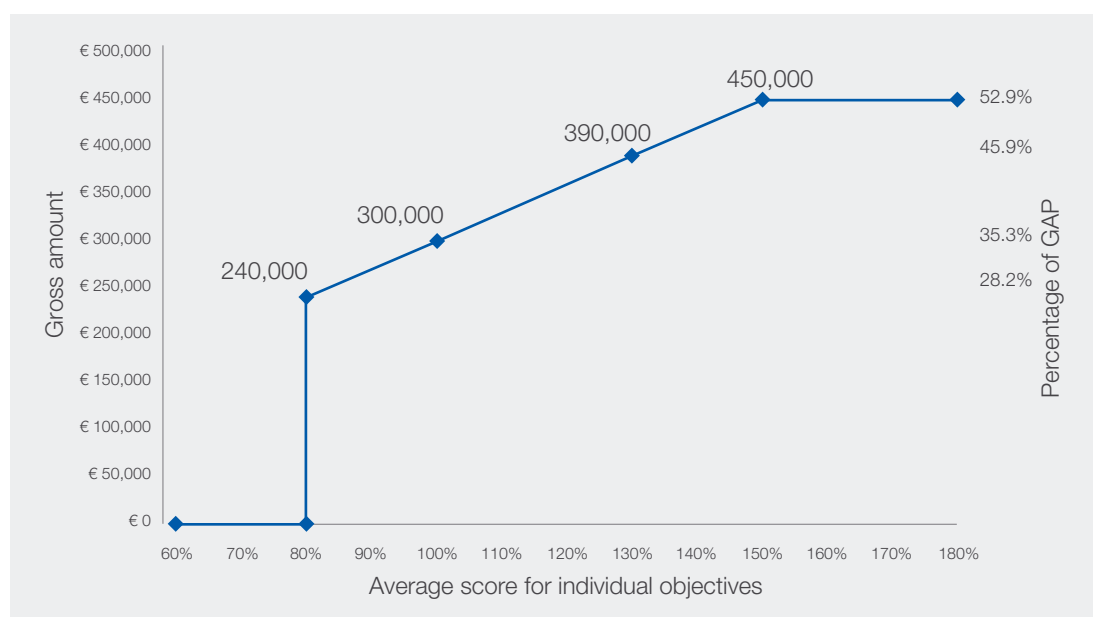
The second of the objectives assigned to the General Manager measures the value of capital expenditure and assets entering service during the year, as set out in the budget for 2020 for all the Terna Group's regulated activities. "Entering service" indicates the value of assets ready to enter service as part of the grid and as operating assets in the relevant period.

"Quality of Service" indicates the Group's operating performance by measuring, in MWh, the quantity of energy not supplied (RENS, Regulated Energy Not Supplied). As a result, the lower the figure for this indicator, the higher the score, up to a maximum of (150%). This corresponds to the target set by the regulator, ARERA, for 2020.

The "Workplace safety" objective consists of two sub-objectives:

- the first sub-objective is represented by the safety indicator (SI), calculated as the weighted average of the Injury Rate and the Lost Day Rate and assessed by comparing the performance during the year with the average performance of the last three years;
- the second sub-objective is represented by the number of injuries to the personnel of contractors working at Terna's sites (within Italy).

The value of the incentive effectively paid varies on the basis of achievement of the targets assigned for the individual objectives, as shown below:



If the average score for the individual objectives is below 80%, nothing is due. In the event of overperformance, the bonus is capped (150%).

*On the whole, therefore, for 2020, the CEO and GM will receive short-term variable remuneration amounting, **at target**, to **€500,000** gross per year and, in the case of overperformance, to €650,000 gross per year.*

### Long-term variable component (LTI)

In order to contribute to the achievement of long-term strategic objectives, the Company uses a long-term incentive scheme with the aim of:

- ensuring that management's interests are aligned with the creation of long-term value for shareholders, by introducing a financial incentive into the remuneration structure of beneficiaries linked to the achievement of challenging multi-year performance objectives for the company, directly connected with share price performance and also with non-financial indicators;
- rewarding long-term performance through rolling, annual awards linked to strategic objectives;
- foster loyalty among beneficiaries, over the period covered by the Plan, by making the incentive provided by the Plan conditional on their continuing employment by the Group throughout such period.

In continuity with the approach used in previous years, for 2020, Terna has adopted a new rolling long-term incentive scheme based on Performance Shares 2020-2023 (the "Performance Share Plan 2020-2023").

This Plan, described in detail in the specific Information Circular prepared in accordance with art. 114-bis of the CLF and art. 84-bis of the Regulations for Issuers, marks a further step in the ongoing process of improving Terna's remuneration policy, with a view to more closely aligning the interests of management with those of shareholders. Following the "cash-settled convertible" cycle for 2017-2019 and the two Phantom Stock cycles for 2018-2020 and 2019-2021, the Performance Share Plan 2020-2023 is based entirely on Terna's ordinary shares, in line with best market practices and the recommendations of investors and proxy advisors.

Key aspects of the Performance Share Plan 2020-2023 are described below.

### Long-term incentive plan based on Performance Shares for 2020-2023

The Performance Share Plan 2020-2023 is intended for the General Manager (who also holds the role of Chief Executive Officer) and certain of the Group's managers, including Key Management Personnel, other senior managers and a select group of middle managers. The Plan is based on Terna S.p.A.'s ordinary shares (Performance Shares) and rolling annual awards, with a three-year vesting period (2020-2022) and a one-year lock-up period.

The Plan envisages the grant of the right to receive free of charge a given number of Terna S.p.A.'s ordinary shares at the end of a vesting period and on the achievement of the performance objectives to which the Plan is linked. In this way, the interests of management are systematically linked to those of shareholders.

The performance indicators used to determine the number of Performance Shares to be awarded at the end of the three-year vesting period are:

- cumulative **EBITDA** over a three-year period, reflecting the level of operating performance achieved;
- **relative TSR** versus a peer group, reflecting the level of share price performance delivered;
- the **ranking on the Dow Jones Sustainability Index** as a measure of the performance linked to the sustainability of Terna's business.



Details of the individual objectives and the related performance curves are provided below:

#### LONG-TERM INCENTIVE PLAN BASED ON PERFORMANCE SHARES FOR 2020-2023

OBJECTIVES	WEIGHTING	SCORE CURVE
Cumulative EBITDA over the three years to 2022 compared with cumulative EBITDA over the three years of the Strategic Plan	50%	Change vs Strategic Plan target
		Score
		-1%
		80%
		Target
Relative Total Shareholder Return for 2020-2022 <sup>9</sup> Terna's ranking in the benchmark peer group <sup>10</sup>	30%	+2%
		100%
		In the case of underperformance greater than -1%, the score is zero (linear interpolation is applied in the case of intermediate fig-ures)
		Ranking in the peer group
		Score
Dow Jones Sustainability Index (DJSI) Terna's annual ranking in the years 2020-2021- 2022	20%	7 <sup>th</sup> , to 6 <sup>th</sup> or 5 <sup>th</sup> place
		0%
		4 <sup>th</sup> place
		80%
		3 <sup>rd</sup> place
		100%
		1 <sup>st</sup> or 2 <sup>nd</sup> place
		150%
		If, despite ranking in 1 <sup>st</sup> or 2 <sup>nd</sup> place, Terna's TSR is negative in the reference period, the overperfor-mance will not be recognised and the associated score will, therefore, be 100% (the "negative TSR threshold").
		<ul style="list-style-type: none"><li>• in the event of failure to be included in the Index in one, two or all three years covered by the Plan, the number of awardable Shares will be zero;</li><li>• in the event of inclusion in the Index in all three years covered by the Plan, the number of awardable Shares will be equal to 80% (the Minimum level);</li><li>• in the event of inclusion in the Index in all three years and a ranking among the top 7 companies in at least 1 out of the 3 years covered by the Plan, the number of awardable Shares will be equal to 100% (the Target level);</li><li>• in the event of inclusion in the Index in all three years and a ranking among the top 7 companies in at least 2 out of the 3 years covered by the Plan, the number of awardable Shares will be equal to 130%;</li><li>• in the event of inclusion in the Index in all three years and a ranking among the top 7 companies in at least 2 out of the 3 years covered by the Plan and equal to or above the ninth decile<sup>11</sup> in one of the three years, the number of awardable Shares will be equal to 150% (the Maximum level).</li></ul>

The overall performance is measured as the weighted average of the scores achieved for each of the three objectives, based on the above performance curves. For the incentive scheme to be activated and, therefore, for the right to the award of Performance Shares to be attained, an overall performance of at least 80% must be achieved, below which nothing is due. In the event of overperformance, the bonus is capped at the maximum attainable level (150%).

Assessment of achievement of the Plan objectives will be conducted by the Board of Directors in order to determine the number of Performance Shares to be awarded on the basis of the indications of the Remuneration Committee, during approval of the financial statements for the year ended 31 December 2022.

At the end of the vesting period, an additional number of Performance Shares may be awarded (the dividend equivalent). These additional Shares correspond with the value of any dividends not received on the Shares effectively awarded, with the aim of achieving an increased alignment between the interests of management and those of investors.

<sup>9</sup> Terna's TSR and that of its peers is calculated over a period of three years, using the average of closing share prices in 2020 and the same average for 2022. The source of the data for TSR is Bloomberg.

<sup>10</sup> The companies in the peer group (Snam, Red Electrica, Enagas, National Grid, Severn Trent and United Utilities) are all major listed European utilities. They are part of a sub-segment of regulated utilities and, therefore, have a business model that, whilst relating to different sectors, contains elements that are consistent and comparable with those of Terna's business model. Selection of the peer group thus focused on the choice of shares reflecting the nature of Terna's shares, in terms of both the business cycle and external elements that may affect their performance. This reflects the fact that, at the time of approval of this Report, the same shares are used by financial analysts for the purposes of evaluating and comparing them with Terna's shares. Any shares involved in extraordinary transactions resulting in their delisting or in a significant reduction in the free float, will be replaced (up to a maximum of two) by the following shares, listed in order: Elia, REN.

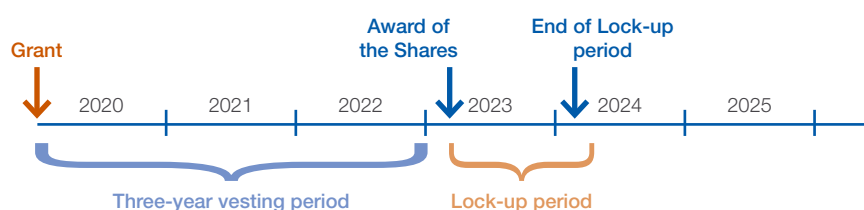
<sup>11</sup> A position equal to or above the ninth decile means inclusion in the 10% of companies ranked as best performers by RobecoSam in relation to inclusion in the DJSI World.

The final bonus payable under the Plan thus depends on:

- the number of Shares awarded (based on the Terna Group's performance);
- the value of the Shares, based on the market price.

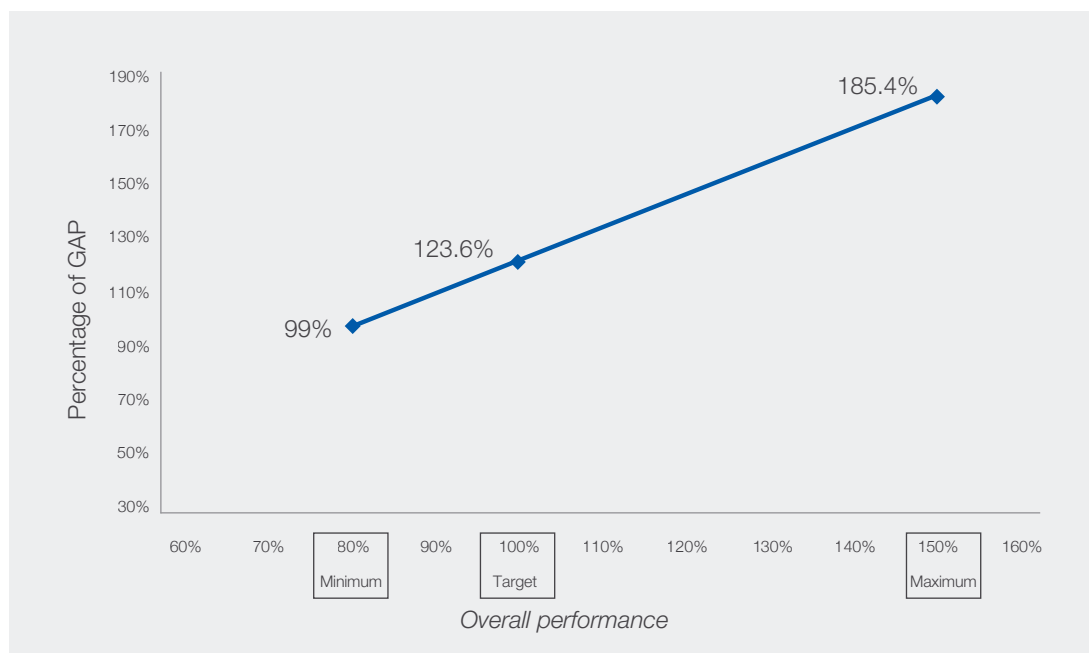
At the end of the vesting period, 30% of the Shares awarded, including those awarded as dividend equivalents, will be subject to a further Lock-up period of one year, which will end in 2024. During this period, the Shares are non-transferable (meaning that they may not be transferred and/or sold for a period of 12 months).

The following chart shows the timing of the Performance Share Plan 2020-2023:



#### New LTI Plan: Performance Share Plan 2020-2023 - General Manager

The General Manager's variable remuneration linked to the Performance Share Plan 2020-2023 involves the grant of the right to a given number of Shares corresponding with a percentage of the General Manager's Gross Annual Pay. This amount varies in relation to the achievement of different levels of *performance* (Minimum, Target and Maximum), as shown below:



At the end of the vesting period, an additional number of Shares is awarded as dividend equivalents, corresponding with the value of any dividends not received on the Shares effectively awarded.

The final bonus payable to the General Manager under the Plan thus depends on:

- the number of Shares awarded (based on the Terna Group's performance);
- the value of the Shares, based on the market price.

At the end of the vesting period, 30% of the Shares awarded, including those awarded as dividend equivalents, will be subject to a further Lock-up period of one year, which will end in 2024. During this period, the Shares are non-transferable (meaning that they may not be transferred and/or sold for a period of 12 months).

In the event of termination of the relationship prior to award of the Shares for reasons other than the following:

- dismissal for disciplinary reasons;
- resignation without just cause;
- termination of a directorship for just cause;
- resignation of a director without just cause;

and, therefore, also in the event of termination of the relationship by mutual consent, the right to the award of a portion of the Shares on an accruals basis will be maintained (for the beneficiary or their heirs or successors), based on an assessment of the performance achieved at the date of termination.

#### Other long-term incentive plans

It should be noted that Terna currently has outstanding incentive schemes in the form of the first and second three-year cycles of the Long-term Incentive Plan based on Phantom Stocks covering the period 2018-2021. These aim to reward long-term, sustainable growth in shareholder value and more closely align the Company's remuneration with market practices, the recommendations in the Corporate Governance Code and the objectives in the Strategic Plan 2018-2022.

Details of the first and second cycles of the Long-term Incentive Plan based on Phantom Stocks covering the period 2018-2021 are provided in the Remuneration Reports for 2018 and 2019 and the related Information Circular, all of which are available on the Company's website.

#### CLAWBACK AND MALUS PROVISIONS

The variable portion of the remuneration paid to the Chief Executive Officer and General Manager is subject to clawback provisions, requiring the repayment of any amounts already paid within the statute of limitations envisaged by current legislation and whether or not the relationship is still in place or has been terminated. Malus provisions also apply, giving the Company the right to withhold any part of the incentive subject to deferral, where applicable, if there is evidence that payment of the bonus was made on the basis of information that is manifestly inaccurate or misleading, in the event of serious and intentional breaches of the law, the Code of Ethics or company regulations, in the event of fraudulent conduct or gross negligence on the part of the beneficiary to the detriment of the Company or one of the Group Companies. The application of these provisions is nevertheless without prejudice to any other action permitted by the law in order to protect the interests of the Company.

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## Benefits

As is the case with the Group's management personnel and in keeping with the Policy implemented in 2019, the General Manager's benefits package has been determined in accordance with the terms of the related National Collective Employment Contract and of the company policies and practices applicable to management personnel in general:

- contributions to a supplementary pension fund (FONDENEL);
- enrolment in a supplementary medical insurance scheme (ASEM);
- life and permanent disability insurance;
- a company car for personal use;
- occupational and non-occupational accident insurance.

## Non-competition agreements

Terna has not currently entered into non-competition agreements with Directors and the General Manager, involving payment of a fixed amount or a proportion of fixed remuneration based on the duration and scope of the restrictions resulting from the agreement. However, Terna reserves the right to assess the potential introduction of specific provisions in this regard, within the limits set by company policy, which makes reference to the disbursement of one year's pay under agreements with a duration of one year.

## Severance

In line with market practices and in order to protect the Company's interests by preventing potential disputes, on termination, the Chief Executive Officer and General Manager has the right to receive termination and severance payments. It should be noted that, at Terna, the Chief Executive Officer's position as a Director and the General Manager's employment relationship are connected, so that when one is terminated so is the other.

In line with the Board of Directors' resolution of 9 May 2017 and without prejudice to the prerogatives of the new Board of Directors, except in the event of dismissal for disciplinary reasons and resignations without just cause, on termination of the employment relationship linked to the end of the term of office, the following applies (i) as General Manager, a severance payment equal to 24 months' pay; (ii) as Chief Executive Officer, a termination payment due at the end of the term in office (TFM) equal to 1/12 of remuneration paid for each year in office as CEO.



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## 4.6 Remuneration of members of the Board of Statutory Auditors

This section describes key aspects of the Remuneration Policy for members of the Board of Statutory Auditors.

The annual remuneration of members of the Board of Statutory Auditors consists solely of a fixed component. This component is determined on the basis of the commitment required in order to carry out their duties.

For the 2017-2019 term of office, the Board of Statutory Auditors received the following remuneration:

### Board of Statutory Auditors (remuneration for the 2017-2019 term of office)

Chairman of the Board of Statutory Auditors	€ 55,000
Standing Auditor	€ 45,000

The Annual General Meeting, called to approve the financial statements for the year ended 31 December 2019, will elect the new Board of Statutory Auditors for a term of three years, determining the remuneration of the Chair and each standing member of the Board.

## 4.7 Remuneration of Key Management Personnel

The term Key Management Personnel (KMP) refers to persons who, directly or indirectly, have authority over and responsibility for the planning, management and control of the Company's activities. Key Management Personnel, as reflected in the Group's new organizational structure, hold the following positions:

- Head of the National Transmission Grid;
- Head of International Operations;
- Head of Corporate Affairs;
- Head of Strategy, Development and Dispatching;
- Chief Financial Officer;
- Head of External Relations and Sustainability;
- Head of Innovation Energy Solutions & Connectivity.

The list of Key Management Personnel has been drawn up by interpreting article 152-*sexies*, paragraph 1.c) of CONSOB Regulation 11971 of 14 May 1999, as extensively amended, in order to ensure maximum transparency of the information provided to shareholders on transactions carried out by the Company's Key Management Personnel, albeit within their specific areas of responsibility.

In drawing up the Remuneration Policy for Key Management Personnel, account was taken of the need to link a portion of their remuneration to the achievement of specific performance objectives, including some of a non-financial nature, with the objectives to be set in advance and determined in line with the guidelines contained in the general remuneration policy defined by the Board of Directors (Principle 6.P.2. of the Corporate Governance Code currently in force).

Criteria 6.C.1 and 6.C.2 in the Corporate Governance Code also apply, where compatible, to determination of the remuneration for Key Management Personnel.

The employment relationship with Key Management Personnel is governed by the existing National Collective Employment Contract for manufacturing and service companies. In addition to the forms of remuneration described below, the policy applied to the Key Management Personnel is the same as that applied to management personnel in general.

The remuneration of Key Management Personnel consists of the following elements:

- Gross Annual Pay (GAP), determined on the basis of the role held, the responsibilities assigned and the strategic nature of the manager;
- short-term incentives (MBO), with access subject to the achievement of predetermined business objectives, which at target represent up to 50% of Gross Annual Pay (GAP);
- long-term incentives, with access subject to the achievement of predetermined multi-year objectives, and which, in terms of the total amount payable at target over the three-year duration of the Plan, is equal to a pre-established percentage of up to 60% of Gross Annual Pay (GAP);
- benefits granted under the applicable National Collective Employment Contract and company policies and practices;
- severance payments in the event of early termination by the Company, determined in line with best market practices, as described in more detail in the paragraph, "Severance".

### Short-term variable component (MBO)

The short-term incentive scheme (MBO) rewards the annual contribution of each beneficiary to Terna's performance and aligns management actions with strategic objectives in line with business priorities.

MBO objectives for Key Management Personnel are set by the Chief Executive Officer, in line with the Remuneration Policy and with the general criteria set by the Remuneration Committee.

Access to the MBO scheme is subject to a performance gate (curve EBITDA budget) and is structured according to the following format:

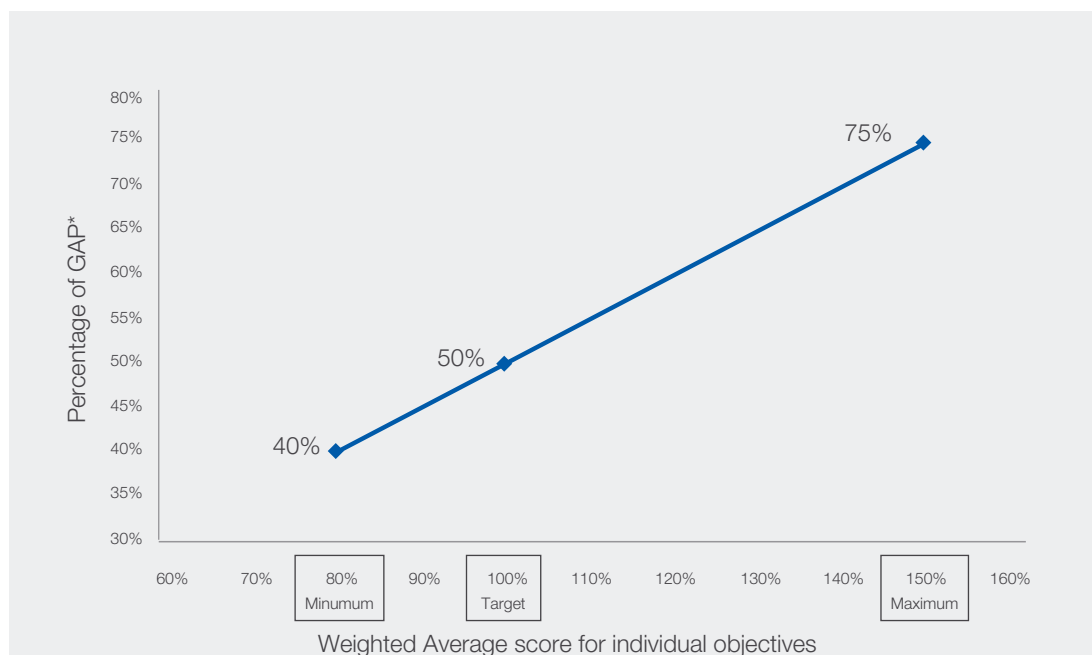
#### Performance gate:

#### EBITDA

Weighting	Weighting	Weighting	Weighting
Group objectives 30%-40%	Cross-cutting objectives 20%-30%	Individual objectives 20%-30%	Qualitative objectives 10%
Objectives common to beneficiaries	Objectives common to several departments based on particular Business priorities or initiatives	Specific objectives tied to the role	Assessed on the basis of management behaviours in the Leadership Model

Payment of the short-term incentive (MBO) to Key Management Personnel follows the Remuneration Committee's assessment, with the support of the Human Resources, Organisation and General Affairs department, of achievement of the performance objectives assigned annually.

The amount of the incentive effectively paid varies depending on the degree to which the targets linked to individual objectives have been achieved (and thus on the scores achieved for each KPI). These are specific to each role:



\* The percentages of GAP shown in the graph refer to the maximum bonus obtainable for each level of overall achievement of the objectives.

If the weighted average score for the individual objectives is below 80%, nothing is due. In the event of overperformance, the bonus is capped at the maximum attainable level (150%).

The short-term incentive scheme is not subject to deferral mechanisms. This decision was taken in view of the following elements:

- the Company's risk profile and the sector in which it operates;
- the presence of a long-term incentive scheme and its relative weighting with respect to the fixed component and the short-term variable component;
- the use of a rolling long-term incentive scheme that takes the form of annual awards, with a three-year vesting period and a one-year lock-up period;
- the existence of clawback provisions.

### Long-term variable component (LTI)

In line with the terms applicable to the General Manager, Key Management Personnel may also participate in the new long-term Performance Share Plan 2020-2023.

The new Performance Share Plan 2020-2023 for Key Management Personnel involves the same performance objectives (cumulative EBITDA over a three-year period, relative TSR, DJSI) as assigned to the General Manager, with the same weightings and the same score curves, as well as the same vesting and lock-up periods and settlement procedures.

The above description of the Plan for the General Manager also applies in its entirety to key Management Personnel, with the exception of the bonus achievable and aspects relating to payment in the event of early termination of the relationship, which are governed by the specific provisions described below.

A summary of the characteristics and bonuses achievable at target for KMP is provided below:

INSTRUMENT	PERFORMANCE SHARE PLAN
Vesting period	2020-2022
Objectives	<b>50%</b> cumulative EBITDA
	<b>30%</b> relative TSR
	<b>20%</b> Dow Jones Sustainability Index
Bonus achievable	Percentages of the incentive to be converted into Performance Shares of up to 60% of Gross Annual Pay (GAP), based on the total amount over the three-years covered by the LTI Plan, if the weighted average of the scores for the individual objectives is at target (100%) and based on the value of Terna's shares with respect to the grant date.

In the event of termination of the relationship with KMP prior to award of the Shares for reasons other than the following:

- dismissal for disciplinary reasons;
- resignation without just cause;

and, therefore, also in the event of termination of the relationship by mutual consent, the right to the award of a portion of the Shares on an accruals basis will be maintained (for the beneficiary or their heirs or successors), based on an assessment of the performance achieved at the date of termination.



### **CLAWBACK AND MALUS PROVISIONS**

The variable portion of the remuneration paid to the Key Management Personnel is also subject to claw-back provisions, requiring the repayment of any amounts already paid within the statute of limitations envisaged by current legislation and whether or not the relationship is still in place or has been terminated. Malus provisions also apply, giving the Company the right to withhold any part of the incentive subject to deferral, where applicable, if there is evidence that payment of the bonus was made on the basis of information that is manifestly inaccurate or misleading, in the event of serious and intentional breaches of the law, the Code of Ethics or company regulations, in the event of fraudulent conduct or gross negligence on the part of the beneficiary to the detriment of the Company or one of the Group Companies. The application of these provisions is nevertheless without prejudice to any other action permitted by the law in order to protect the interests of the Company.

### **Signing bonuses**

Signing bonuses are payable, in exceptional circumstances, to newly hired KMP on entry. This is done solely in order to attract very senior management personnel with areas of expertise that are critical for the business.

### **Benefits**

In keeping with the Policy implemented, the benefits package for Key Management Personnel has been determined in accordance with the terms of the related National Collective Employment Contract and of the company policies and practices applicable to management personnel in general:

- contributions to a supplementary pension fund (FONDENEL);
- enrolment in a supplementary medical insurance scheme (ASEM);
- life and permanent disability insurance;
- a company car for personal use;
- occupational and non-occupational accident insurance.

### **Non-competition agreements**

Where the termination of the relationship with Key Management Personnel in possession of particularly important expertise and skills may expose the Company to risk, the Company may apply non-competition agreements. The related payment must remain within the limits set by company policy, which makes reference to the disbursement of one year's pay under agreements with a duration of one year.

### **Severance**

In the event of early termination of the employment relationship by the Company, payments may be made on the basis of *ex-ante* agreements or as agreed on termination, taking into account the degree of responsibility assigned and the service provided.

In particular, other than in the case of dismissal for disciplinary reasons or resignation without just cause, KMP may receive an all-inclusive severance payment amounting to up to 24 months' pay, in addition to a payment in lieu of notice pursuant to art. 2121 of the Italian Civil Code.

# 5. Detailed index

## by topic (CONSOB Resolution 18049, Section I)

*In order to aid the reader, a detailed index of topics is provided below, with references to the paragraphs that contain information on the individual items referred to in CONSOB Resolution 18049, Section I.*

CONSOB RESOLUTION	DISCLOSURE REQUIRED	REF.
A	Bodies or persons involved in the preparation and approval of the remuneration policy, specifying their respective roles, as well as the bodies or individuals responsible for the correct implementation of this policy;	Pages from 20 to 27
B	the potential establishment of a remuneration committee or other relevant committee, describing its composition (with distinction between non-executive and independent directors), its responsibilities and operating procedures;	Pages from 20 to 25
C	the names of any independent experts that have contributed to the preparation of the remuneration policy;	Page 27
D	the purposes of the remuneration policy, its underlying principles, and any changes to the remuneration policy with respect to the previous financial year;	Pages 13; from 28 to 30
E	a description of the policies regarding fixed and variable components of remuneration, particularly with regard to the relative weightings within overall remuneration, distinguishing between short- and long-term variable components;	Pages 8; 9; 18; 19 from 31 to 46
F	the policy adopted with respect to benefits in kind;	Pages 9; 41; 46
G	a description of the performance objectives on the basis of which the variable components are awarded, distinguishing between short- and long-term variable components, and information on the link between changes in results and the change in remuneration;	Pages 8; 9; from 34 to 45
H	the criteria used to evaluate performance objectives forming the basis of the grant of shares, options, other financial instruments or other variable components of remuneration;	Pages 8; 9; from 34 to 45
I	information intended to demonstrate that the remuneration policy is consistent with pursuing the company's long-term interests and with its risk management policy, where adopted;	Pages from 28 to 30; from 37 to 40; 45; 46
J	the vesting period, any deferral mechanisms, with indications of the periods of deferral and the criteria used to determine these periods and ex-post correction mechanisms, if applicable;	Pages from 37 to 40; 45; 46
K	information on the use of provisions requiring the retention of financial instruments after their purchase, with an indication of the retention period and the criteria used to determine these periods;	Pages from 37 to 40; 45; 46
L	the policy on compensation envisaged in case of termination of office or termination of employment, specifying the circumstances determining the right to compensation and any link between these payments and the company's performance;	Pages 9; 41; 46
M	information on any insurance, social security or pension plans, other than obligatory schemes;	Pages 9; 41; 46
N (i)	if present, the remuneration policy for independent directors;	The Company does not use specific remuneration policies for independent directors.
N (ii)	if present, the remuneration policy for participation in board committees;	Page 32
N (iii)	if present, the remuneration policy for directors with delegated powers (chair, deputy chair, etc.);	Page 8; 32
O	information regarding the use of remuneration policies of other companies in a peer group and, if used, the criteria applied in selecting such companies.	In drawing up its policy, the Company has not made reference to the remuneration policies of other companies. Remuneration has, however, been benchmarked against a peer group (pages 16; 17).

# 6. Detailed index

in accordance with application criterion 6.C.1 in the Corporate Governance Code (July 2018 edition)

*In order to aid the reader, a detailed index of topics is provided below, with references to the paragraphs that contain information on the individual items referred to in Application Criterion 6.C.1.*

APPLICATION CRITERION	REF.
a) the fixed and variable components are appropriately balanced in relation to the issuer's strategic objectives and risk management policy, taking also into account the sector in which it operates and the nature of the activities it effectively carried out;	Pages 18; 19; from 28 to 30
b) any caps on variable components;	Page 8; 9; 18; 19; 34; 36; 39; 44; 45
c) the fixed component is sufficient to reward directors for their services in the event that the variable component is not paid due to failure to achieve the performance objectives set by the board of directors;	Pages from 31 to 33
d) the performance objectives - i.e. the operating results and any other specific objectives linked to the payment of variable components (including the objectives set for the share-based compensation plans) - are predetermined, measurable and linked to the creation of long-term value for shareholders;	Pages 8; 9; 34; 35; 36; 38; 44; 45
e) payment of a significant portion of the variable component of remuneration is deferred for an appropriate period of time with respect to the moment it vests; the amount of that portion and the period of deferral are consistent with the nature of the business carried out and the associated risk profile;	Pages 18; 19; from 37 to 40; 45; 46
f) contract provisions are used to enable the company to request the return, in whole or in part, of the variable components of remuneration paid (or to withhold sums that have been deferred), that were calculated on the basis of information that later turned out to be manifestly inaccurate;	Pages 40; 46
g) any severance payment made on termination of the directorship is determined in such a way that its total amount does not exceed a certain amount or a certain number of years of remuneration. This payment is not paid if the termination of the relationship is due to the failure to achieve an objectively adequate level of performance.	Pages 9; 41



La società **TERNA Sp.A.** con sede legale in Roma  
Delegato della Società Dott. Luigi Ferraris, di seguito

Corporate Affairs  
Atti e Adesioni  
e Autenticazioni

## PROTOCOLLO D'INTESA

**Adoc - Associazione Nazionale per la Difesa e l'Orientamento dei Consumatori**  
legale in Roma, via Castelfidardo n. 43, rappresentata dal Presidente  
denominata "Adoc"

**Adusber - Associazione Difesa Utenti Servizi Bancari, Assicurativi, Postali, Assicurativi**  
Roma, via Vittorio Emanuele n. 12, rappresentata dal Presidente Dott. Antonio Dini, di seguito  
"Adusber"

**Adusber - Associazione Consumatori e Ambiente**  
rappresentata dal Presidente Dott. Carlo Dini, di seguito  
"Adusber"

**Adusber - Associazione Consumatori e Ambiente**  
rappresentata dal Presidente Dott. Carlo Dini, di seguito  
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## Section II: Report on remuneration paid in 2019

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# Introduction

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This section is divided into two parts covering the following aspects:

- **Part one:** the different elements that make up remuneration (including severance and termination payments), indicating consistency with the related remuneration policy;
- **Part two:** table showing the remuneration paid to members of management and oversight bodies, the General Manager and information on shareholdings in the Company held by such persons and the remuneration paid to Key Management Personnel.

This section is put to a non-binding vote by the Annual General Meeting, as required by Art. 123-ter of Legislative Decree 58 of 24 February 1998 (the “Consolidated Law on Finance” or CLF, as amended by Legislative Decree 49 of 10 May 2019), which states in paragraph 6: “Without prejudice to the provisions [...] the annual general meeting called [...] shall vote for or against section two of the report provided for in paragraph 4. The result of the vote is not binding”

In addition, the Independent Auditors engaged to audit the accounts verifies that this Section of the Report has been prepared by the Directors, as required by Art.123-ter of the CLF (as amended by the Legislative Decree of 10 May 2019).

The remuneration paid to the members of management and oversight bodies and to the General Manager is described by name; the remuneration paid to Key Management Personnel<sup>11</sup> is, in contrast, reported in aggregate form.

Implementation of the Policy, to the extent verified by the Remuneration Committee when conducting the periodic assessment required by the Corporate Governance Code, has remained in line with the general principles established in Board of Directors’ resolutions. Detailed information on each component of remuneration, including severance or termination payments, is provided in Section I.

The separate components of remuneration are in keeping with the Policy approved by the Board of Directors in 2019 and put to a non-binding vote by the Annual General Meeting held on 8 May 2019, in accordance with art. 123-ter, paragraph 6 of the CLF (at that time in force), which voted in favour of the Policy.

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<sup>11</sup> In accordance with CONSOB Resolution 18049, KMP who during the year did not receive remuneration that was higher in value than the total pay received by the members of management and oversight bodies or by the General Manager.

# Part one

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## Fixed remuneration

### Non-executive Directors

Non-executive Directors were paid - if necessary, on an accruals basis - the fixed remuneration approved by the Annual General Meeting of 27 April 2017 (€35,000 gross per year for each Director).

### Chairwoman

The Chairwoman was paid the fixed remuneration approved by the Annual General Meeting of 27 April 2017 (€50,000 gross per year) and by the Board of Directors on 9 May 2017 (€188,000 gross per year). As a result, the Chairwoman received a total amount for the year, in the form of fixed remuneration, of €238,000 gross.

### Chief Executive Officer and General Manager

The Chief Executive Officer and General Manager was paid:

- the fixed remuneration as a Director of the Company approved by the Annual General Meeting of 27 April 2017 (€35,000 gross per year);
- the fixed remuneration approved by the Board of Directors on 9 May 2017 in recognition of the powers and authority granted to him (€200,000 gross per year);
- the fixed component of remuneration in for his role as General Manager (€850,000 gross per year).

Amounts relating to fixed remuneration are specified in the respective item in Table 1.

## Variable remuneration

### Short-term variable incentives

#### *Chief Executive Officer and General Manager*

In 2019, the Chief Executive Officer and General Manager received remuneration under the short-term incentive scheme (MBO) following achievement of the performance objectives set for the two roles. The amount received was based on the results reported in the financial statements for 2019, which will be submitted for approval by the Annual General Meeting that will approve Section I of this Report<sup>12</sup>.

The following annual variable remuneration to be paid for 2019:

- €200,000 gross as Chief Executive Officer. It should be noted that the MBO bonus payable to the Chief Executive Officer is of the on/off type and that both the objectives assigned were achieved;
- €411,300 gross as General Manager, based on an overall level of achievement of the objectives assigned of 137.1%.

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<sup>12</sup> Remuneration paid in application of the principles indicated in the remuneration policy put to a consultative, non-binding vote at the Annual General Meeting held on 8 May 2019.



The degree of achievement of each objective assigned is shown below:

#### MBO OBJECTIVES FOR 2019 - CHIEF EXECUTIVE OFFICER

OBJECTIVES	LEVEL OF ACHIEVEMENT
Net profit 2019 - Terna Group	ON
IoT for the Grid: the construction of infrastructure for collecting data by installing sensors distributed throughout the National Transmission Grid in the Veneto region	ON

#### MBO OBJECTIVES FOR 2019 - GENERAL MANAGER

OBJECTIVES	WEIGHTING	LEVEL OF ACHIEVEMENT
Capex and Assets Entering Service	30%	144.2%
EBITDA 2019 - Terna Group	30%	138.8%
Quality of Service (Regulated Energy Not Supplied, RENS)	20%	150.0%
Workplace safety: 1. Terna Group personnel: Safety indicator (SI) - weighting 70% 2. Contractors: injuries to the personnel of contractors working at active sites - weighting 30%	20%	111.0%
WEIGHTED AVERAGE OF SCORES		137.1%

The total pay of the CEO and GM, in the form of short-term variable components relating to the 2019 performance period, thus amounts to **€611,300** gross.

The amounts relating to variable remuneration are specified in Tables 1 and 3B.

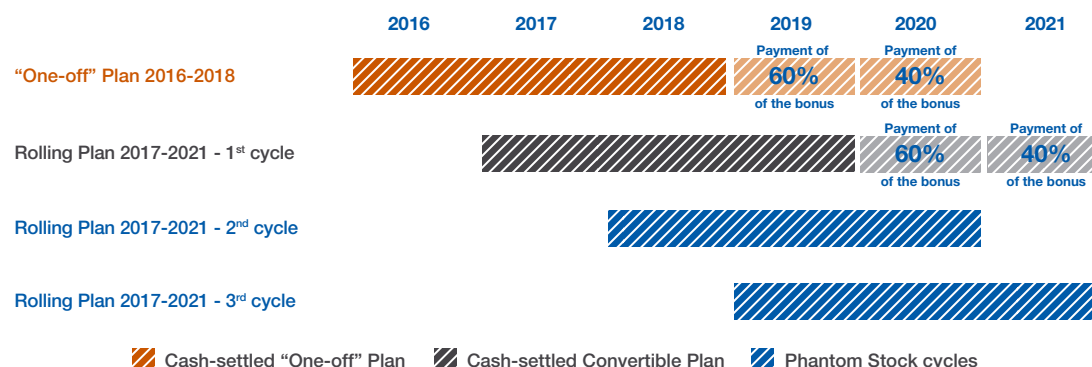
#### Key Management Personnel

Key Management Personnel received total annual variable remuneration, based on the results reported in the financial statements for 2019, amounting to €1,237,724 gross. Overall average achievement of the objectives assigned was approximately 131%.



## Long-term variable incentives

The long-term variable incentive plans included in Terna's policies are as follows:



The three-year cycle of the cash-settled "Convertible" Plan 2017-2019 vested in 2019. On 10 March 2020, the Board of Directors, based on the assessment conducted by the Remuneration Committee and the resulting recommendation, confirmed the degree to which the cycle's two performance objectives had been achieved, as described below:

- cumulative EBITDA in the period 2017-2019 amounting to €4,995.7, as reported in the financial statements for each of the related three years (2017, 2018 and 2019), resulting in a level of achievement of 150% (weighting 80%);
- rankings in the Dow Jones Sustainability Index (DJSI) in the 95<sup>th</sup> percentile in 2017, the 100<sup>th</sup> percentile in 2018 and the 100<sup>th</sup> percentile in 2019, as confirmed by RobecoSam, resulting in a level of achievement of 150% (weighting 20%).

Given the above, the overall level of achievement in relation to the three-year cycle of the cash-settled "Convertible" Plan 2017-2019 was 150%, resulting in a payment of €1,575,900 gross for the General Manager and an aggregate payment of €1,493,550 gross for Key Management Personnel. 60% of these amounts to be paid within 60 days of the date of approval of the financial statements for the year ended 31 December 2019. The remaining 40% will be deferred for twelve months.

The three-year cycle of the cash-settled "Convertible" Plan 2017-2019 was described in the Policies for 2018 and 2019, published in the Remuneration Reports for 2018 and 2019.

It should also be noted that, in the light of the description provided in Section I of the Remuneration Report for 2019, during 2019, grants were made under the second cycle for 2019-2021 of the Phantom Stock Plan 2018-2021. Information on this Plan is provided in Table 3A.

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## Fees paid for participation in Board Committees

The fees paid for membership of Board Committees are reported below, including any amounts paid on an accruals basis.

Details of the fees paid to Directors and for participation in Board Committees are provided in Table 1.

### Chairs of the Nominations Committee and Remuneration Committee and the Coordinator of the Related Party Transactions Committee

The Chairs of the Nominations Committee and Remuneration Committee and the Coordinator of the Related Party Transactions Committee were paid €50,000 gross per year (in addition to remuneration as Directors - €35,000 gross per year).

### Chairwoman of the Audit, Risk, Corporate Governance and Sustainability Committee

The Chairwoman of the Audit, Risk, Corporate Governance and Sustainability Committee was paid €60,000 gross per year (in addition to remuneration as a Director - €35,000 gross per year).

### Committee members

The members of all the Committees were paid €40,000 gross per year (in addition to remuneration as Directors - €35,000 gross per year).

## Benefits

In line with the Policy, the Chairwoman, the Chief Executive Officer, in his position as General Manager, and Key Management Personnel received benefits in 2019. The value of these benefits is shown in Table 1.

## Severance

Severance payments were made to Key Management Personnel in 2019. The value of these payments is shown in Table 1.

# Part two

**Table 1** - Remuneration paid to members of management and oversight bodies, General Managers and Key Management Personnel

A	B	C	D	1	2
NAME AND SURNAME	POSITION	PERIOD IN OFFICE	EXPIRY OF TERM OF OFFICE (APPROVAL OF FINANCIAL STATEMENTS FOR)	FIXED PAY	FEES FOR PARTICIPATION IN BOARD COMMITTEES
<b>Catia Bastioli</b>	<b>Chairwoman of the Board of Directors</b>	01/01/2019-31/12/2019	2019		
(I) Remuneration from the company preparing the financial statements				€ 50,000.00	
(II) Remuneration from subsidiaries and associates				€ 188,000.00	
<b>(III) Total</b>				<b>€ 238,000.00</b>	
<b>Luigi Ferraris</b>	<b>Chief Executive Officer and General Manager</b>	01/01/2019-31/12/2019	2019		
(I) Remuneration from the company preparing the financial statements				€ 35,000.00	
				€ 200,000.00	
				€ 850,000.00	
(II) Remuneration from subsidiaries and associates					
<b>(III) Total</b>				<b>€ 1,085,000.00</b>	
<b>Paolo Calcagnini</b>	<b>Director</b>	15/02/2019-31/12/2019	2019		
(I) Remuneration from the company preparing the financial statements				€ 30,509.13	
(II) Remuneration from subsidiaries and associates					
<b>(III) Total</b>				<b>€ 30,509.13</b>	
<b>Fabio Corsico</b>	<b>Director</b>	01/01/2019-31/12/2019	2019		
(I) Remuneration from the company preparing the financial statements				€ 35,000.00	€ 90,000.00
(II) Remuneration from subsidiaries and associates					
<b>(III) Total</b>				<b>€ 35,000.00</b>	<b>€ 90,000.00</b>
<b>Luca Dal Fabbro</b>	<b>Director</b>	01/01/2019-22/03/2019	2019		
(I) Remuneration from the company preparing the financial statements				€ 8,562.11	€ 36,420.77
(II) Remuneration from subsidiaries and associates					
<b>(III) Total</b>				<b>€ 8,562.11</b>	<b>€ 36,420.77</b>
<b>Paola Giannotti</b>	<b>Director</b>	01/01/2019-31/12/2019	2019		
(I) Remuneration from the company preparing the financial statements				€ 35,000.00	€ 84,616.44
(II) Remuneration from subsidiaries and associates					
<b>(III) Total</b>				<b>€ 35,000.00</b>	<b>€ 84,616.44</b>
<b>Marco Giorgino</b>	<b>Director</b>	08/05/2019-31/12/2019	2019		
(I) Remuneration from the company preparing the financial statements				€ 22,718.04	€ 42,630.14
(II) Remuneration from subsidiaries and associates					
<b>(III) Total</b>				<b>€ 22,718.04</b>	<b>€ 42,630.14</b>
<b>Yunpeng He</b>	<b>Director</b>	01/01/2019-31/12/2019	2019		
(I) Remuneration from the company preparing the financial statements				€ 35,000.00	€ 40,000.00
(II) Remuneration from subsidiaries and associates					
<b>(III) Total</b>				<b>€ 35,000.00</b>	<b>€ 40,000.00</b>

3		4	5	6	7	8
VARIABLE NON-EQUITY PAYMENTS		BENEFITS IN KIND	OTHER REMUNERATION	TOTAL	FAIR VALUE OF EQUITY-BASED PAYMENTS	SEVERANCE OR TERMINATION PAYMENTS
BONUSES AND OTHER INCENTIVES	PROFIT-SHARING					
		€ 1,736.85		€ 51,736.85		
				€ 188,000.00		
		€ 1,736.85		€ 239,736.85		
				€ 35,000.00		
€ 200,000.00				€ 400,000.00		
€ 1,987,200.00		€ 54,653.34		€ 2,891,853.34	€ 435,545.80	
€ 2,187,200.00		€ 54,653.34		€ 3,326,853.34	€ 435,545.80	
		€ 133.11		€ 30,642.25		
		€ 133.11		€ 30,642.25		
		€ 545.39		€ 125,545.39		
		€ 545.39		€ 125,545.39		
		€ 196.26		€ 45,179.14		
		€ 196.26		€ 45,179.14		
		€ 521.90		€ 120,138.34		
		€ 521.90		€ 120,138.34		
		€ 285.12		€ 65,633.29		
		€ 285.12		€ 65,633.29		
		€ 327.23		€ 75,327.23		
		€ 327.23		€ 75,327.23		

A	B	C	D	1	2
NAME AND SURNAME	POSITION	PERIOD IN OFFICE	EXPIRY OF TERM OF OFFICE (APPROVAL OF FINANCIAL STATEMENTS FOR)	FIXED PAY	FEEES FOR PARTICIPATION IN BOARD COMMITTEES
<b>Gabriella Porcelli</b>	<b>Director</b>	01/01/2019-31/12/2019	2019		
(I) Remuneration from the company preparing the financial statements				€ 35,000.00	€ 121,595.89
(II) Remuneration from subsidiaries and associates					
<b>(III) Total</b>				<b>€ 35,000.00</b>	<b>€ 121,595.89</b>
<b>Elena Vasco</b>	<b>Director</b>	01/01/2019-31/12/2019	2019		
(I) Remuneration from the company preparing the financial statements				€ 35,000.00	€ 76,707.76
(II) Remuneration from subsidiaries and associates					
<b>(III) Total</b>				<b>€ 35,000.00</b>	<b>€ 76,707.76</b>
<b>Riccardo Schioppo</b>	<b>Standing Auditor</b>	01/01/2019-31/12/2019	2019		
(I) Remuneration from the company preparing the financial statements				€ 55,000.00	
(II) Remuneration from subsidiaries and associates					
<b>(III) Total</b>				<b>€ 55,000.00</b>	
<b>Vincenzo Simone</b>	<b>Standing Auditor</b>	01/01/2019-31/12/2019	2019		
(I) Remuneration from the company preparing the financial statements				€ 45,000.00	
(II) Remuneration from subsidiaries and associates					
<b>(III) Total</b>				<b>€ 45,000.00</b>	
<b>M. Alessandra Zunino de Pignier</b>	<b>Standing Auditor</b>	01/01/2019-31/12/2019	2019		
(I) Remuneration from the company preparing the financial statements				€ 45,000.00	
(II) Remuneration from subsidiaries and associates					
<b>(III) Total</b>				<b>€ 45,000.00</b>	
<b>Key Management Personnel (7)</b>					
(I) Remuneration from the company preparing the financial statements				<b>€ 1,945,399.95</b>	
(II) Remuneration from subsidiaries and associates					
<b>(III) Total</b>				<b>€ 1,945,399.95</b>	



3		4	5	6	7	8
VARIABLE NON-EQUITY PAYMENTS		BENEFITS IN KIND	OTHER REMUNERATION	TOTAL	FAIR VALUE OF EQUITY-BASED PAYMENTS	SEVERANCE OR TERMINATION PAYMENTS
BONUSES AND OTHER INCENTIVES	PROFIT-SHARING					
		€ 683.24		€ 157,279.13		
		€ 683.24		€ 157,279.13		
		€ 487.39		€ 112,195.15		
		€ 487.39		€ 112,195.15		
		€ 239.97		€ 55,239.97		
		€ 239.97		€ 55,239.97		
		€ 196.34		€ 45,196.34		
		€ 196.34		€ 45,196.34		
		€ 196.34		€ 45,196.34		
		€ 196.34		€ 45,196.34		
€ 2,731,273.94		€ 166,732.91		€ 4,843,406.80	€ 367,380.20	€ 902,324.41
€ 2,731,273.94		€ 166,732.91		€ 4,843,406.80	€ 367,380.20	

## Notes to Table 1

<b>Catia Bastioli</b>	<b>Col. 1</b>	The amount includes: - fixed annual pay pursuant to para. 1, art. 2389 of the Italian Civil Code for the position of Chairwoman (€50,000); - fixed annual pay pursuant to para. 3, art. 2389 of the Italian Civil Code for the position of Chairwoman (€188,000).
<b>Luigi Ferraris</b>	<b>Col. 1</b>	The amount includes: - fixed annual pay pursuant to para. 1, art. 2389 of the Italian Civil Code for the position of Director (€35,000); - fixed annual pay pursuant to para. 3, art. 2389 of the Italian Civil Code for the position of Chief Executive Officer (€200,000); - gross annual pay (€850,000) as General Manager.
	<b>Col. 3</b>	The amount includes: - remuneration due under the MBO scheme for 2019, relating to the position of Chief Executive Officer (€200,000); - remuneration due under the MBO scheme for 2019, relating to the position of General Manager (€411,300); - remuneration due under the LTI Plan 2017-2019, relating to the position of General Manager (€1,575,900).
<b>Paolo Calcagnini</b>	<b>Col. 1</b>	The amount represents the pro rata amount, for the period from 15 February 2019 to 31 December 2019, of the fixed annual remuneration payable pursuant to para. 1, art. 2389 of the Italian Civil Code for the position of Director (€35,000). This amount was paid in full to Cassa Depositi e Prestiti S.p.A..
<b>Fabio Corsico</b>	<b>Col. 2</b>	The amount includes: - remuneration due as Chairman of the Remuneration Committee (€50,000); - remuneration due as a member of the Nominations Committee (€40,000).
	<b>Col. 1</b>	The amount represents the pro rata amount, for the period from 1 January 2019 to 22 March 2019, of the fixed annual remuneration payable pursuant to para. 1, art. 2389 of the Italian Civil Code for the position of Director (€35,000).
<b>Luca Dal Fabbro</b>	<b>Col. 2</b>	The amount includes: - pro rata amount, for the period from 1 January 2019 to 22 March 2019, of remuneration for the position of Chairman of the Audit, Risk, Corporate Governance and Sustainability Committee (€60,000); - pro rata amount, for the period from 1 January 2019 to 22 March 2019, of remuneration due as a member of the Related Party Transactions Committee (€40,000); - pro rata amount, for the period from 1 January 2019 to 20 March 2019, of remuneration for the position of Chairman of the Nominations Committee (€50,000).
<b>Paola Giannotti</b>	<b>Col. 2</b>	The amount includes: - pro rata amount, for the period from 1 January 2019 to 19 June 2019, of remuneration due as a member of the Audit, Risk, Corporate Governance and Sustainability Committee (€40,000); - pro rata amount, for the period from 19 June 2019 to 31 December 2019, of remuneration for the position of Chairwoman of the Audit, Risk, Corporate Governance and Sustainability Committee (€60,000); - pro rata amount, for the period from 20 March 2019 to 19 June 2019, of remuneration for the position of Chairwoman of the Related Party Transactions Committee (€50,000); - pro rata amount, for the period from 19 June 2019 to 31 December 2019, of remuneration due as a member of the Related Party Transactions Committee (€40,000).

	<b>Col. 1</b>	The amount represents the pro rata amount, for the period from 8 May 2019 to 31 December 2019, of the fixed annual remuneration payable pursuant to para. 1, art. 2389 of the Italian Civil Code for the position of Director (€35,000).
<b>Marco Giorgino</b>	<b>Col. 2</b>	The amount includes: - pro rata amount, for the period from 19 June 2019 to 31 December 2019, of remuneration due as a member of the Audit, Risk, Corporate Governance and Sustainability Committee (€50,000); - pro rata amount, for the period from 19 June 2019 to 31 December 2019, of remuneration due as a member of the Related Party Transactions Committee (€40,000).
<b>Yunpeng He</b>	<b>Col. 2</b>	The amount represents remuneration due as a member of the Nominations Committee (€40,000).
<b>Gabriella Porcelli</b>	<b>Col. 2</b>	The amount includes: - remuneration due as a member of the Remuneration Committee (€40,000); - pro rata amount, for the period from 19 June 2019 to 31 December 2019, of remuneration due as a member of the Audit, Risk, Corporate Governance and Sustainability Committee (€40,000); - pro rata amount, for the period from 1 January 2019 to 20 March 2019, of remuneration for the position of Chairwoman of the Related Party Transactions Committee (€50,000); - pro rata amount, for the period from 20 March 2019 to 19 June 2019, of remuneration due as a member of the Related Party Transactions Committee (€40,000); - pro rata amount, for the period from 20 March 2019 to 31 December 2019, of remuneration for the position of Chairwoman of the Nominations Committee (€50,000).
<b>Elena Vasco</b>	<b>Col. 2</b>	The amount includes: - pro rata amount, for the period from 19 June 2019 to 31 December 2019, of remuneration for the position of Chairwoman of the Related Party Transactions Committee (€50,000); - pro rata amount, for the period from 1 January 2019 to 19 June 2019, of remuneration due as a member of the Audit, Risk, Corporate Governance and Sustainability Committee (€40,000); - pro rata amount, for the period from 20 March 2019 to 31 December 2019, of remuneration due as a member of the Remuneration Committee (€40,000).
<b>Riccardo Schioppo</b>	<b>Col. 1</b>	The amount represents the fixed annual remuneration payable pursuant to para. 1, art. 2389 of the Italian Civil Code for the position of Chairman of the Board of Statutory Auditors (€55,000).
<b>Vincenzo Simone</b>	<b>Col. 1</b>	The amount represents the fixed annual remuneration payable pursuant to para. 1, art. 2389 of the Italian Civil Code for the position of Statutory Auditor (€45,000).
<b>M. Alessandra Zunino de Pignier</b>	<b>Col. 1</b>	The amount represents the fixed annual remuneration payable pursuant to para. 1, art. 2389 of the Italian Civil Code for the position of Statutory Auditor (€45,000).
<b>Key Management Personnel</b>	<b>Col. 3</b>	The amount includes: - total remuneration due under the MBO scheme for 2019 (€1,237,724); - total remuneration due under the LTI Plan 2017-2019 (€1,493,550).
	<b>Col. 8</b>	Reference to the Framework Agreement regulating the Terna Group's management personnel in accordance with art. 4, paragraphs 1-7-ter of Law 92/2012, as amended, signed on 2 February 2018 by Terna, Federmanager and Union Representative representing management personnel within the Terna Group.

## Table 3A

Equity-based incentive plans, other than stock options,  
for members of the board of directors, general managers  
and other key management personnel

			FINANCIAL INSTRUMENTS AWARDED IN PREVIOUS YEARS THAT DID NOT VEST DURING THE YEAR	
A	B	1	2	3
NAME AND SURNAME	POSITION	PLAN	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VESTING PERIOD
<b>Luigi Ferraris</b>	<b>Chief Executive Officer and General Manager</b>			
(I) Remuneration from the company preparing the financial statements		Cycle 2018-2020 (AGM of 4 May 2018)	337,452	3 years
		Cycle 2019-2021 (AGM of 8 May 2019)		
(II) Remuneration from subsidiaries and associates				
(III) Total				
<b>Key Management Personnel (7)</b>				
(I) Remuneration from the company preparing the financial statements		Cycle 2018-2020 (AGM of 4 May 2018)	306,295	3 years
		Cycle 2019-2021 (AGM of 8 May 2019)		
(II) Remuneration from subsidiaries and associates				
(III) Total				

\* The market price at the grant date: the average closing price of the shares in the thirty stock exchange trading days prior to the grant date.

FINANCIAL INSTRUMENTS GRANTED DURING THE YEAR					FINANCIAL INSTRUMENTS VESTING DURING THE YEAR AND NOT AWARDED	FINANCIAL INSTRUMENTS VESTING DURING THE YEAR AND AWARDBLE		FINANCIAL INSTRUMENTS ATTRIBUTABLE TO THE YEAR
4	5	6	7	8	9	10	11	12
NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	FAIR VALUE AT GRANT DATE	VESTING PERIOD	GRANT DATE	MARKET PRICE ON GRANT DATE*	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VALUE AT GRANT DATE	FAIR VALUE
279,514	1,306,637.4	3 years	19/06/19	5.638				435,545.8
	<b>1,306,637.4</b>							<b>435,545.8</b>
236,556	1,102,140.6	3 years	19/06/19	5.638				367,380.2
	<b>1,102,140.6</b>							<b>367,380.2</b>



**Table 3B**

Cash-settled incentive plans for members of the board of directors, general managers and other key management personnel

A	B	1	2			3			4
NAME AND SURNAME	POSITION	PLAN	BONUS FOR THE YEAR			BONUS FOR PREVIOUS YEARS			OTHER BONUSES
			(A)	(B)	(C)	(A)	(B)	(C)	
			PAYABLE/PAID	DEFERRED	DEFERRAL PERIOD	NO LONGER PAYABLE	PAYABLE/ PAID	STILL DEFERRED	
Luigi Ferraris	Chief Executive Officer and General Manager								
		MBO 2019 (CEO)	€ 200,000.00						
		(I) Remuneration from the company preparing the financial statements	MBO 2019 (GM)	€ 411,300.00					
			LTI Plan 2017-2019 (GM)	€ 525,300.00			€ 1,050,600.00		
		(II) Remuneration from subsidiaries and associates							
(III) Total			€ 1,136,600.00			€ 1,050,600.00			
Key Management Personnel (7)									
(I) Remuneration from the company preparing the financial statements		MBO 2019	€ 1,237,723.94						
		LTI Plan 2017-2019	€ 534,569.98				€ 958,980.02		
	(II) Remuneration from subsidiaries and associates								
(III) Total			€ 1,772,293.92			€ 958,980.02			

## Form 7-ter

### Interests of members of management and oversight bodies, general managers and key management personnel

#### Shares held by Directors and Statutory Auditors, general managers and key management personnel

Pursuant to the provisions of Art. 84-*quater*, paragraph 4, of CONSOB Resolution No. 11971/99, in the tables below, the shares of TERN S.p.A. and its subsidiaries are listed held by Directors, Auditors, General Managers (table 1), and by Senior Executives with Strategic Responsibilities (table 2), as well as by not legally separated spouses and under-age children, directly or through subsidiaries, trust companies or third parties, as indicated in the company's shareholder books, in notices received and other information obtained by the members of administration and audit bodies, general managers and Senior Executives with Strategic Responsibilities themselves. Therefore, all those who, in 2019, held positions as Directors, Auditors, General Managers or Senior Executives with Strategic Responsibilities are included. The number of shares is indicated by name for the members of administration and audit bodies and for General Managers, and cumulatively, for the other Senior Executives with Strategic Responsibilities.

Table 1

NAME AND SURNAME	POSITION	INVESTE COMPANY <sup>1</sup>	NUMBER OF SHARE HELD AT THE END OF THE PREVIOUS YEAR (2018)	NUMBER OF SHARES PURCHASED (IN 2019)	NUMBER OF SHARES SOLD (IN 2019)	NUMBER OF SHARES HELD AT THE END OF 2019	TITLE <sup>2</sup>
<b>Bastioli Catia</b>	Chairwoman of the Board of Directors	TERNA S.p.A.	2,100	0	0	2,100 <sup>3</sup>	ownership
<b>Ferraris Luigi</b>	Chief Executive Officer and General Manager	-	0	10,000	0	10,000	ownership
<b>Calcagnini Paolo</b>	Director	-	0	0	0	0	-
<b>Corsico Fabio</b>	Director	-	0	0	0	0	-
<b>Dal Fabbro Luca</b>	Director	-	0	0	0	0	-
<b>Giannotti Paola</b>	Director	-	0	0	0	0	-
<b>Giorgino Marco</b>	Director	-	0	0	0	0	-
<b>He Yunpeng</b>	Director	-	0	0	0	0	-
<b>Porcelli Gabriella</b>	Director	-	0	0	0	0	-
<b>Vasco Elena</b>	Director	-	0	0	0	0	-
<b>Schioppa Riccardo Enrico Maria</b>	Chairman of the Board of Statutory Auditors	-	0	0	0	0	-
<b>Simone Vincenzo</b>	Standing Auditor	-	0	0	0	0	-
<b>Zunino de Pignier Maria Alessandra</b>	Standing Auditor	-	0	0	0	0	-
<b>Davide Attilio Rossetti</b>	Alternate Auditor	-	0	0	0	0	-
<b>Mantegazza Cesare Felice</b>	Alternate Auditor	-	0	0	0	0	-
<b>Ricotti Renata Maria</b>	Alternate Auditor	-	0	0	0	0	-

<sup>1</sup> TERN S.p.A. and its subsidiaries.

<sup>2</sup> This column - added to Form 7-ter of Annex 3A provided for in art. 84-*quater*, paragraph 4 of CONSOB Resolution 11971/99 - shows if the shares are held under ownership or a pledge, are held in usufruct, have been deposited, lent or borrowed, etc.

<sup>3</sup> Including 2,100 shares in TERN S.p.A. held by her cohabitant.

Table 2

NUMBER OF KEY MANAGEMENT PERSONNEL	INVESTE COMPANY <sup>1</sup>	NUMBER OF SHARE HELD AT THE END OF THE PREVIOUS YEAR (2018)	NUMBER OF SHARES PURCHASED (IN 2019)	NUMBER OF SHARES SOLD (IN 2019)	NUMBER OF SHARES HELD AT THE END OF 2019	TITLE <sup>2</sup>
7	-	4,850	20,718	2,718	22,850	

<sup>1</sup> TERN S.p.A. and its subsidiaries.

<sup>2</sup> This column - added to Form 7-ter of Annex 3A provided for in art. 84-*quater*, paragraph 4 of CONSOB Resolution 11971/99 - shows if the shares are held under ownership or a pledge, are held in usufruct, have been deposited, lent or borrowed, etc.

# Glossary

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**Executive Directors:** the chief executive officers of the Company or strategically important subsidiaries, including the chairs of these companies if granted executive powers or when they have a specific role in defining business strategies. Executive Directors also include Directors holding managerial positions in the Company or a strategically important subsidiary, or in the parent company when the position also relates to Terna. Finally, Directors who sit on the Executive Committee are also classified as Executive, when they have not been nominated as a Chief Executive Officer or when membership of the executive Committee, given the frequency of meetings and the matters decided on, effectively means there is systematic involvement of its members in the day-to-day running of Terna.

**Directors with delegated powers:** the Chair of the Board of Directors and the Chief Executive Officer.

**Directors without delegated powers:** all Directors except for the Chair of the Board of Directors and the Chief Executive Officer.

**Annual General Meeting (“AGM”):** the collective body that deliberates on matters relating to the Company. All the holders of voting rights are represented (either directly or by proxies) at the meeting. The AGM has the powers conferred on it by law and the Company’s Articles of Association: the most important of these are the power to approve the financial statements and to elect and terminate Directors and members of the Board of Statutory Auditors and its Chair. With regard to the Remuneration Policy, the AGM expresses a binding opinion on Section I and a non-binding opinion on Section II of the Remuneration Report.

**Clawback provisions:** these are contract provisions enabling the Company to request the return of all or a part of the variable components of remuneration paid on the basis of information that was subsequently revealed to be inaccurate or misleading or in the event of fraud or gross negligence on the part of the beneficiary, or where there have been breaches of the related laws or regulations (company rules, statutory and regulatory requirements, etc.), without which the related performance objectives would not have been met.

**Corporate Governance Code:** as defined by Borsa Italiana in July 2018, the “Corporate Governance Code for listed companies”. The document contains a series of recommendations on best practices for the organisation and governance of listed Italian companies. The recommendations are not binding, although listed companies are required to “keep the market and their shareholders informed about their governance structure and their degree of compliance with the Code”. The new “Corporate Governance Code” was published in January 2020 and is effective for annual reporting periods beginning after 31 December 2020.

**Board of Statutory Auditors:** the Company’s oversight body, which has the role of overseeing compliance with the law, the Company’s Articles of Association and with correct corporate governance principles, also verifying the adequacy of the organisational structure and administrative and accounting systems adopted by the Company and their functionality. It expresses a mandatory, albeit non-binding, opinion on the definition of the Remuneration Policy for Directors with delegated powers, which must be taken into account in the decisions taken by the Board of Directors.

**Audit, Risk, Corporate Governance and Sustainability Committee:** this is a Board Committee set up on the basis of Corporate Governance Code Principle 7. Its members are either independent Directors or, alternatively, at least 3 non-executive Directors, the majority of whom independent. In this latter case, the Committee's Chair must be independent. A description of the functions of the Audit, Risk, Corporate Governance and Sustainability Committee is provided in the Report on Corporate Governance and Ownership Structures.

**Related Party Transactions Committee:** the Committee is made up of 3 independent Directors with the roles and responsibilities provided for in CONSOB Regulation 17221/2010. A description of the functions of the Related Party Transactions Committee is provided in the Report on Corporate Governance and Ownership Structures.

**Remuneration Committee:** this is a Board Committee set up on the basis of Corporate Governance Code Principle 6. Its members are either independent Directors or, alternatively, non-executive Directors, the majority of whom independent. In this latter case, the Committee's Chair must be chosen from among the independent Directors. A description of the functions of the Remuneration Committee is provided in the Report on Corporate Governance and Ownership Structures.

**Nominations Committee:** this is a Board Committee set up on the basis of Corporate Governance Code Principle 5. Its members are either independent Directors or, alternatively, at least 3 non-executive Directors, the majority of whom independent. In this latter case, the Committee's Chair must be independent. This Committee provides the Board of Directors with opinions on the size and composition of the Board and makes recommendations regarding the kind of expertise required by new members of the Board.

**Board of Directors:** this is the collective body responsible for management of the Company. Terna S.p.A.'s Board of Directors consists of 9 Directors. It is the body with the authority for, among other things, approving the Remuneration Policy recommended by the Remuneration Committee.

**Key Management Personnel (KMP):** these managers have the direct or indirect authority and responsibility for planning, managing and overseeing the Company's operations. A definition of "Key Management Personnel" is provided in Annex 1 to the CONSOB Regulation on Related Party Transactions (no. 17221 of 12 March 2010).

**Dow Jones Sustainability Index (or DJSI or Index):** the sustainability index published annually by RobecoSAM, consisting of listed companies considered the best in terms of sustainability performance and corporate social responsibility (CSR); in this document, reference is specifically made to the "World" Index.

**EBITDA:** Earnings Before Interest, Taxes, Depreciation and Amortisation (gross operating profit) is an indicator of operating performance; it is calculated on the basis of profit before taxation, net financial income/(expenses), depreciation, amortisation and impairment losses, as reported in the annual financial statements.

**Entry level:** the minimum level for performance indicators, below which the incentive plans will not pay any bonus.

**Gate:** the performance threshold, below which no bonus is due.

**Key Performance Indicator (KPI):** this is an indicator designed to measure performance and the achievement of predetermined objectives.

**Lock-up period:** the period of one year from the end of the vesting period, during which the shares awarded are non-transferable.

**Management by Objectives (MBO):** this short-term form of incentive grants beneficiaries the right to receive an annual cash bonus, based on predetermined objectives agreed with each of the Plan beneficiaries.

**Phantom Stock:** this refers to “units” representing a share in virtual form and that track its value over time, simulating the official share price. The stock results in payment of a cash bonus. The number of “units” awarded as a bonus is linked to specific performance objectives.

**Performance Share:** this Share represents the shares in Terna S.p.A. awarded as a bonus as part of the long-term incentive plan for the period 2020-2023 linked to specific performance objectives.

**Long-term Incentive (LTI) Plan:** this is the long-term incentive plan that awards beneficiaries a bonus linked to the achievement of predetermined multi-year objectives at company level.

**Objective at target:** the level of achievement of the objective granting the right to receive 100% of the incentive.

**Overperformance:** the maximum level of achievement of the objective granting the right to receive a predetermined maximum percentage of the incentive, above 100%.

**Regulations for Issuers:** the CONSOB Regulations for Issuers (no. 11971 of 14 May 1999, as amended), containing regulations applicable to the issuers of financial instruments. On 31 October 2019, the CONSOB published a “Consultation Document” setting out its proposals for reform of the Regulations. At the date of approval of this Report, the final version of the amended Regulations has yet to be published.

**Regulation on Related Party Transactions:** CONSOB Regulation 17221 of 10 March 2010, setting out rules designed to ensure the transparency and substantive and procedural fairness of related party transactions carried out directly by the Company or through subsidiaries.

**Gross Annual Pay ("GAP"):** this refers to gross annual pay, relating solely to the fixed elements of remuneration payable under an employment contract, excluding any benefits linked to employment and any one-off payments, reimbursements of expenses and any incentive or variable component even if defined as guaranteed and/or paid as a one-off or on a continuous, repeated or deferred basis, termination benefits and any other payment provided for in law or in the applicable collective employment contract.

**Shareholder:** a person or entity holding shares in the Company.

**Stakeholder:** a person or entity with an interest in the Company and its business.

**Consolidated Law on Finance ("CLF"):** the "Consolidated Law on Finance" or Legislative Decree 58 of 24 February 1998 (as amended).

**Total Shareholder Return ("TSR"):** the total return on an equity investment, calculated as the sum of:

- i) the capital gain: the change in the share price (difference between the price at the end and at the beginning of the relevant period) as a percentage of the price at the beginning of the period;
- ii) reinvested dividends: the ratio between dividends per share paid out during the period and the share price at the beginning of the period. Dividends are deemed to have been reinvested in the shares. The source used for TSR is Bloomberg.

**Net profit:** this is an indicator of operating performance; it is calculated on the basis of the difference between revenue and operating costs after depreciation, amortisation and impairment losses, net financial income/(expenses) and taxation.

**Vesting (vesting period):** this is the period between the grant of rights under an incentive scheme and the date on which the beneficiary acquires unconditional title to the underlying shares or cash payment.





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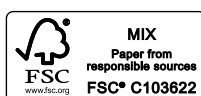
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